



सत्यमेव जयते

Report of the Comptroller and Auditor General of India (Revenue Sector)

for the year ended 31 March 2022



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest



Government of Meghalaya
Report No. 3 of 2023



REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

on

REVENUE SECTOR

FOR THE YEAR ENDED 31 MARCH 2022

GOVERNMENT OF MEGHALAYA
(REPORT NO. 3 OF 2023)

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2022 has been prepared for submission to the Governor of Meghalaya under Article 151 of the Constitution of India.

This Report contains significant findings of audit of receipts and expenditure of major revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the years 2020-21 and 2021-22 as well as those which came to notice in earlier years, but could not be included in the previous Audit Reports. Instances relating to the period subsequent to 2021-22 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

The Report of the Comptroller and Auditor General of India on Revenue Sector for the year ended 31 March 2021 and 31 March 2022 (Government of Meghalaya) contains five chapters including one Subject Specific Compliance Audit Paragraph on '*Transitional Credit Under GST for the State of Meghalaya for the period from 01 July 2017 to 31 March 2020*', one Performance Audit on '*Mining of Minor Minerals in Meghalaya*' and three Audit Paragraphs relating to State Excise and Transport departments involving ₹ 118.77 crore. The major findings are mentioned below:

Chapter-I: General

➤ During 2021-22, the revenues raised by the State Government (₹ 2,824.96 crore) was 20 *per cent* of the total revenue receipts (₹ 14,274.14 crore), lower than the revenue raised during 2019-20 (26 *per cent*) and 2020-21 (24 *per cent*). The balance 80 *per cent* of revenue receipts during 2021-22 was received from the Government of India in the form of State Share of Union taxes and duties and Grants-in-aid from the Government of India.

(Paragraph 1.1, Page 1)

➤ 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.

(Paragraph 1.10, Page 12)

Chapter-II: Taxation Department

Subject Specific Compliance Audit on 'Transitional Credit Under GST for the State of Meghalaya'

Goods and Services Tax (GST) is a significant reform in the field of indirect taxes in our country, which replaced multiple taxes levied and collected by the Centre and the States. To ensure the seamless flow of input tax credit from the existing laws to the GST regime, a 'transitional arrangement for input tax' was included in the GST Act, 2017. Section 140 of the MGST Act, 2017 enables the taxpayers to carry forward the ITC earned under the existing laws to the GST regime. The section read with Rule 117 of the MGST Rules, 2017 envisaged that all registered taxpayers, except those opting for payment of tax under the composition levy scheme, are eligible to claim transitional credit by filing TRAN-1 returns within 90 days from the appointed day. The time limit for filing TRAN-1 returns was extended initially till 27 December

2017 which was further extended to 31 March 2020 for the taxpayers who could not file TRAN-1 due to technical difficulties and for those cases recommended by the GST Council. Audit on Transitional Credit under GST for the State of Meghalaya for the period from 01 July 2017 to 31 March 2020 revealed the following:

- 19 out of 250 transitional credit claims (eight *per cent* of total claims) involving ₹ 1.32 crore had only been verified by the Department and inadmissible claims worth ₹ 0.38 crore detected of which ₹ 0.02 crore was recovered. The remaining 231 cases (92 *per cent*) involving an amount of ₹ 31.70 crore have not been verified by the Department.

(Paragraph 2.3.6.1, Page 17)

- There was an excess carry forward of transitional credit claim to the tune of ₹ 3.10 crore which needs to be reversed/recovered along with interest amounting to ₹ 1.82 crore.

(Paragraph 2.3.7.1, Page 19)

- Five dealers out of 143 cases examined by audit availed transitional credit amounting to ₹ 1.48 crore against the input credit balance of ₹ 1.26 crore available in their last MVAT returns (June 2017). This has resulted in excess carry forward of transitional credit claim of ₹ 0.22 crore.

(Paragraph 2.3.7.2, Page 21)

- Six dealers out of 143 cases examined by audit availed transitional credit amounting to ₹ 0.51 crore without filing the last six months returns under MVAT regime. This resulted in irregular carry forward of transitional credit amounting to ₹ 0.51 crore.

(Paragraph 2.3.7.3, Page 21)

- 15 dealers out of 143 cases examined by audit availed transitional credit of ₹ 4.78 crore of which ₹ 2.92 crore was ITC claims for the last three quarters (December 2016 to June 2017) against which the taxpayers had provided invoices of ₹ 0.03 crore only. Thus, inadmissible ITC amounting to ₹ 2.92 crore was availed by the taxpayers during the period.

(Paragraph 2.3.7.4, Page 22)

Recommendations:

- *The Department should put in place a mechanism to identify high value-high risk transitional credit claims and carry out their verification on priority.*
- *The Department may take steps to verify the discrepancies pointed out by Audit to ensure that only eligible ITC claims are carried over to the GST regime.*

Chapter-III: State Excise Department

- Failure of the Excise Department to ensure periodical stock taking of liquor sales led to misuse of the provisions of the notification for concessional rate of excise

duty on rum sold to canteen licencees, resulting in short realisation of revenue amounting to ₹ 1.87 crore.

Recommendations:

- *The Government needs to strengthen the mechanism for issue of sales permits to ensure that the stock of the dealer is invariably verified before the permit is issued.*
- *The Government needs to ensure recovery of dues from M/s Ram Bonded Warehouse at the earliest.*

(Paragraph 3.3, Page 30)

- Lack of internal control and regulation by the Excise Department over the functioning of Indian Made Foreign Liquor (IMFL) retail and bar licensees led to unauthorised operation of expired retail and bar licensees leading to irregular issuance of permits and non-realisation of revenue of ₹ 7.35 lakh.

Recommendation

- *Excise Department should strictly enforce the issuance of retail permits to IMFL retailers and bar licensees, only to the licence holders who had paid the annual renewal within the sechduled date of payment. Further, appropriate provision may also be made in the Meghalaya Excise Rules for punitive action with regard to retail and bar licensees who neglect to pay their dues.*

(Paragraph 3.4, Page 31)

Chapter-IV: Transport Department

- Failure on the part of the Commissioner of Transport to enforce compliance of the terms and conditions of contract agreement for setting up of integrated checkgate-cum-weighbridge and absence of monitoring on the functioning of the weighbridges resulted in non-realisation of revenue to the tune of ₹ 23.75 crore.

(Paragraph 4.3, Page 36)

Chapter-V: Forest & Environment Department

Performance Audit on ‘Mining of Minor Minerals in Meghalaya under the Forests & Environment’.

The Performance Audit on mining of Minor Minerals in Meghalaya covering the period from 01 April 2016 to 31 March 2021 was conducted during October 2021 to March 2022 to evaluate the compliance on the grant and execution of mining leases, collection of minor minerals receipts, the effectiveness in monitoring illegal excavation/transportation of minor minerals and safeguarding the environmental sustainability while granting and operating of mining leases. Audit observations in this Performance Audit have revenue implication of ₹ 41.38 crore and some of the major observations are detailed below:

Granting and execution of mining leases

Provisions of MMMCR Rules 2016 had not been complied by the DFOs, while issuing/granting the mining lease as cases of granting mining leases despite non-submission/delay in submission of mandatory documents as well as cases of lease being granted within restricted areas and mining activities being carried out beyond lease areas were also observed. Besides, absence of proper accounting of Form H and cases of issuance of Form-H to non-lease holders were also noticed.

Recommendations

- *The Department should review all the mining leases pointed out in Audit, which have been granted without adherence to the statutory requirements. Further, the Department should put in place appropriate procedures for the forest officials and other authorities to ensure strict compliance with the provisions of MMMCR Rules, 2016 while granting mining leases in the State.*
- *The Department may investigate all cases of violation of the MMMCR, 2016, fix responsibility and take punitive action under Rule 36 of MMMCR 2016 read with sub-section (2) of section 21 of Mines and Mineral (Development and Regulation) Act, 1957.*
- *The matter relating to issuance of Form H to non-lease holders should be investigated, and accountability should be fixed to avoid repetition of such irregularities.*

➤ (Paragraph 5.3.8, Page 49)

Assessment and collection of minor mineral receipts viz., royalty, fees and others

There was revenue loss to the State due to short/ non-collection of royalty, MMMRF, cess and stamp duty on minor minerals.

There were no clear instructions from the Government for monitoring the minor minerals utilised by contractors for construction works of Government Departments which resulted in short/non-collection of royalty, MMMRF and cess.

Further, despite royalty and MMMRF on minor minerals being collected by F&E Department and cess collected by the Mining & Geology (M&G) Department, there was no mechanism between the two Departments to exchange information on the quantity of minor minerals transported by the lessees which resulted in non-realisation of cess on minor minerals.

Boulder stones extracted during construction of roads/widening of existing roads, which was incidental in nature, were not assessed resulting in non-realisation of royalty and other dues.

Recommendations

- *The Department, in addition to actively following up with the user agencies regarding the timely submission of accounts for the minerals utilised and realising the balance amount of royalty from the contractors, also needs to*

issue clear instructions to ensure that minor minerals utilised by contractors were obtained from mining leases. The contractors should also submit a certificate from the lessee that the minor minerals were procured from mining lease areas. Further, Government may also initiate an inquiry on the issue of short/non deduction of royalty by the user departments.

- *The State Government may identify the permit holders/vendors who has not deposited the royalty in full and ensure that royalty is recovered from them*
- *The Government should take steps to ensure that there is timely and proper dissemination of information from the Apex level to field offices to avoid delays in implementation of executive orders. The Government should also fix responsibility in cases where there is loss of revenue to the State due to administrative delays.*
- *The Department needs to issue instructions to all DFOs that Form H shall be issued to the lessees only after advance payment of cess as was in the case of payment of royalty and MMMRF, to prevent leakage of cess.*
- *Extraction of boulder stone which is incidental in nature, arising out of construction of roads or widening of existing roads carried out by agencies like NHIDCL and similar agencies, should be assessed and collection of applicable royalty and cess, should be ensured.*

(Paragraphs 5.3.9 Page 59)

Monitoring and vigilance mechanism

Monitoring and vigilance mechanism in the Department was inadequate and ineffective to prevent illegal excavation/transportation of minor minerals.

There were cases where the lessees did not submit the monthly/annual returns within the stipulated time to ensure that minor minerals were transported as per the quantity mentioned in the transport challans.

Cases of illegal mining still continue in the State.

There were deficiencies in monitoring of vehicles at the check-gates leading to under-reporting of vehicles carrying minor minerals *vis-à-vis* records of DFOs concerned and Land Customs Station.

Recommendations

- *The Department may consider amendment of MMMCR Rules, 2016 to impose penalty for delay/ in non-submission of monthly/annual returns by the lessees to ensure that minor minerals were transported as per declaration made in the returns.*
- *Government may fix responsibility of the erring forest department officials for their failure to detect illegal mining activities.*
- *The DFOs (T) should conduct monthly reconciliation with data of LCS on number of trucks and quantity of minor mineral exported to Bangladesh with check-gate records.*

- *The Department should rationalise deployment of manpower in each check-gate in conjunction with the number of trucks passing through the check-gates.*
- *For improving the manning of check-gates and to plug the leakage of revenue, the Department may consider installing electronic surveillance system, including Radio Frequency Identification (RFID), CCTV and electronic weighment machines at all forest check-gates, to ensure accurate recording of number of vehicles along with the weight of transported minerals passing through these check-gates.*

(Paragraphs 5.3.10, Page 69)

Safeguarding of environmental sustainability while granting of mining leases and operation of mines

Mitigation measures to safeguard the environment before and after the grant of mining lease are inadequate. Despite two or more mining leases being in close proximity to each other, the Department has not declared cluster zones based on the GoI criteria of 500 meters gap between the boundaries of such mining leases.

DSRs, though prepared, were not complete in all respects and also not based on survey reports.

Recommendations:

- *The Department needs to fix responsibility for non-conducting periodic inspection of lease areas to ensure that the conditions stipulated while issuing various clearance were strictly complied by the lessees to safeguard the environment.*
- *District Survey reports should be prepared for each district based on annual survey report*

(Paragraphs 5.3.11, Page 80)

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.	Revenue raised by the State Government					
	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
	Total	1,816.73	2,220.94	2,421.36	2,595.73	2,824.96
2.	Receipts from the Government of India					
	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
	Total	7456.75	7497.68	6,992.16	8,087.51	11,449.18
3.	Total Revenue Receipts (1 and 2)	9,273.48	9,718.62	9,413.52	10,683.24	14,274.14
4.	Percentage of 1 to 3	19.59	22.85	25.72	24.30	19.79

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 (+)/ decrease (-) in 2021-22 over 2020-21	
	BEs	Actuals	BEs	Actuals								
Others ¹	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
Total	1,558.98	1,450.10	1,716.21	1,793.24	2,089.80	1,891.25	4,784.55	2,072.57	2,579.23	2,300.38	(-) 46.09	(+) 10.99

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 (+)/ decrease (-) in 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
Total	512.77	366.63	538.10	427.70	600.57	530.11	690.29	523.17	694.03	524.58	(+) 0.54	(+) 0.27

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.

¹ 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
Total Registrants	28,532	100	29,988	100

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

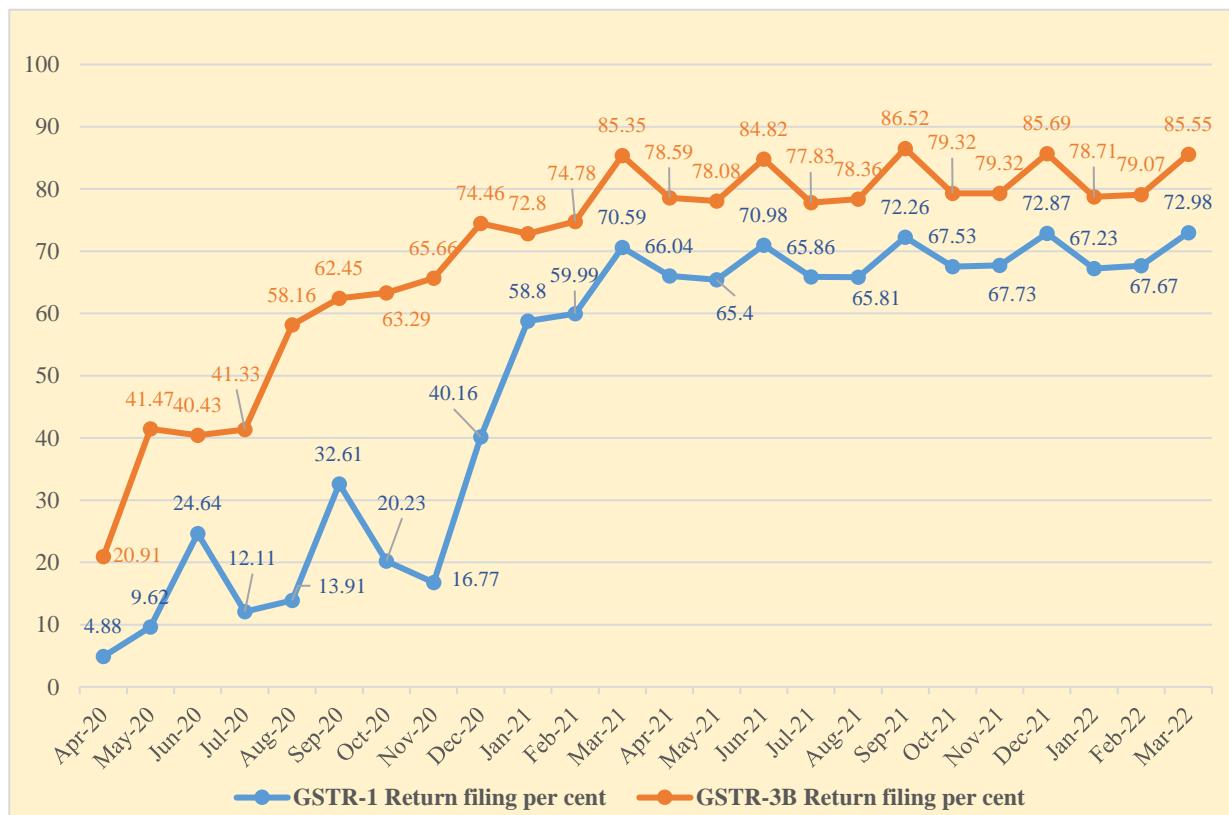
The filling of GSTR-1² and GSTR-3B³ returns is mandated under Section 37 and 39 (1) of the Meghalaya Goods and Services Tax (MGST) Act. The system envisages that both the returns are linked to enable the assessing officer to accurately assess the tax dues of dealers, for a particular month.

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

³ 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 filling 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

Year	Actuals (₹ in crore)
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

Month	Provisional Compensation due	Provisional compensation received	Shortfall/ surplus, if any (₹ in crore)
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
Total	660.96	334.87	(-) 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

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
IGST cross utilised between			
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
Commodities				
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
Services				
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	
Total		117.83	46.93	

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						
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	
								No. of cases		Amount (₹ in crore)			
		2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	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
Total		0	32	91	63	91	95	59	69	0.19	0.37	32	26

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 IRs⁴ (₹ 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
Total		437	2,088	6,319.20	433	2,065	6,614.87

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

⁴ 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 paragraphs⁵ between April 2011 and March 2022 and their recommendations on 14 paragraphs were incorporated in two PAC Reports (37th and 39th Reports) for the years 2008-09 and 2009-10. However, ATNs have not been received from the Departments concerned (March 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
Total		14

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.

⁵ 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
Total	03	643.27	03	413.15	NIL

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.

CHAPTER – II

TAXATION DEPARTMENT

CHAPTER-II **TAXATION DEPARTMENT**

2.1 Tax Administration

The Taxation Department is responsible for the administration of taxes on sales, trade, *etc.*, in the State. The collection of tax is governed by the provisions of the Meghalaya Value Added Tax (MVAT) Act, 2003; the MVAT Rules, 2005; the Central Sales Tax (CST) Act, 1956; the CST Rules, 1957; the Meghalaya Sales of Petroleum and Petroleum Products (including Motor Spirit) and Lubricants Taxation (MSL) Act, 1972, *etc.* With the introduction of Goods & Services Tax (GST) on 01 July 2017, CST Act and MVAT Act have been repealed.

The Principal Secretary/Commissioner and Secretary to GoM, Excise, Registration, Taxation and Stamps (ERTS) Department holds the overall charge of the Taxation Department at the Government level. The Commissioner of Taxes (CoT) is the Head of the Department and is responsible for administration of all taxation measures, for general control and supervision over the zonal offices, unit offices and over the staff engaged in collection of taxes, and also to guard against evasion of taxes. The CoT is also the authority for disposing of revision petitions under all taxation acts and laws besides providing clarifications under the MVAT Act, 2003. The CoT is assisted by Joint Commissioner of Taxes (JCT), Assistant Commissioners of Taxes (ACTs), Superintendents of Taxes (STs) and Inspectors of Taxes both at the Headquarters and zonal/unit levels. At the district level, 17 Superintendents of Taxes (STs) have been entrusted with the work of registration of dealers, scrutiny of returns, collection of taxes, levy of interest and penalty, issue of road permits/ declaration forms, enforcement and supervision.

2.2 Results of Audit

Test-check of records of 14 units and four units during 2020-21 and 2021-22 respectively revealed non-levy/short levy of taxes, loss of revenue, other irregularities, *etc.*, in 116 and 53 cases involving an amount of ₹ 1,068.34 crore and ₹ 354.71 crore respectively, which fall under following categories:

Table 2.2.1: Results of Audit

Sl. No.	Category	2020-21		2021-22		(₹ in crore)
		No. of cases	Amount	No. of cases	Amount	
1.	Loss of revenue	6	31.42	-	-	
2.	Evasion/Non-payment of tax	24	74.92	15	156.38	
3.	Concealment	15	8.34	-	-	
4.	Non-levy/ Short levy of tax	13	28.20	2	34.88	
5.	Other irregularities	58	925.46	36	163.45	
Total		116	1,068.34	53	354.71	

During the years 2020-21 and 2021-22, the Department accepted under-assessment and other deficiencies to the tune of ₹ 16.21 crore and ₹ 290.10 crore in 23 cases and 40 cases respectively. Recovery of ₹ 2.73 crore and ₹ 0.07 crore in 13 cases and two cases were made at the instance of audit during 2020-21 and 2021-22 respectively.

This chapter contains a Subject Specific Compliance Audit on '***Transitional Credit Under GST***' having financial impact of ₹ 51.70 crore as discussed in **Paragraph 2.3**.

2.3 Subject Specific Compliance Audit (SSCA) on Transitional Credit under GST

2.3.1 Introduction

Goods and Services Tax (GST) is a significant reform in the field of indirect taxation in our country, which replaced multiple taxes levied and collected by the Centre and the States. To ensure the seamless flow of input tax credit from the existing laws to the GST regime, a ‘transitional arrangement for input tax credit (ITC)’ was included in the GST Act, 2017. Section 140 of the MGST Act, 2017 enables taxpayers to carry forward the ITC earned under the existing laws to the GST regime. The Section, read with Rule 117 of the MGST Rules, 2017, envisaged that all registered taxpayers, except those opting for payment of tax under the composition levy scheme, are eligible to claim transitional credit by filing TRAN-1 returns within 90 days from the appointed day⁶. The time limit for filing TRAN-1 returns was extended initially till 27 December 2017 which was further extended to 31 March 2020⁷ for taxpayers who could not file TRAN-1 due to technical difficulties and for those cases recommended by the GST Council.

The organisational set up of the Taxation Department is given at **Appendix 2.3.1**.

2.3.2 Audit objectives

The Subject Specific Compliance Audit (SSCA) on transitional credit claimed under GST was carried out with the following audit objectives with a view to seeking an assurance on whether:

- the mechanism envisaged by the Department for verification of transitional credit claims was adequate and effective (systemic issues); and
- the transitional credit carried over by the taxpayers into the GST regime were valid and admissible.

⁶ 01 July 2017.

⁷ Vide CBIC order No. 01.2020-GST dated 07 February 2020. However, the Taxation Department, Meghalaya has not issued a notification to this effect.

2.3.3 Audit scope

The scope of audit comprised a review of transitional credit claim returns, both TRAN-1⁸ and TRAN-2⁹, filed by the taxpayers under the transitional arrangements for input tax provided for under Section 140 of the MGST Act and covered the period from 01 July 2017 to 31 March 2020.

The audit commenced with entry conference on 08 April 2021 wherein the audit objectives, scope, criteria and methodology were explained. Following the completion of the field work an exit meeting was held on 30 September 2021 wherein the audit findings were discussed. Departmental replies obtained during the exit meeting were incorporated in the Report appropriately. The draft inspection report was issued to the Department on 11 November 2021.

Audit verification involved the scrutiny of process and outcomes of Departmental verifications along with detailed independent verification of selected claims. Verification of individual transitional credit claims entails the examination of MVAT credit claimed by taxpayers in the last six-monthly returns filed under existing laws, immediately preceding the appointed date, along with documentary evidence in support of such claims. Further, verification of input tax claimed pertaining to materials held in stock involves examination of necessary accounting details, documents or records evidencing purchase of such goods.

2.3.4 Audit methodology and audit criteria

Audit verified transitional credit claims of selected taxpayers through data analysis and verification of records under MVAT regime available with 16 taxation circles as well as the Commissionerate. The tabular representation of the audited quantum and the transitional credit amount involved therein is given below:

Table 2.3.1: Quantum of transitional credit claims audited and amount objected
(₹ in crore)

No. of transitional claims audited	Amount audited	No. of cases objected in Audit	Amount of transitional credit claims objected in Audit (₹ in crore)
143	27.89	75	21.91

The criteria against which the audit objectives were benchmarked were based on the provisions of Section 140 of the MGST Act, 2017 read with Rules 117 of the MGST Rules, 2017, Meghalaya VAT Act, 2003 and Rules framed thereunder and notifications/circulars issued by the Central and State GST Commissionerate from time to time.

⁸ Every registered dealer who was entitled to carry forward ITC from earlier regime to GST regime required to submit declaration in TRAN-1 electronically.

⁹ TRAN-2 was used to avail the credit in electronic cash ledger for the eligible duties and taxes paid earlier under pre-GST regime by the registered taxpayers who registered from GST but were not registered under the old regime. The dealers who did not have a VAT or excise invoice of the stock held on 30th June 2017 can fill this form.

2.3.5 Audit sample and non-production of records

For the purpose of this audit, 146 out of 250 transitional claims¹⁰ having money value of ₹ 27.89¹¹ crore were selected¹² for detailed check, of which, 143 cases having money value of ₹ 27.89 crore were produced to audit by the Taxation Department. Records pertaining to the remaining three cases/dealers¹³ with a total money value of ₹ 0.001 crore¹⁴ were not produced. The Commissioner of Taxes (CoT) stated (August 2021) that these dealers were not found registered under the MVAT Act.

AUDIT FINDINGS

As against 143 cases valued at ₹ 27.89 crore which includes SGST of ₹ 24.40 crore, verified in audit, instances of non-compliance were observed in 75 cases (52.45 *per cent*) involving excess/wrong availment of transitional credit of ₹ 21.91 crore. Other amounts objected in audit amount to ₹ 29.79 crore and the total amount objected to was ₹ 51.70 crore. The audit findings on transitional credit claims under GST are grouped under two categories *viz.*, (i) Systemic issues (objective-1) and (ii) Compliance issues (objective-2) as discussed in the succeeding paragraphs. The extent of deficiencies noticed in audit is given in **Table 2.3.2** below:

Table 2.3.2: Extent of deficiencies noticed (deviation)

(₹ in lakh)

Nature of Audit Observation (indicative only)	Audit Sample		Number of deficiencies noticed		Deficiencies as percentage of sample	
	Number	Amount	Number	Amount	Number	Amount
Excess carry forward of input tax credit (Paragraphs 2.3.7.1, 2.3.7.2, 2.3.7.4, and 2.3.7.5)	143	2,788.79	46	797.00	32.17	28.58
Irregular claim of transitional credit on stock entered in books of accounts after the permissible period (Paragraph 2.3.7.7)	143	2,788.79	5	6.31	3.50	0.23
Irregular availment of transitional credit on exempted goods (Paragraph 2.3.7.8)	143	2,788.79	8	16.41	5.59	0.59
Irregular availment of transitional credit without filing MVAT return (Paragraph 2.3.7.3)	143	2,788.79	6	50.99	4.19	1.83
Inadmissible carry forward of transitional credit on negative turnover (Paragraph 2.3.7.9)	143	2,788.79	1	1,284.00	0.70	46.04

¹⁰ Out of 21,958 dealers, 250 dealers claimed transitional credit under GST from 01 July 2017 to 31 March 2020.

¹¹ 146 cases having a total money value of ₹ 27,88,78,665.

¹² Based on high risk/ representative sample pertaining to the state.

¹³ Three cases could not be verified by Audit as the Department stated that the dealers were not registered under the Taxation Department under the MVAT Act. They include (i) Indian Bank – GSTIN 17AAACI1607G1Z0; (ii) M/s Entertainment Network (India) Limited – GSTIN 17AAACE7796G1ZA; and (iii) M/s RD Enterprise – GSTIN 17ANNPD0504E1ZK.

¹⁴ Out of the 146 selected cases, records of three cases (M/s Indian Bank, M/s Entertainment Network (India) Limited and M/s RD Enterprise) having a total money value of ₹ 13,663/- were not produced by the Department. Hence, only 143 cases with a total money value of ₹ 27,88,65,002.2/- were audited.

A summary of the claims of transitional credit as well as the amount accepted by the Taxation Department and the amount recovered at the instance of Audit is given in **Table 2.3.3:**

Table 2.3.3: Details of Transitional credit claimed as well as the amount accepted by the Taxation Department, etc.

Total transitional credit claimed	Amount of transitional credit objected in Audit	Other amounts objected in Audit	Total objected amount	Amount accepted by Department	₹ in crore)	
					Tax	Interest
33.02 ¹⁵	21.91	29.79	51.70	16.47	0.62	0.11

Source: Information furnished by the SsT, Taxation Department, Government of Meghalaya.

The total amount objected in Audit includes amount of differential tax liable to be paid by dealers who had claimed inter-state sales and inter-state stock transfer without furnishing all the requisite ‘C’ and ‘F’ declaration forms. Against an actual tax rate of five *per cent* these dealers paid tax at only two *per cent* and were thus liable to pay the differential tax amount of three *per cent*. Hence, the amount objected in Audit is greater than the actual amount of transitional credit claimed.

2.3.6 Systemic issues

The systemic issues pertain to the adequacy and effectiveness of the mechanism envisaged by the Department for verification of transitional credit claims as follows:

2.3.6.1 Absence of laid down mechanism for verification of transitional credit claims and non-verification of transitional credit claims

Rule 121 of the MGST Rules, 2017 states that the amount credited into the Electronic Credit Ledger (ECL) of the dealer may be verified and in cases where any credit has been wrongly availed, whether wholly or partly, proceedings shall be initiated against the dealer under Section 73 or Section 74 (as the case may be) of the MGST Act, 2017.

The Central Board of Indirect Taxes and Customs (CBIC) had issued instruction¹⁶ to the CGST offices for verification of transitional credit of CGST irrespective of whether the taxpayer is allotted to the Central Government or the State Government for the purpose of GST.

Audit observed¹⁷ that the State Taxation Department had neither notified a mechanism for verification of transitional credit claims of the dealers, nor were any instructions issued to the Superintendents of Taxes (SsT) to verify the transitional credit claims of the dealers in line with the CBIC’s instructions *ibid*. The reason for the same was not stated.

¹⁵ This amount is inclusive of SGST claims amount of ₹ 26.19 crore.

¹⁶ D.O.F. No. 267/8/2018-CX.8 dated 14 March 2018. However, similar instruction has not been issued by the Taxation Department, Meghalaya till date.

¹⁷ As per Rule 121 of the MGST Rules, 2017 which provides for verification of all amounts credited into the Electronic Credit Ledger of a dealer, including transitional credit.

Scrutiny of records of the Taxation Department pertaining to transitional credit claims revealed that as on 31 March 2020, 21,958 dealers have been registered under the State GST department, of which, 250 dealers had claimed transitional credit during the period from 01 July 2017 to 31 March 2020, amounting to ₹ 33.02 crore as given in **Table 2.3.4.**

Table 2.3.4: Statement of transitional credit claims and status of verification

(₹ in crore)

Total No. of registered dealers under State GST jurisdiction	Total No. of dealers who claimed transitional credit	Amount of transitional credit claimed	No. of transitional credit claims verified by the Department (%)	Amount of transitional credit claims verified (%)	Ineligible credit detected based on verification		Amount recovered
					Cases	Amount	
21,958	250	33.02	19 (8)	1.32 (4)	03	0.38	0.02

Source: Information furnished by the Superintendents of Taxes (SsT), Circle I to XVI.

As can be seen from the table above, 19 out of 250 transitional credit claims (*eight per cent* of total claims) involving ₹ 1.32 crore had been verified by the Department out of which approximately one-sixth cases were found inadmissible. The Department detected inadmissible claims worth ₹ 0.38 crore (*28.79 per cent* of total claims verified), out of which ₹ 0.02 crore was recovered. The remaining 231 cases (*92 per cent*) involving an amount of ₹ 31.70 crore have not been verified by the Department. The taxation circle-wise position is given at **Appendix 2.3.2.**

Non-verification of the transitional credit cases to the extent of *92 per cent* of all such claims poses a potential risk of excess claim/excess carry forward of transitional credit and resultant loss to the State Exchequer.

On this being pointed out (November 2021), the ST, Circle VIII stated (January 2022) that in respect of 20 dealers¹⁸ under his jurisdiction, action has been taken to verify the case records of the dealers or to requisition case records of dealers that are not present within the Circle. Out of these, four dealers¹⁹ have had their transitional credit claims verified by the ST. However, replies from the SsT in respect of the other 111 unverified transitional credit claim are yet to be received (December 2022).

Recommendation: *The Department should put in place a mechanism to identify high value-high risk transitional credit claims and carry out their verification on priority.*

¹⁸ (1) M/s Entertainment Network (2) M/s Bharti Hexacom (3) M/s Vodafone Mobile Services Ltd (4) M/s Madhuri Singh (5) M/s Deepak Gupta (6) M/s Gauri Bhattacharya (7) M/s Manajit Dhar (8) M/s HLL Lifecare Ltd (9) M/s NK Trading Company (10) M/s Necon Power & Infra Ltd. (11) M/s Forever Living India (12) M/s Ess Bee Enterprises (13) M/s North East Store Pvt. Ltd (14) M/s HV Airconditioning Systems (15) M/s Kone Elevator India Pvt. (16) M/s Manoj Jain (17) M/s KB Singh (18) M/s Genemi Enterprise (19) M/s SG Enterprise (20) M/s Fahrenheit.

¹⁹ (1) M/s Ess Bee Enterprise (2) M/s KB Singh (3) M/s Genemi Enterprise (4) M/s SG Enterprise.

2.3.7 Compliance issues

Audit observations on compliance issues are based on cross-verification of records of sampled 143 transitional claims under Forms TRAN-1 and TRAN-2 with the respective invoices/challans/TDS certificates/VAT returns/assessment orders of taxpayers of 16 Taxation Circles²⁰.

2.3.7.1 Excess claim of transitional credits on the assessed/scrutinised cases

Rule 121 of the MGST Rules, 2017 provides that the amount credited in the ECL may be verified by the proper officer and proceedings may be initiated in respect of any credit wrongly availed, whether wholly or partly. Further, Section 73 (1) of MGST Act, provides that where input tax credit has been wrongly availed or utilised by any person, he should pay the amount along with interest. Furthermore, Section 50 (1) of MGST Act provides that if every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, fails to pay the tax or any part thereof to the Government within the period for which the tax or any part thereof remains unpaid, he shall pay interest at such rate, not exceeding 18 *per cent*, as may be notified by the Government.

Audit observed that 13 sampled dealers (out of 93 cases of claims under **Table 5c**²¹ from the 143 cases examined) had availed excess transitional credit amounting to ₹ 2.35 crore (out of the total sample of ₹ 27.89 crore) in **Table 5c** by filing Form TRAN-1. However, as evident from the assessment/scrutiny orders (June 2017/January 2018) of Assessing Authorities, there was also a due demand of ₹ 0.75 crore against these dealers. This resulted in excess carry forward of transitional credit claim to the tune of ₹ 3.10 crore (₹ 2.35 crore + ₹ 0.75 crore). Thus, the amount of ₹ 3.10 crore needed to be reversed/recovered along with interest amounting to ₹ 1.82 crore (**Appendix 2.3.3**).

On being pointed out (August 2021), five STs reported recovery of excess claim in seven cases amounting to ₹ 0.42 crore, along with interest of ₹ 0.04 crore. In five cases, no action was taken. In respect of one case, the ST, Ri Bhoi Circle stated that owing to the defects of the GST system the amount was only partially credited to the SGST head. The details are given in the following table:

Transitional Credit Claim of M/s BSC – C & C ‘JV’

In October 2017, M/s BSC – C&C ‘JV’ (GSTIN 17AADFB8115G2Z) under the jurisdiction of the ST, Ri Bhoi, claimed transitional credit amounting to ₹ 1.09 crore which was credited to the dealer’s Electronic Credit Ledger in the same month. Audit scrutiny (August 2021) revealed that the dealer had Input Tax Credit (ITC) balance of the same amount as per his MVAT returns for the period ending June 2017. However, as per his assessment order (January 2018) for the period ending June 2017,

²⁰ Superintendents of Taxes Circle-I, II, III, IV, V, VI, VII, VIII, XIII (Non-Resident Circle), ST Jowai, Khliehriat, Nongpoh, Nongstoin, Tura Circle I, Tura Circle II and ST Williamnagar.

²¹ Table 5c gives details of inputs/capital goods sent to job worker and subsequently supplied from premises of job worker, and losses and wastes.

the dealer was allowed only ₹ 0.74 crore as ITC. This resulted in excess carry forward of transitional credit by the dealer amounting to ₹ 0.35 crore.

On this being pointed out by Audit (August 2021) the Department stated (March 2022) that the dealer had been issued a showcause notice, to which the dealer responded by stating that the excess amount of ₹ 0.35 crore had been reversed. However, due to the defects in GST system the amount of ₹ 0.35 crore was divided equally between the CGST and SGST heads instead of being credited wholly to SGST head under which the amount was liable to be paid.

Audit recommends that the Taxation Department may pursue the matter with GSTN for rectification.

Transitional Credit Claim of M/s Rainbow Electricals

Similarly, in the case of M/s Rainbow Electricals, (GSTIN 17ACNPB3823D1ZZ) under the jurisdiction of the ST, Tura Circle - I, Audit observed that the dealer had availed transitional credit amounting to ₹ 23.02 lakh which was credited to his Electronic Credit Ledger in December 2017. However, this dealer had a due demand of ₹ 1.12 crore as per the assessment order. Thus, there was excess carry forward of transitional credit by the dealer amounting to ₹ 1.36 crore, on which interest amounting to ₹ 0.90 crore at the rate of 18 *per cent* per annum is also leviable.

The matter was pointed out by Audit in September 2021; however, till date (December 2022) no reply has been furnished by the Department.

Transitional Credit Claim of M/s NCC Ltd.

Audit also observed in the case of M/s NCC Ltd. (GSTIN 17AAACN7335C1ZQ) under the jurisdiction of the ST, Circle – VII, that the dealer had transitional credit amounting to ₹ 0.56 crore as per his last MVAT return. Although the dealer did not avail any transitional credit, Audit nevertheless observed that he had a due demand of ₹ 1.03 crore pending against him as per assessment order. This led to excess carry forward of transitional credit amounting to ₹ 1.03 crore, which was credited in his Electronic Credit Ledger in October 2017. This amount of transitional credit is inadmissible and is recoverable from the dealer along with interest amounting to ₹ 0.73 crore at the rate of 18 *per cent* per annum.

The matter was pointed out by Audit in September 2021; however, till date (December 2022) no reply has been furnished by the Department.

Taxation circle wise replies is given at **Appendix 2.3.3 (A)**.

Non-detection of ineligible claims made by dealers with due demand of tax still outstanding against them indicates failure to exercise proper checks on the part of the Tax Assessing Authority thus leading to retention of ineligible transitional credit claims by these dealers contrary to the provisions of the MGST Act and MGST Rules.

Further reply is awaited (December 2022).

2.3.7.2 Transitional credit claims over and above the last MVAT returns

Section 140 (1) of the MVAT Act states that a registered person, other than a person opting to pay tax under Section 10²², shall be entitled to take in his Electronic Credit Ledger credit of the amount of Value Added Tax carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law, not later than ninety days after the said day, in such manner as may be prescribed.

Scrutiny of records of 16 (sixteen) Taxation Circles revealed that five dealers (out of 93 cases of claims under **Table 5c** from the 143 cases examined) availed transitional credit amounting to ₹ 1.48 crore in **Table 5c** by filing Form TRAN-1 against the balance available in their last MVAT returns (June 2017) of ₹ 1.26 crore. This has resulted in excess carry forward of transitional credit claim of ₹ 0.22 crore. The amount of ₹ 0.22 crore needs to be reversed/recovered along with interest amounting to ₹ 0.12 crore at 18 *per cent per annum* (**Appendix 2.3.4**).

On being pointed out (August 2021), two STs reported recovery of excess claim in two cases amounting to ₹ 0.03 crore, along with interest of ₹ 0.03 crore. In three other cases, no action was taken by the STs (**Appendix 2.3.4(A)**).

Further reply is awaited (December 2022).

2.3.7.3 Claim of transitional credit without filing the last six months' returns

As per Section 140 (1) (ii) of the MGST Act, 2017, a registered person/dealer shall not be allowed transitional credit if he did not furnish all the returns required under the existing law for the period of six months immediately preceding the appointed date.

Scrutiny of records of four Taxation Circles revealed that six dealers (out of 93 cases of claims under **Table 5c** from the 143 cases examined) availed transitional credit amounting to ₹ 0.51 crore in **Table 5c** by filing Form TRAN-1 without filing the last six months' returns under MVAT regime. This resulted in irregular carry forward of transitional credit amounting to ₹ 0.51 crore. The transitional credit amounting to ₹ 0.51 crore availed by the dealers in violation of extant rules is liable to be reversed along with interest of ₹ 0.35 crore. (**Appendix 2.3.5**).

On being pointed out (September 2021), one ST reported partial recovery of excess claim in one case amounting to ₹ 0.08 crore. In one case, further action after issuance of showcause notice was yet to be intimated by the ST. In two cases, the ST informed that the case records are not available in the Circle and in two other cases, no action was taken by the STs (**Appendix 2.3.5(A)**).

Further reply is awaited (December 2022).

²² Section 10 of the MGST Act 2017 prescribes the rate of tax payable by a registered person whose turnover did not exceed ₹ 50 lakh in a year.

2.3.7.4 Excess carry forward of transitional credit of Input Tax Credit (ITC) without invoices

Section 11 (4) of MVAT Act, 2003 provides that no input tax credit under this section shall be allowed to a registered dealer against his purchases, unless the amount of tax has been separately charged and shown in the tax invoice issued to him by a registered dealer from whom purchases of such goods have been made.

Scrutiny of records of Taxation Circles revealed that 15 dealers (out of 93 cases of claims under **Table 5c** from the 143 cases examined) availed transitional credit amounting to ₹ 4.78 crore in **Table 5c** by filing Form TRAN-1. Further scrutiny of MVAT returns of the taxpayers for the last three quarters (December 2016 to June 2017) revealed that the taxpayers had availed ITC amounting to ₹ 2.92 crore during the aforesaid period, against which the taxpayers had provided invoices valued at ₹ 0.03 crore only. Thus, inadmissible ITC amounting to ₹ 2.92 crore availed by the taxpayers during the period needs to be reversed (**Appendix 2.3.6**).

On being pointed out (September 2021), five STs furnished replies in respect of nine cases. In respect of seven other cases, no replies were furnished by the STs. Till date (December 2022) report of further action taken as well as recovery of excess claim was yet to be furnished by the Department. (**Details in Appendix 2.3.6(A)**).

Further reply is awaited (December 2022).

2.3.7.5 Transitional credit claims without supporting TDS certificates/TDS challans

Section 106 (1) of the MVAT Act, 2003 and Rule 39 of the MVAT Rules, 2005 stipulates that every person working in any Government Department including companies, corporations etc. wholly or substantially owned by the Government, responsible for making payments in respect of any sale or supply of goods or transfer of the right to use goods or works contract must deduct tax at source while making such payments and credit the same to the account of the Government within ten days from the expiry of the month to which such deduction relates. Further, Section 106(4) of the MVAT Act provides that the person making any deduction of tax under sub- section (1) and paying it to the account of the State Government shall issue a certificate of tax deduction to the payee in such manner, in such form and within such time as may be prescribed.

Scrutiny of records of Taxation Circles revealed that 13 taxpayers (out of 93 cases of claims under **Table 5c** from the 143 cases examined) availed transitional credit amounting to ₹ 2.87 crore in **Table 5c** by filing Form TRAN-1. Further scrutiny of the MVAT returns of the taxpayers for the period from October 2016 to June 2017 revealed that the taxpayers claimed TDS amounting to ₹ 2.25 crore in their legacy returns against the actual TDS certificates/payment challans of ₹ 0.52 crore only. Thus, inadmissible TDS amounting to ₹ 1.73²³ crore claimed by the taxpayers needs to be reversed (**Appendix 2.3.7**).

²³ ₹ 2.25 crore - ₹ 0.52 crore = ₹ 1.73 crore.

On being pointed out (April 2021), the Department reported recovery of ₹ 0.006 crore in one case, along with ₹ 0.006 crore interest (**Appendix 2.3.7 (A)**).

Further reply is awaited (December 2022).

2.3.7.6 Transitional credit claims without submission of declaration forms under the Central Sales Tax (CST) Act, 1956

Section 8 (4) of the CST Act, 1956 states that the provisions of sub-section (1)²⁴ shall not apply to any sale in the course of inter-State trade or commerce unless the dealer selling the goods furnishes to the prescribed authority in the prescribed manner a declaration duly filled and signed by the registered dealer to whom the goods are sold containing the prescribed particulars in a prescribed form obtained from the prescribed authority.

Further, Rule 12 (1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 states that the declaration and certificate referred to in sub-section (4) of Section 8 shall be in Forms ‘C’ and ‘D’ respectively. Rule 12 (5) then states that the declaration in sub-section 6A shall be in Form F.

Additionally, the explanation to Section 140 (1) of the MGST Act provides that so much of the said credit attributable to any claim of the CST Act 1956, that is not substantiated in the manner and period prescribed in Rule 12 of the CST (Registration and Turnover) Rules 1957, shall not be eligible to be credited to the ECL.

Also, as per Section 142 (7) (a) of the MGST Act, 2017, where in pursuance of assessment or adjudication proceedings, any amount of tax, interest or fine becomes recoverable from a person, the same shall be recovered as an arrear of tax under the MGST Act and this recovered amount is not admissible as Input Tax Credit under the MGST Act 2017.

Furthermore, Rule 121 of the MGST Rules, 2017 provides that the amount credited in the ECL may be verified by the proper officer and proceedings may be initiated in respect of any credit wrongly availed, whether wholly or partly. Further, Section 73 (1) of MGST Act, provides that where ITC has been wrongly availed or utilised by any person, he should pay the amount along with interest. As per Section 50 (1) of MGST Act, if any person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, fails to pay the tax or any part thereof to the Government within the period prescribed, he shall for the period for which the tax or any part thereof remains unpaid, pay on his own, interest at such rate, not exceeding 18 *per cent* as may be notified by the Government.

Scrutiny of records of Taxation Circles revealed the following irregularities:

A. Non-submission of declaration ‘C’ Forms

Two dealers (out of 93 cases of claims under **Table 5c** from the 143 cases examined) availed transitional credit amounting to ₹ 0.35 crore in **Table 5c** by filing Form GST TRAN-1.

²⁴ Sub-section (1) prescribes the rate of tax payable by dealers under the CST Act, 1956.

Scrutiny of the CST returns of 10 other dealers for the period from April 2015 to June 2017 revealed that these 12 dealers, inclusive of the two claimants of transitional credit, declared inter-State sales amounting to ₹ 875.40 crore during the period against which ‘C’ forms amounting to ₹ 127.89 crore were provided. The dealers paid tax at a concessional rate of two *per cent* on sales turnover amounting to ₹ 747.50 crore against the actual tax liability of five *per cent*. The dealers are liable to pay the minimum differential tax liability at three *per cent* amounting to ₹ 22.43 crore along with interest amounting to ₹ 15.26 crore (**Appendix 2.3.8**).

On being pointed out (September 2021), the Department stated that action was initiated in some cases. However, no report of recovery of differential tax was made by any of the STs. (Details in **Appendix 2.3.8 (A)**).

Thus, failure of the Department to ensure submission of all ‘C’ forms pertaining to the transitional credit availed by dealers against inter-state sales led to excess carry forward of transitional credit amounting to ₹ 0.35 crore and short recovery of balance legacy Central Sales Tax (CST) on which ‘C’ forms were not provided, along with interest applicable thereon.

Further reply is awaited (December 2022).

B. Non-submission of declaration ‘F’ Forms

Scrutiny of records in four circles revealed that seven dealers had declared inter-state stock transfer amounting to ₹ 349.73 crore during the period from April 2015 to June 2017, but no ‘F²⁵’ forms were submitted by the dealers. Thus, the whole amount was liable to be considered as actual sale by the dealers and tax amounting to ₹ 17.49 crore (at a minimum tax rate of five *per cent*) was required to be recovered from the dealers along with interest amounting to ₹ 12.10 crore under the provisions of Section 142 (7) (a) of the MGST Act, 2017 and this recoverable amount is no longer admissible as Input Tax Credit under GST (**Appendix 2.3.9**).

Case of M/s Star Cement Meghalaya Limited and M/s Star Cement Limited

A dealer, M/s Star Cement Meghalaya Limited (GSTIN 17AAECM7979B1Z7) under the ST, Khliehriat, disclosed inter-state stock transfer of ₹ 93.70 crore during the period April 2015 to June 2017 for which no ‘F’ forms were provided. Hence, the amount may be considered as actual sale by the dealer although no tax was paid by him. Non-furnishing of declaration forms by the dealer under the CST Act results in tax liability of five *per cent* on the entire value of inter-state stock transfer and thus the tax amount of ₹ 4.68 crore may be recovered from the dealer under the provisions of section 142 (7) (a) of the MGST Act, 2017.

²⁵ Form ‘F’ is issued to the importing dealer by the Taxation Authority of the State where the stock is being transferred. The importing dealer furnishes this ‘F’ form to the exporting dealer, who in turn submits the same to the Taxation Authority of the exporting State for claiming tax exemption.

Likewise, another dealer M/s Star Cement Limited (GSTIN 17AACCC1465A1Z8) under the same Taxation Circle had likewise disclosed inter-state stock transfer of ₹ 137.63 crore during the same period without furnishing ‘F’ forms or paying tax on the amount. Hence, the amount may also be considered as actual sale by the dealer on which he is liable to pay five *per cent* tax amounting to ₹ 6.88 crore, which is recoverable from the dealer under the provisions of the Act *ibid*.

On being pointed out by Audit (August 2021), the ST, Khliehriat stated (February 2022) that assessment of the dealers is ongoing and any amount of inter-state stock transfer not matched with ‘F’ forms will be treated as sale and normal rate of tax applied thereon.

On this being pointed out (August 2021), the STs furnished replies in respect of five of the seven dealers. Though the non-recovery of tax pointed out in Audit is in August 2021, two of the four STs did not furnish replies. The ST, Ri Bhoi stated that two dealers under his jurisdiction have been subjected to assessment and notices served to them for production of their accounts (Details in **Appendix 2.3.9(A)**).

Further reply is awaited (December 2022).

2.3.7.7 Transitional credit claims on stock in transit without supporting documents

Section 140 (5) of the MGST Act, 2017 states that a registered person shall be entitled to take, in his Electronic Credit Ledger, the credit of value added tax in respect of inputs received on or after the appointed day but the tax in respect of which has been paid by the supplier under the existing law subject to the condition that the invoice or any other tax paying document of the same was recorded in the books of account of such person within a period of thirty days from the appointed day. If sufficient cause is shown, the Commissioner may extend the period of thirty days by a further period not exceeding thirty days. Provided further that the said registered person may furnish a statement in the manner prescribed,

Scrutiny of records of Taxation Circles revealed that five dealers (out of 143 cases) availed transitional credit amounting to ₹ 0.06 crore in **Table 7b²⁶** of Form GST TRAN-1. However, no records were made available to ascertain that the invoices or any other tax paying documents of the dealers were recorded in the books of account of such persons within a period of thirty days from the appointed day. This resulted in excess carry forward of transitional credit claims of ₹ 0.06 crore. The transitional credit availed by the taxpayers in violation of extant rules needs to be reversed along with interest amounting to ₹ 0.05 crore under Section 73 (1) of the MSGT Act, 2017 (**Appendix-2.3.10**).

On this being pointed out (September 2021), the STs furnished replies in respect of four of the five dealers. However, recovery of tax was made only in respect of one dealer (M/s Ess Bee Enterprise) who reversed his inadmissible claim of transitional credit amounting to ₹ 0.05 crore. (Details in **Appendix 2.3.10(A)**).

²⁶ Table 7b is used for claiming taxes paid in the earlier regime but goods/services are received in GST regime.

Thus, the fact remained that due to failure of the Department to verify that invoices or any other tax paying documents of the dealers were recorded in the books of account of such persons within a period of thirty days from the appointed day resulted in excess carry forward of transitional credit claims of ₹ 0.06 crore. However, at the instance of Audit there was recovery of ₹ 0.05 crore as tax.

Further reply is awaited (December 2022).

2.3.7.8 Irregular claim of transitional credit of stock on ineligible goods

Section 140 (3) of the MGST Act, 2017 states that a registered person, who was not liable to be registered under the existing law or who was engaged in the sale of exempted goods or goods which have suffered tax at the first point of their sale in the State and the subsequent sales of which are not subject to tax in the State under existing law but are liable to tax under this Act, shall be entitled to take, in his Electronic Credit Ledger (ECL), credit of the Value Added Tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day.

Section 140 (4) (b) of the Act *ibid* also states that a registered person, who was engaged in the sale of taxable goods as well as exempted goods under the existing law but which are liable to tax under this Act, shall be entitled to take, in his ECL, the amount of credit of the Value Added Tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day, relating to such exempted goods in accordance with the provision of sub-section (3).

Further, Rule 121 states that the amount credited into the ECL may be verified and proceedings initiated in respect of any credit wrongly availed, whether wholly or partly.

Scrutiny of records of Taxation Circles revealed that eight dealers (out of 143 cases) claimed transitional credit amounting to ₹ 0.16 crore on stock in **Table 7c** of Form GST TRAN-1. However, the details of goods/invoices were not available in TRAN-1. In the absence of invoices/records, transitional credit availed by the dealers amounting to ₹ 0.16 crore was irregular and liable to be reversed along with interest of ₹ 0.11 crore (**Appendix 2.3.11**).

On this being pointed out (June 2021), three STs reported recovery of ₹ 0.04 crore in four cases, along with interest of ₹ 0.04 crore. In respect of one case, the ST reported non-compliance by the dealer. In respect of three other cases, no action was taken by the STs (Details in **Appendix 2.3.11(A)**).

Further reply is awaited (December 2022).

2.3.7.9 Inadmissible carry forward of transitional credit on negative turnover

As per Section 106 (5) of the MVAT Act, 2003, any tax deducted under sub-section 1²⁷ of the Act *ibid* and paid to the account of the State Government shall, on production of

²⁷ This sub-section refers to deduction of tax at source.

the certificate of tax deduction under sub-section 3²⁸, be deemed to be tax paid by the payee for the relevant period and shall be given credit in his assessment accordingly.

Scrutiny of records of ST, Ri Bhoi Circle revealed that out of 24 dealers²⁹, a dealer, M/s Ramky Infrastructure³⁰ availed transitional credit amounting to ₹ 12.84 crore in **Table 5c** by filing GST Form TRAN-1 in December 2017. However, the dealer disclosed nil turnover between September 2013 and June 2017. Further scrutiny of records revealed that the transitional credit availed by the dealer related to TDS claim of ₹ 2.46 crore (June 2013) and negative turnover of ₹ 10.65 crore (March 2013). The dealer was issued notice (July 2013) by the Assessing Authority (AA) seeking explanation for declaring negative turnover. However, no records were made available to Audit showing that the dealer had replied to the notice calling for explanation for such declaration. The dealer was issued notice by the AA for scrutiny of returns on two occasions (November 2016 and November 2017); however, it was seen that neither scrutiny of returns nor assessment had been carried out by the AA.

Further, no documentary evidence was made available in support of the claim of transitional credit availed by the dealer. This resulted in excess carry forward of transitional credit claim of ₹ 12.84 crore by the dealer in violation of the extant rules which needs to be reversed.

On this being pointed (September 2021), ST, Ri Bhoi Circle stated (October 2021) that notices issued to the dealer had been returned by the Post Office due to non-delivery to the dealer's address. Further the ST stated that the Commissioner of Taxes had been requested to conduct assessment under Section 55 (1) (c) and (d) of the MVAT Act, however the Commissioner had not acceded to the request.

Thus, failure of the Taxation Department to verify the dealer's claim of negative turnover and scrutinise his transitional credit claim thereon led to excess carry forward of transitional credit claim of ₹ 12.84 crore.

Further reply is awaited (September 2022).

2.3.8 Conclusion

Audit test-check has revealed that the Department did not verify the transitional credit claims in 92 *per cent* of cases even after lapse of four years since introduction of GST. Further, the dealers have claimed transitional credit over and above the admissible amount as per last VAT return/assessment order. Incorrect transitional credit has been claimed by the dealers without submission of invoices/TDS certificates/C forms/F forms and without submitting previous six months returns under MVAT regime. Dealers were also permitted to claim transitional credit on stock of ineligible goods. Additionally, transitional credit was also claimed on stock-in-transit without producing

²⁸ This sub-section refers to tax deduction under sub-section 1 being paid to the account of the State Government.

²⁹ Out of the 143 audited dealers from the audit sample.

³⁰ Having GSTIN 17AACR9627B1ZH and TIN 17091558014.

documents evidencing recording of goods within the stipulated period in the books of accounts.

Altogether, out of the 143 cases of transitional credit claims amounting to ₹ 27.89 crore which were examined by audit, 75 cases of non-compliance with a total money value of ₹ 21.91 crore were noticed. Additionally, legacy tax under CST Act amounting to ₹ 29.79 crore was recoverable from fourteen dealers. Hence, out of the total audited quantum, 52.45 *per cent* of all cases involving 78.56 *per cent* of the audited amount were observed to have deficiencies against them ranging from excess claim of transitional credit to claim of transitional credit without proper documentation.

However, at the instance of Audit there was recovery of ₹ 0.62 crore as tax and ₹ 0.11 crore as interest, amounting to a total of ₹ 0.73 crore, indicating a recovery rate of tax amounting to only 2.22 *per cent* of the money value of the entire audit sample of ₹ 27.89 crore.

2.3.9 Recommendations

- *The Department should put in place a mechanism to identify high value-high risk transitional credit claims and carry out their verification on priority.*
- *The Department may take steps to verify the discrepancies pointed out by Audit to ensure that only eligible ITC claims are carried over to the GST regime.*

CHAPTER – III

STATE EXCISE DEPARTMENT

CHAPTER-III **STATE EXCISE DEPARTMENT**

3.1 Tax Administration

The State Excise Department is responsible for collection of revenue under Assam Excise Act, 1910 (as adapted by Meghalaya), the Assam Excise Rules, 1945 (as adapted), the Assam Distillery Rules, 1945 (as adapted) and the Assam Bonded Warehouses Rules, 1965 (as adapted) and enforcement of Excise laws. Excise revenue comes from *ad valorem* levy, establishment charges, various kinds of licence fees on foreign liquor/beer, country spirit, rectified spirit, *etc.* Further, import pass fee, export pass fee, transport pass fee, under bond pass fee, brand and label registration/renewal fee generate revenue for the State exchequer.

The Principal Secretary/Commissioner and Secretary to Government of Meghalaya, Excise, Registration, Taxation and Stamps (ERTS) Department is in overall charge of the State Excise Department at the Government level. The Commissioner of Excise (CE) is the administrative head of the Department who is assisted by a Joint Commissioner of Excise and Deputy/Assistant Commissioners of Excise (DCEs/ACEs). At the district level, Superintendents of Excise (SEs) have been entrusted with the work of levy of excise duties and other dues from the licensees such as bonded warehouses, bottling plants, distilleries and retailer shops.

3.2 Results of Audit

Test check of records of four units during 2020-21 revealed non-realisation of duties, fees, *etc.*, in 50 cases involving ₹ 182.05 crore, which fall under the following categories:

Table 3.2.1: Results of Audit

Sl. No.	Category	2020-21		2021-22	
		No. of cases	Amount	No. of cases	Amount
1.	Non/Short realisation of duties, <i>etc.</i>	17	10.89	-	-
2.	Loss of revenue	10	95.61	-	-
3.	Other irregularities	23	75.55	-	-
Total		50	182.05		-

During the year 2020-21, the Department accepted loss of revenue and other deficiencies to the tune of ₹ 10.56 crore in 13 cases. Recovery at the instance of audit was ₹ 1.51 crore in 10 cases during 2020-21. No audit was undertaken during 2021-22.

A few illustrative cases having financial impact of ₹ 1.94 crore of short realisation of excise duty due to fraudulent sale of liquor at concessional rate and irregular issuance of permits and non-realisation of revenue is discussed in the succeeding paragraphs.

3.3 Short realisation of excise duty due to fraudulent sale of liquor at concessional rate

Failure of the Excise Department to ensure periodical stock taking of liquor sales led to misuse of the provisions of the notification for concessional rate of excise duty on rum sold to canteen licensees, resulting in short realisation of revenue amounting to ₹ 1.87 crore.

Government of Meghalaya, Excise, Registration, Taxation & Stamps Department notified (28 April 2011) concessional rate of excise duty on all types of rum drawn by canteen licensees³¹. As per the notification, the concessional rate of excise duty was fixed at 40 per cent ad-valorem levy on cost price per case of rum, subject to a minimum of ₹ 257 per case³². Subsequently, this concessional rate of excise duty was extended³³ to all types of Indian Made Foreign Liquor (IMFL) sold to canteen licensees with effect from 20 December 2017.

As per Rule 37 of the Assam Bonded Warehouse Rules, 1965 (as adopted by Meghalaya) the Superintendent of Excise or, in his absence, the officer-in-charge of the bonded warehouse shall take stock of all spirits in the warehouse at regular intervals to ensure that the licensee of the bonded warehouse pays to the State Government duty at the rates imposed on all spirits.

Scrutiny (June 2020, October - November 2022) of records pertaining to procurement and sale of rum revealed that two bonded warehouses namely (i) M/s Ram Bonded Warehouse, Shillong and (ii) M/s V.W. Bonded Warehouse, Shillong had inflated their sales of rum at concessional rates of excise duty to canteen licensees by 58,461 cases during the period from 01 April 2015 to 19 December 2017³⁴ as shown in **Table 3.3.1**

Table 3.3.1: Details of inflated sales of rum at concessional rates of excise duty by bonded warehouses to canteen licencees

Name of the Bonded Warehouse	Details of availability and sale of rum during 01 April 2015 to 19 December 2017 (in cases)					Excise duty evaded ³⁵	
	Opening balance ³⁶	Procured	Total	Sold as per sales permits	Excess sale	per case (in ₹)	Total (₹ in crore)
(1)	(2)	(3)	{4 (2+3)}	(5)	{6 (5-4)}	(7)	{8 (6x7)}
Ram Bonded Warehouse	10,468	47,652	58,120	1,03,411	45,291	321	1.45
VW Bonded Warehouse	6,049	17,415	23,464	36,634	13,170	321	0.42
Total	16,517	65,067	81,584	1,40,045	58,461		1.87

Source: Information furnished by the Department.

³¹ Licenses issued to Army, para-military and State Police Forces.

³² Each case of rum contains 12 bottles holding 750 ml each or equivalent quantity.

³³ Notification No. ERTS (E) 15/2017/14 dated 20 December 2017.

³⁴ From 20 December 2017, the concessional rate of excise duty was extended to all types of IMFL.

³⁵ Excise duty on rum was ₹ 675 per case upto 14 March 2017 which was revised to ₹ 750 per case from 15 March 2017. For the purpose of calculation of evasion of revenue, non-concessional rate of excise duty of ₹ 675 per case (being on the lower side) has been taken and rate for the canteen sale at concessional excise duty, a rate of ₹ 354 excise duty per case has been taken. Hence, the excise duty evaded per case is ₹ 321 (₹ 675-₹ 354).

³⁶ Since the Excise Register maintained at the bonded warehouses and monthly stock register of IMFL are not maintained as per brand of the liquor like Whisky, Rum, etc., but based on their quality namely General brand, Deluxe brand, Premium brand, Super premium, Bottled in Origin (BIO) Wine and Beer, audit has taken the opening balance under Deluxe brand as the OB of Rum, which was also agreed/confirmed by the Bonded warehouses.

From **Table 3.3.1**, it is seen that the two bonded warehouses had inflated their sale quantity of rum to canteen licensees by 45,291 cases and 13,170 cases, thereby evading excise duty to the tune of ₹ 1.45 crore and ₹ 0.42 crore respectively. This fraudulent practice by the bonded warehouses led to short realisation of excise duty to the tune of ₹ 1.87 crore.

This indicated that the Excise Department had issued sale permits to the canteens without verifying the stock account and had also failed to conduct periodical stock taking as per the provisions of the Rules *ibid*. The lapses on the part of the Department allowed the two bonded warehouses to misuse the provisions of the notification dated 28 April 2011 *ibid* and report sale of a higher quantity of rum at concessional rates of excise duty than actual stock available.

On this being pointed out (August 2021), the Department issued (11 August 2021, 21 February 2022 and 20 September 2022) demand notices to the bonded warehouses for recovery of the excise duty.

The matter was further reported to the Government (October 2021 and December 2022). In response, the Department stated (February 2023) that M/s VW Bonded warehouse has made full payment of ₹ 42.00 lakh. However, the reply is silent about recovery of revenue from M/s Ram Bonded Warehouse (March 2023).

Recommendations:

- *The Government needs to strengthen the mechanism for issue of sales permits to ensure that the stock of the dealer is invariably verified before the permit is issued.*
- *The Government needs to ensure recovery of dues from M/s Ram Bonded Warehouse at the earliest.*

3.4 Irregular issuance of permits to licensees with expired licences

Lack of internal control and regulation by the Excise Department over the functioning of Indian Made Foreign Liquor (IMFL) retail and bar licensees led to operation of expired retail and bar licensees leading to irregular issuance of retail permits and non-realisation of annual renewal fee to the tune of ₹ 7.35 lakh.

Rule 244 of the Meghalaya Excise Rules (Assam Excise Rules, 1945 as adapted and amended by the State of Meghalaya) provides for the payment of an annual lump sum as licence fee by holders of retail ‘OFF’ and ‘ON’ licences³⁷, at rates prescribed by the Government from time to time. As per the conditions of the licence, the term of each retail ‘OFF’ and ‘ON’ licence is from April to March of each financial year. Licence fee for each licence must be paid in advance before the commencement of the financial year in order to obtain renewal of the licence. Failure to pay licence fee in time is a contravention of the Rule *ibid* and also invites action under Section 29 read with Section 35 of the Meghalaya Excise Act (Assam Excise Act, 1910 as adapted by Meghalaya),

³⁷ Retail ‘ON’ licence is a term for a shop licenced to sell alcoholic beverages for consumption on the shop premises, while retail ‘OFF’ is a term for a shop only licenced to sell alcoholic beverages for consumption off the premises of the shop.

which states that if any fee or duty payable by the licence holder has not been paid, the licence granted may be cancelled and any amount payable to the Government may be recovered from the defaulters by sale of their movable property or as arrears of land revenue.

The Excise Department, Government of Meghalaya revised the annual licence fee for retail licences and bars with effect from March 2017³⁸ as under:

Table 3.4.1: Rate of annual fee for retail IMFL and bar licences

Sl. No.	Type of Licence	Old Rate (₹)	New rate (₹)
1.	Retail “OFF” licence	60,000	1,50,000
2.	Retail “ON” licence (Bar Licence) Starred Hotel	60,000	1,50,000
3.	Retail “ON” licence (Bar Licence) Non-starred Hotel	45,000	75,000

Source: Information furnished by the Department.

Audit test-checked the records of the Superintendent of Excise (SE) Resubelpara (February 2020) and the Assistant Commissioner of Excise (ACE), Shillong (December 2020) and noticed the following irregularities:

I. Grant of retail permits to licensees who did not pay annual licence fee

Test check of retail permits (December 2020) issued by the ACE, Shillong for the month of May 2020 revealed that during 2020-21, 53 out of a total of 135 licensees had failed to pay the prescribed annual fee in time. The Department neither issued demand notices to the defaulting licensees for prompt payment of the annual licence fees, nor were the licences cancelled as envisaged in the Rules *ibid*. Audit further observed that despite their failing to pay the annual fees, the Department had issued as many as 106 retail permits to 20 out of the 53 defaulting retail licensees for lifting of 19,118 cases of beer, 354 cases of wine, 20,784 cases of IMFL and 160 cases of Bottled in Origin (BIO) liquor (**Appendix – 3.4.1**).

The action of the Department in permitting the defaulting licensees for lifting liquor from bonded warehouses and selling it to the public without renewing their licences, was in violation of Section 29 of the Meghalaya Excise Act (Assam Excise Act, 1910 as adapted by Meghalaya) which allows cancellation of such licences if the annual licence fee has not been paid. Further, it also reflects unregulated issuance of permits and absence of any control mechanism in the Department to restrict the issuance of liquor permits to proper licence holders.

II. Delayed renewal of licences

Audit further observed that out of 135 retail licensees and 40 bar licensees under the jurisdiction of the ACE, 65 retail licensees and 29 bar licensees did not pay their annual fees on time for the years 2019-20 and 2020-21. The delay in payment of annual fees by both the IMFL retail and bar licensees are shown in **Table 3.4.2**.

³⁸ Vide Notification No. ERTS (E) 24/2008/94 dated 15 March 2017.

Table 3.4.2: Delay in payment of annual fees by retail IMFL and bar licences

Type of Licence	Year	Total number of Licensees	No. of licensees paid on time	No. of licensees paid with delay/ not paid (%)	Range of delay	Remarks
IMFL retail licences	2019-20	135	121	14 (10)	2 to 351 days	Appendix – 3.4.2
	2020-21		82	53 (39)	40 to 177 days	Appendix – 3.4.2(A)
Bar licences	2019-20	40	35	5 (13)	1 to 334 days	Appendix – 3.4.3
	2020-21		15	25 (63)	57 to 364 days	Appendix – 3.4.3 (A)

Source: Information furnished by the Department.

As can be seen from **Table 3.4.2**, out of the total 135 IMFL licensees, 10 *per cent* of the licensees in 2019-20 and 39 *per cent* during 2020-21 had been allowed to pay their annual fee after delays of up to 351 days (2019-20) and 40 to 177 days (2020-21). For 2020-21, the annual fee remained unpaid by two licensees³⁹ till date (January 2023) though the licensees continued to operate their businesses. Similarly, in respect of bar licensees, out of 40 licensees, 13 *per cent* and 63 *per cent* of the bar licensees during 2019-20 and 2020-21 respectively had been allowed to pay their annual fees after delays of up to 334 days (2019-20) and 57 to 364 days (2020-21). Out of the defaulting bar licensees of 2020-21, one licensee *viz.*, M/s Orchid, Polo had not paid the annual fee till date (January 2023), though it continues to operate the Bar in its premises. Audit also noticed that the Government had not prescribed any monetary penalty provision for delay in renewal of licences by the IMFL/bar licence holders.

III. Non-realisation of revenue

- Audit also observed (February 2020) that out of 27 retail licensees under the SE, Resubelpara, one licensee *viz.*, Smt. Tasilchi D. Sangma was served (January 2020) a demand notice to pay the annual fees/renewal fee of licence amounting to ₹ 5.10 lakh for four years from 2016-17 to 2019-20 which has not yet been paid by the licensee (March 2023). Audit further noticed that the security deposit of the licensee had lapsed. Thus, inaction on the part of the SE, Resubelpara/Department resulted in non-realisation of revenue to the tune of ₹ 5.10 lakh.

On this being pointed out (April 2022), SE, Resubelpara stated (June 2022) that the licensee, Smt. Tasilchi D. Sangma, had closed down her business and demand notices for recovery of dues have been issued to her. However, no documentary evidence of recovery of dues has been produced till date (January 2023).

- Further scrutiny of records of ACE, Shillong (December 2020) revealed that two licensees *viz.*, M/s Ban, Hat Thymmai, Pynursla and M/s Orchid, Polo did not pay their annual fee of ₹ 2.25 lakh of 2020-21 till the date of audit (October 2022).

Thus, inaction on the part of the ACE, Shillong/Department resulted in non-realisation of revenue amounting to ₹ 2.25 lakh.

The matter was reported to the Government (November 2022); reply is awaited (January 2023).

³⁹ (1) M/s Ban, Hat Thymmai, Pynursla (2) M/s Plenty.

This indicates that the Excise Department did not have any monitoring mechanism in place to ensure that the sale of liquor from retail shops and bars was carried out only by proper licence holders, in conformity with the Excise Act and Rules. It also reflects laxity on the part of the line department in the enforcement of the Excise Act and Rules. Audit is of the view that the Department should have cancelled outright the licences of the licensees who failed to renew their licence on time and forfeit their security deposit instead of issuing them retail permits without valid licence.

Recommendation

- *Excise Department should strictly enforce the issuance of retail permits to IMFL retailers and bar licensees, only to the licence holders who had paid the annual renewal whithin the sechduled date of payment. Further, appropriate provision may also be made in the Meghalaya Excise Rules for punitive action with regard to retail and bar licensees who neglect to pay their dues.*

CHAPTER – IV

TRANSPORT DEPARTMENT

CHAPTER-IV

TRANSPORT DEPARTMENT

4.1 Tax Administration

The collection of road tax is governed by the provisions of the Motor Vehicles Act, 1988 and Rules made thereunder and the Assam Motor Vehicle Taxation Act, 1936 (as adapted by Government of Meghalaya). The Transport Department is responsible for collection of taxes, fees and fines on motor vehicles in Meghalaya. Motor vehicle tax is realised primarily from all commercial vehicles registered in the State and One Time Tax of 15 years is realised in case of private vehicles. For commercial vehicles, motor vehicle tax is realised every year and the vehicle owner has the option to pay it quarterly, half yearly or annually. Besides, composite fee in lieu of motor vehicle tax is also collected from commercial vehicles bearing national permit/tourist permit of other states plying in the State. Further, there is provision for levy and collection of fines for various offences, which are imposed under the respective Acts and Rules.

The Principal Secretary/Commissioner and Secretary to Government of Meghalaya, Transport Department is in overall charge of the Transport Department at the Government level. The Commissioner of Transport (CT) is the administrative head of the Department who is assisted by an Assistant Commissioner of Transport (ACT) and the Secretary, State Transport Authority (STA). At the district level, the District Transport Officers (DTOs) have been entrusted with work of registration of vehicles, issuance of permits and collection of duties.

4.2 Results of Audit

Test check of records of five units and one unit during 2020-21 and 2021-22 respectively revealed non-realisation of taxes, fees and fines, *etc.*, involving ₹ 52.22 crore and ₹ 0.33 crore in 14 cases and one case respectively which fall under the following categories:

Table 4.2.1: Results of Audit

Sl. No.	Category	2020-21		2021-22		(₹ in crore)
		No. of cases	Amount	No. of cases	Amount	
1.	Loss of revenue	8	46.48	1	0.33	
2.	Other irregularities	6	5.74	-	-	
Total		14	52.22	1	0.33	

During the year 2020-21 and 2021-22, the Department accepted loss of revenue and other irregularities to the tune of ₹ 52.22 crore and ₹ 0.33 crore in 14 cases and one case respectively. However, no recovery was intimated in any case during the year.

An illustrative case having financial impact of ₹ 23.75 crore due to absence of monitoring on the functioning of weighbridges resulting in non-realisation from these weighbridges, is discussed in **Paragraph 4.3**.

4.3 Non-realisation of revenue from weighbridge licensees

Failure on the part of the Commissioner of Transport to enforce compliance of the terms and conditions of contract agreement for setting up of integrated check-gate-cum-weighbridge and absence of monitoring on the functioning of the weighbridges resulted in non-realisation of revenue of ₹ 23.75 crore.

Section 138 (2) (b) of the Motor Vehicles Act, 1988 empowers State Governments to make rules for establishment and use of weighing devices to detect overloading of goods-laden vehicles. Accordingly, the Government of Meghalaya notified (December 2009), the Meghalaya Installation, Regulation, Maintenance and Operation of Weighbridge Rules, 2009 (Rules) which was amended in 2015 and 2018. As per Rule 3 of the Rules *ibid*, the State Government can install and maintain by itself as many weighbridges as it may find necessary or may allow any private persons, body of persons, company or organisation to install and maintain such weighbridges on payment of lease amount to be determined in each case by the Government after calling tender. Further the Rules *ibid* provide that each weighbridge shall be supervised by an Enforcement Inspector, who will check and ensure that no vehicle carries weight above the permissible limits as fixed by the competent authority under the relevant law from time to time.

For setting up of integrated check-gate-cum-weighbridge at 13 locations, the Transport Department floated four tenders on 14 April 2016, 14 December 2018, 13 August 2019 and on 16 October 2020. Subsequently the Department entered into agreements with selected parties (Licensees) for operation of weighbridges as detailed in **Table 4.3.1:**

Table 4.3.1: Details of Licensees for operation of weighbridges

Sl. No.	Name of the Weighbridge	NIT date	Name of the selected Licensee	Date of Agreement	Agreement period	Expiry date	Annual Fees (₹)
1.	Amsarin, Jowai-Dawki road ⁴⁰	14.04.2016	Shri Deiporme Dkhar	07.12.2017	3 years	06.12.2020	25,00,000
2.	Majai, East Khasi Hills ¹		Shri Bastad Mawlong	28.10.2019 ⁴¹	2 years	27.10.2021	55,00,000
3.	Umling (Entry) Ri Bhoi	14.12.2018	Shri Kyrapad Shylla	07.03.2019	3 years	06.03.2022	1,30,00,000
4.	Umling (Exit) Ri Bhoi		Shri Win Pale			23.01.2023	2,45,00,000
5.	Killing, Ri Bhoi	13.08.2019				23.07.2023	39,00,000
6.	8 Mile (Phramer), West Jaintia Hills		Shri Win Pale	24.01.2020		23.01.2023	4,14,72,000
7.	Borsora, South West Khasi Hills		Shri K. M. Jyrwa	24.07.2020		14.01.2024	53,15,000
8.	Wageasi, North Garo Hills	13.08.2019	Shri B. B. Marak	15.01.2021	3 years	14.01.2024	2,00,00,000
9.	Tikkrikilla, West Garo Hills			18.01.2021		17.01.2024	80,00,000

⁴⁰ The Lease Agreements for Amsarin and Majai weighbridges were renewed only on 01.06.2022 and 08.04.2022 respectively. During the intervening period from 6.12.2020 to 31.05.2022 and 27.10.2021 to 08.04.2022 in respect of Amsarin and Majai weighbridges when the lessees did not renew the leases, the weighbridges were being managed departmentally by the same officers and staff who were posted at the weighbridges during the tenure of the Agreement.

⁴¹ This agreement was executed upon the expiry of the earlier agreement which was executed on 05.10.2016.

Sl. No.	Name of the Weighbridge	NIT date	Name of the selected Licensee	Date of Agreement	Agreement period	Expiry date	Annual Fees (₹)
10.	Masighat, South Garo Hills		Smti Sonam Odriyana G. Momin	18.01.2021		17.01.2024	1,50,00,000
11.	Bagli, South West Khasi Hills		Shri S. M. Sangma	23.01.2020		22.01.2023	2,11,22,018
12.	Bajengdoba, North Garo Hills		Shri W. A. Sangma	No Agreement	--	--	75,00,000
13.	Ratacherra, East Jaintia Hills	16.10.2020	Shri K. Langbha Pajuh	18.02.2021	3 years	17.02.2024	5,83,00,000

As per the agreements, the Licensee has to (i) make the check-gate-cum-weighbridge operational within 90 days of entering into the agreement; (ii) pay the licence fee (annual fee or annual rent) from the date of the agreement in three equal instalments and each instalment shall be paid by the licensee within seven days before the date of completion of every fourth month or any next working day, if the seventh day falls on a holiday; (iii) the licensee shall pay security deposit (SD) at the prescribed rate before signing the agreement, which will be released only after satisfactory completion of the contract. Government is entitled to cause the licensee to forfeit the same in case of breach or default by the licensee; (iv) the Government shall be entitled to terminate the agreement without notice if the licensee fails to pay either the settled amount or the instalments due within 15 days from the date it falls due; and (v) the Government shall be at liberty to initiate legal proceedings and also blacklist the licensee in case of default by the licensee.

4.3.1 Failure to enforce the terms and conditions of contract agreement for setting up of integrated check-gate-cum-weighbridge

Audit noted that out of 13 weighbridges approved for 13 locations by the Department, only eight⁴² were operational. Further scrutiny (December 2021-January 2022) of records of the Commissioner of Transport revealed the following:

4.3.1.1 Non-payment of annual fees of ₹ 9.49 crore

Seven out of the eight operational weighbridges were observed to have outstanding dues of annual fees. Out of these seven weighbridges, audit observed that in respect of the weighbridge at Majai, East Khasi Hills, the licensee did not apply for renewal/extension of his licence till the date of audit (January 2022) even though it had expired on 27 October 2021. The licensee had stopped paying the annual fee from September 2019 and had seven instalments of annual fees pending. Three other weighbridges⁴³ had not yet paid a single instalment of the annual fees since the date of signing of the agreement. The other three weighbridges had failed to pay at least one instalment each. However, the Department did not take any concrete action against the defaulting licensees as per the relevant terms of the contract agreements. Audit observed that the Department neither took over the weighbridges nor took steps to recover the outstanding annual fee from the licensee, resulting in non-realisation of annual fee amounting to ₹ 9.49 crore

⁴² (i) Amsarin (ii) Majai (iii) Umling (Entry) (iv) Umling (Exit) (v) Killing (vi) 8 Mile (Phramer) (vii) Borsora and (viii) Bagli.

⁴³ Sl. No. 5, 6 and 7 of Table 4.3.2.

from the defaulting licensees. The details of outstanding dues yet to be paid by the seven licensees are given in **Table 4.3.2:**

Table 4.3.2: Details of Outstanding dues

Sl. No.	Name of the Weighbridge	Name of the Licensee	Date of Agreement	Annual Fees (₹) & (Total Nos. of instalments)	Amount of Annual Fees per instalment (₹)	No. of instalments due as of January 2022	Amount Paid as of January 2022	Outstanding Annual Fee (₹)
1	Majai, East Khasi Hills	Shri Bastad Mawlong	28.10.2019 ⁴⁴	55,00,000 (8)	18,33,334	7	17,71,667	1,66,45,885 ⁴⁵
2	Umling (Entry) Ri Bhoi	Shri Kyrapad Shylla	07.03.2019	1,30,00,000 (6)	43,33,334	1	2,16,66,670	43,33,334
3	Umling (Exit) Ri Bhoi	Shri Win Pale	07.03.2019	2,45,00,000 (5)	81,66,667	1	3,26,66,668	81,66,667
4	Killing, Ri Bhoi		07.03.2019	39,00,000 (5)	13,00,000	1	52,00,000	13,00,000
5	8 Mile (Phramer) West Jaintia Hills		24.01.2020	4,14,72,000 (6)	1,38,24,000	3	4,14,72,000	4,14,72,000
6	Borsora, South West Khasi Hills	Shri Kynsai Manik Jyrwa	24.07.2020	53,15,000 (4)	17,71,667	3	17,71,667	53,15,001
7	Bagli, South West Khasi Hills	Shri Sunolsing M. Sangma	23.01.2020	2,11,22,018 (3)	70,40,673	3	35,00,000	1,76,22,019 ⁴⁶
Total								9,48,54,906

It is seen from **Table 4.3.2** that failure of the Department to realise the annual fees on time as per the lease agreement of seven weighbridges has resulted in non-realisation of ₹ 9.49 crore.

On this being pointed out (September 2022), the Deputy Secretary to GoM, Transport Department stated (January 2023) that the Department has recovered an amount of ₹ 1.38 crore in full in respect of three weighbridges, *i.e.*, (i) Umling (Entry) Ri-Bhoi (ii) Umling (Exit) Ri-Bhoi and (iii) Killing, Ri-Bhoi, while in respect of other three weighbridges *viz.*, (i) 8th Mile (Phramer), (ii) Borsora and (iii) Bagli, the licensees have only made partial payment of ₹ 2.79 crore. In respect of Majai, East Khasi Hills, the outstanding amount was not paid. However, no proof of payment (*e.g.* like payment challan/cheque, *etc.*) has been furnished in support of such receipts (January 2023).

4.3.1.2 Non-realisation of annual fees of ₹ 10.13 crore due to non-operationalisation of four weighbridges within stipulated timeframe

Four other weighbridges, namely (i) Wageasi, North Garo Hills (ii) Ratacherra, East Jaintia Hills (iii) Tikkrikilla, West Garo Hills and (iv) Masighat, South Garo Hills, were yet to be made operational (January 2023) even after 10-11 months of signing the agreement though the weighbridges were required to be made operational within three months of signing the agreement. Despite breach of the agreement by these three licensees, the Transport Department neither terminated their contracts and blacklisted them as provided in the agreement nor did it take steps to allot the weighbridges to the next highest bidder. The inaction of the Transport Department therefore resulted in non-realisation of annual fees amounting to ₹ 10.13 crore from these licensees as shown in **Table 4.3.3:**

⁴⁴ Shri Bastad Mawlong had earlier executed a lease for the same weighbridge on 05.10.2016, which was renewed on 28.10.2019 after expiry of 3 years.

⁴⁵ This includes ₹ 38,12,547/- pertaining to two instalments outstanding from previous lease period.

⁴⁶ The licensee had earlier made partial payment of ₹ 35 lakhs.

Table 4.3.3: Details of non-realisation of annual fees

Sl. No.	Name of the Weighbridge	Name of the Licensee	Date of Agreement	Fixed Annual fees (₹)	Annual Fees per instalment ⁴⁷ (₹)	No. of instalments due as of January 2022	Non-realisation of Annual fees (₹)
1.	Wageasi, North Garo Hills	Shri Bathrinson B. Marak	15.01.2021	2,00,00,000	66,66,667	3	2,00,00,000
2.	Ratacherra, East Jaintia Hills	Shri Karbar Langbha Pajuh	18.02.2021	5,83,00,000	1,94,33,333	3	5,83,00,000
3.	Tikkrikilla, West Garo Hills	Smti Sonam Odriyana C. Momin	18.01.2021	80,00,000	26,66,667	3	80,00,000
4.	Masighat, South Garo Hills			1,50,00,000	50,00,000	3	1,50,00,000
				Total			10,13,00,000

It is seen from **Table 4.3.3** that due to non-operationalisation of four weighbridges even after three months of signing the agreement, Government had failed to realise annual fees to the tune of ₹ 10.13 crore.

On this being pointed out (September 2022), the Transport Department attributed (January 2023) reasons like weighment bridges being constructed at wrong location, non-availability of necessary devices to start operations and delay in receipt of completion report, etc. for non-operationalisation of the four weighment bridges.

4.3.1.3 Agreement not signed after completion of bidding process resulting in loss of revenue to the tune of ₹ 1.69 crore

In response to the NIT dated 13 August 2019 issued by the Transport Department, five bidders submitted their bids for setting up and operation of weighbridge at Bajengdoba, North Garo Hills district. After scrutiny of the bid documents, the Tender Committee rejected two bidders and accepted three other bids for opening their financial bids. Based on evaluation of the financial bids, the Tender Committee recommended (31 October 2019) Shri Walison A. Sangma, being the highest bidder, at his quoted rate of ₹ 75 lakh per annum. However, even after more than 25 months from the date of recommendation/approval by the Tender Committee, neither the contract agreement was entered into with the selected licensee nor had any fee been realised from this weighbridge (January 2022), reasons for which were not found on record. Thus, the failure of the Department in taking timely action to execute agreement with the successful bidder led to potential loss of revenue of ₹ 1.69 crore⁴⁸ from unrealised annual fee.

The Department stated (January 2023) that the highest bidder, Shri. Walison A. Sangma, was requested to submit a completion report of the weighbridge in April 2022, however, no response was received till date. Due to this, the agreement could not be executed. The Department further stated that the Government has approved to requisite the weighbridge of another individual, Shri Chintu G. Momin, whose weighbridge will be ready for operation after installation of certain devices such as CCTV and other requirement, which are under construction.

⁴⁷ In three equal installments (First installment is equivalent to four months).

⁴⁸ Annual fee of ₹ 75,00,000 per year x two years + ₹ 6,25,000 per month x 3 months = ₹ 1,68,75,000 (calculated for the period between 31 October 2019 to 31 January 2022).

The reply of the Department indicates that the Department had not exercised due diligence while granting the lease to the licensee as provided under Rule 5 and 6 of the Meghalaya Installation, Regulation, Maintenance and Operation of Weighbridge Rules, 2009, which provides that in considering the grant of permission, the Commissioner of Transport should satisfy himself that the proposed place for installing and operation of the weighbridge on National Highway/State PWD road should have fulfilled the conditions of adequate parking space to avoid traffic congestion and that the proposed location is consistent with public safety and convenience. The reply also indicates absence of monitoring on the part of the Department on construction and related activities in order to make the weighbridges operational within the stipulated timeframe.

Thus, failure of the Transport Department to exercise due diligence while selecting the lessee had resulted in non-realisation of annual fees amounting to ₹ 10.13 crore.

4.3.2 Loss of revenue of ₹ 2.44 crore due to under-reporting of vehicles

As per the agreement, the licensees shall pay to the Government in addition to the agreed annual fee, weighment fee to the tune of *50 per cent* of the monthly total weighment fee collected. Vide notification dated 20 January 2015, the State Government fixed the rate of weighment fee per vehicle as detailed in **Table 4.3.4**.

Table 4.3.4: Rate of weighment fee per vehicle

Sl. No.	Type of vehicle	Rate of weighment fee per vehicle
1.	Light Motor Vehicle	₹ 100
2.	Medium Motor Vehicle	₹ 150
3.	Heavy Motor Vehicle	₹ 200

Scrutiny (December 2021) of records submitted by the licensees to the office of the CoT revealed that during 2019-20 and 2020-21, a total of 1,41,575 trucks were reported to have passed through Amsarin and Majai weighment gates (35,241 and 80,862 trucks during 2019-20 and 514 and 24,958 trucks during 2020-21 respectively).

Audit cross-examined records of the two weighment gates with the check-gates of the Land Customs Stations (LCS) stationed at the same location/ route and found that the number of trucks weighed at these weighbridges as per CoT records were less compared to the number of trucks recorded as per the LCS records by 2,43,656 trucks as detailed in **Table 4.3.5**.

Table 4.3.5: Details of under reporting on No. of trucks

Sl. No.	Location of the weighbridge	Year	No. of trucks weighed as per CoT	No. of trucks as per LCS	Under reporting on no. of trucks (5-4)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Amsarin (Dawki)	2019-20	35,241	1,38,084	1,02,843
		2020-21	514	1,09,143	1,08,629
2.	Majai (Bholaganj)	2019-20	80,862 ⁴⁹	92,832	11,970
		2020-21	24,958	45,172	20,214
Total			1,41,575	3,85,231	2,43,656

Source: Records of CoT and LCS.

⁴⁹ Others (stone/boulder).

Rule 9 of the Rules *ibid* stipulates that each weighbridge including private weighbridges permitted by the Government shall be supervised by an Enforcement Inspector who will check and ensure that no vehicle carries weight above the permissible limits as fixed by the competent authority under the relevant law made from time to time and contravention of these limits shall attract penalty as provided in Section 194 of the Motor Vehicles Act. However, audit did not find any record to evidence that each of the two weighbridges had regularly been supervised by an Enforcement Inspector as envisaged in the Rules *ibid*. Thus, failure of the CoT to ensure regular monitoring of the two weighbridges encouraged the licensees to under-report the quantum of trucks passing through the weighbridges, which remained undetected and ultimately resulted in loss of weighment fee amounting to ₹ 2.44 crore⁵⁰.

Apart from loss of Government revenue, the under-reporting of trucks passing through these weighment bridges indicated that the Transport Department failed to monitor the movement of overloaded trucks, thus defeating the very purpose of setting up the weighment bridges. Reason for the same is yet to be received from the CoT, though called for in April 2022.

From the above it can be seen that the Transport Department had failed to exercise due diligence in the selection of licensees for the weighbridges, ensure functioning of all the weighbridges and also failed to realise the annual fees on time. This resulted in non-realisation of revenue amounting to ₹ 23.75 crore⁵¹ and defeated the objective of setting up the weighbridges to detect and prevent overloading by goods transport vehicles.

⁵⁰ 2,43,656 trucks x ₹ 200 per truck x 50 *per cent.*

⁵¹ ₹ 9.49 crore + ₹ 10.13 crore + ₹ 1.69 crore + ₹ 2.44 = ₹ 23.75 crore.

CHAPTER – V
FORESTS & ENVIRONMENT
DEPARTMENT

CHAPTER-V

FORESTS & ENVIRONMENT DEPARTMENT

5.1 Tax Administration

Meghalaya ranks third among the states in terms of percentage of forest cover⁵² in the country. The forest and tree cover of the State is 17,046 sq.km (76 *per cent* of the total geographical area of the State) contributing 2.39 *per cent* of India's total forest and tree cover. Unlike the rest of the country where forests are mostly owned by the State and managed by the State Forests Department, in Meghalaya, substantial forest area is under the un-classed category and are owned by private individuals, clans, village councils, district councils and other traditional community institutions. Only 1,113 sq km⁵³ of forests, in Reserved Forests, Protected Forests, National Parks and Sanctuaries are under the direct control of the State Forest Department. Community and private forests are under the administrative control of the three Autonomies District Councils *viz.*, Khasi Hills, Jaintia Hills and Garo Hills. The collection of forest revenue is governed by the provisions of the Assam Forest Regulation, 1891 (as adapted by Government of Meghalaya).

The Principal Secretary to Government of Meghalaya, Forests & Environment (F&E) Department is in overall charge of the Department at the Government level. The Principal Chief Conservator of Forests (PCCF) is the administrative head of the Department who is assisted by Chief Conservators of Forests and Conservator of Forests. At the district level, Divisional Forest Officers (DFOs) are entrusted with management of forests and wildlife through various divisions such as territorial, wildlife, social forestry, *etc.*, including levy and collection of forest dues, wherever applicable.

5.2 Results of Audit

Test-check of records of three units during 2020-21 and another three units during 2021-22 revealed loss of revenue and other irregularities in 28 cases and 21 cases involving ₹ 55.86 crore and ₹ 3.04 crore, which fall under the following categories:

Table 5.2.1: Results of Audit

Sl. No.	Category	2020-21		2021-22	
		No. of cases	Amount	No. of cases	Amount
1.	Non/Short realisation of revenue	01	1.55	0	0
2.	Loss of revenue	02	52.00	0	0
3.	Other irregularities	25	2.31	21	3.04
Total		28	55.86	21	3.04

⁵² India State Forest Report 2021.

⁵³ Source: Forest Survey of India State Forest Report 2021.

During the years 2020-21 and 2021-22, the Department accepted loss of revenue and other deficiencies to the tune of ₹ 55.86 crore and ₹ 3.04 crore in 28 cases and 21 cases respectively. However, no recovery was intimated in any of the cases during the year.

A Performance Audit on “Mining of Minor Minerals in Meghalaya” having financial implication of ₹ 41.38 crore is discussed in **Paragraph 5.3.**

5.3 Performance Audit on Mining of Minor Minerals in Meghalaya

The Performance Audit (PA) on ‘Mining of Minor Minerals in Meghalaya’ covering the period from 01 April 2016 to 31 March 2021 was conducted during October 2021 to March 2022 to evaluate the compliance on the grant and execution of mining leases, collection of minor minerals receipts, the effectiveness in monitoring illegal excavation/transportation of minor minerals and safeguarding the environmental sustainability while granting and operating of mining leases.

Highlights

Mining leases granted despite non-submission/ delay in submission of mandatory documents.

(*Paragraphs 5.3.8.1 & 5.3.8.3*)

Issuance of Form-H (Transport challan) to non-lease holders.

{(*Paragraphs 5.3.8.5(A)*)}

Short realisation of royalty amounting to ₹ 9.09 crore.

(*Paragraphs 5.3.9.1*)

Non-realisation of MMMRF of ₹ 14.51 crore as well as short-realisation of ₹ 3.29 crore.

{(*Paragraphs 5.3.9.2(A)*)}

Short computation of anticipated royalty by the DFOs resulted in short-realisation of Stamp-duty.

{(*Paragraphs 5.3.9.4(A)*)}

Illegal sand mining and prevalence of illegal mining activities.

{(*Paragraphs 5.3.10.3(A - C)*)}

Absence of monitoring mechanism to safeguard environment after the grant of mining leases.

(*Paragraphs 5.3.11.1*)

5.3.1 Introduction:

Minerals are a finite and non-renewable natural resource and must be exploited wisely in the larger interest of the State. They constitute a vital raw material for many basic industries, which bring about increased economic activity and development of the State. It is imperative to conserve the available mineral resources through scientific exploration and mining so as to ensure availability of minerals for industrial production in the long run. Scientific management of mineral resources has to be closely integrated

with the overall strategy for sustainable development and guided by the long-term national goals as well as the State perspectives.

Meghalaya is endowed with sizeable deposits of a number of valuable minerals like Coal, Limestone, Uranium, Granite, Kaolin, Boulder stone, Clay, Glass sand, *etc.* As per Section 3 (e) of the Mines and Minerals (Development and Regulation) Act, 1957, minor minerals comprise building stones, gravel, ordinary clay, ordinary sand and any other mineral which the Central Government may, by notification in the official gazette, declare to be a minor mineral. Further, as per Schedule-III of the Meghalaya Minor Mineral Concession Rules 2016, limestone when used in kilns for manufacture of lime and/or as building materials, road and other construction works, shall be treated as minor mineral.

5.3.1.1 Legal framework for administration of mining sector

The responsibility of management of minerals is shared between Central and State Governments. The Mines and Minerals (Development and Regulation) (MMDR) Act, 1957, Government of India (GoI) lays down the legal framework for the regulation of mines and development of the minerals. The Mineral Concession Rules, 1960 (MCR) framed by GoI and the Mineral Conservation and Development Rules, 1988 (MCDR) were enacted by GoI under MMDR Act. They stipulate guidelines for ensuring mining on a scientific basis, while conserving the environment at the same time.

The Central Government has delegated power to the states to frame rules for grant and regulation in respect of minor minerals. States are also enabled to prescribe the method for grant of mineral concessions, rates of royalty, *etc.* for these minerals. Accordingly, Government of Meghalaya notified (12 September 2016) the Meghalaya Minor Mineral Concession Rules (MMMCR), 2016.

Prior to the notification of the MMMCR, 2016, mining of minor minerals in the State was unregulated and extraction was done without any approved mining plan or quarry permit. However, royalty was levied on such extraction and transportation by the Forest and Environment (F&E) Department under the provision of the Assam Forest Regulation, 1891 (as adapted by Meghalaya vide gazette notification dated 17 April 1973). Consequently, the Hon'ble High Court of Meghalaya in its judgments dated 30 June 2015 and 26 November 2015, ordered that except in cases where licence for extraction of minerals has already been granted or lease deed for that purpose has already been entered into, all other mining activities shall have to stop and in future the State shall not grant any license or enter into a lease deed for extraction of minerals without (i) consultation with the Central Empowered Committee⁵⁴ (CEC) (ii) drawing up a comprehensive scheme and (iii) creating a fund for reclamation in the interest of

⁵⁴ The Central Empowered Committee was constituted with reference to the order of the Hon'ble Supreme Court dated 9 May 2002 (Writ Petitions (Civil) Nos. 202/95 & 171/96) for monitoring the implementation of the Court's orders, look into cases of non-compliance including those related to encroachments, implementation of working plans, compensatory afforestation, plantation and other conservation issues.

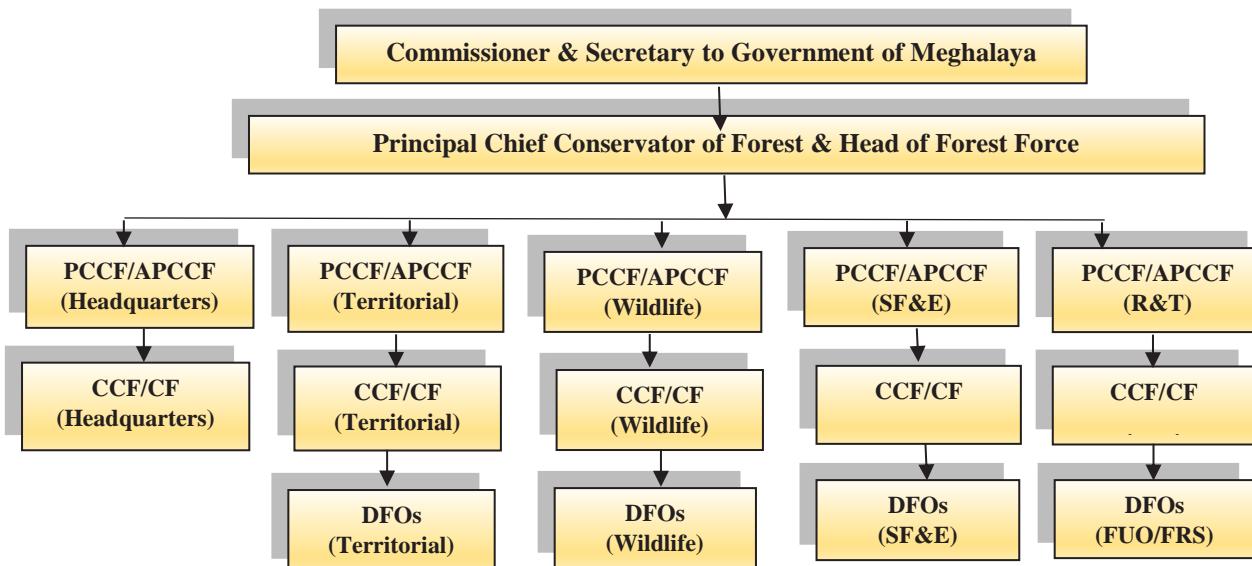
sustainable development and inter-generational equity and for the purpose of rectifying the damage caused to the forest and environment.

5.3.2 Organisational Setup

The Commissioner & Secretary, F&E Department is the administrative head at the Government level and is the controlling authority for granting the mining licenses of minor minerals in the State and overall administration of the Department. At the Directorate level, the F&E Department is headed by the Principal Chief Conservator of Forests & Head of Forest Force (PCCF & HoFF) who is responsible for all forestry, wildlife and allied activities. The PCCF & HoFF is assisted by Principal Chief Conservators of Forests (PCCFs), Additional Principal Chief Conservators of Forests (APCCFs), Chief Conservators of Forests (CCFs) and Conservators of Forests (CFs). At the Divisional level, each Division is headed by a Divisional Forest Officer (DFO) who is assisted by the Assistant Conservator of Forests (ACFs)/Range Officers (ROs), along with his staff.

The Department is divided into four major circles *viz.*, (one) Territorial, (two) Wildlife, (three) Social Forestry & Environment and (four) Research & Training. The organisation set up of the F&E Department is depicted in the **Chart 5.3.1**.

Chart 5.3.1: Organisation set up of the F&E Department



Note:-SF&E: Social Forestry and Environment Wing; R&T: Research and Training Division;
FUO: Forest Utilisation Office and FRS: Forest Resources Survey Division.

5.3.3 Audit Objectives

The objectives of the PA were to assess whether:

- The grant of mining lease/quarry permit and execution of mining leases were as per provisions of the MMMCR Rules, 2016;
- The provisions for levy, assessment and collection of minor mineral receipts *i.e.*, royalty, fees, dead rent, cess and other levies were properly enforced to safeguard revenue of the State;

- The monitoring and vigilance mechanism in the Department was adequate and effective to prevent illegal excavation/ transportation of minor minerals; and
- Environmental sustainability is adequately safeguarded in granting of mining leases and operation of mines.

5.3.4 Audit scope and methodology

The PA, covering the period from 01 April 2016 to 31 March 2021, was conducted during October 2021 to March 2022 to assess the performance of the Department. Scrutiny of records was carried out by audit in three selected Divisional Forest Offices⁵⁵ (DFOs), Territorial (T), Secretariat and Directorate level. Further, check of related records was also conducted at the following Departments/offices, responsible for issue of approval/clearance before issue of mining lease by the Forest Department:

- (i) **Mining & Geology Department:** for approval of mining plan (Rule 19 of the MMMCR 2016) and collection of Cess on minor minerals;
- (ii) **District Environment Impact Assessment Authority (DEIAA)/State Environment Impact Assessment Authority (SEIAA):** for grant/issue of Environmental Clearance (EC) Certificate (Rule 10 (C) of MMMCR 2016);
- (iii) **District Registrar:** for collection of Stamp duty at the divisional/sub-divisional level as per the Indian Stamp (Meghalaya Amendment) Act, 1993; and
- (iv) **Meghalaya State Pollution Control Board (MSPCB):** for grant/issue of Consent to Establish (CTE) & Consent to Operate (CTO) to mine operators/stakeholders.

Apart from test-check of records, joint physical verification (JPV) of 32 mining sites and 21 check-gates was also carried out by the audit team and the Departmental officials.

Field work commenced with an Entry Conference (21 October 2021) with the Secretary, F&E Department and officials of the line departments, wherein the audit objectives, criteria and scope of audit were discussed, and the inputs of the Department were obtained.

Audit findings were reported to the Government on 14 December 2022 and the written responses and responses received during the exit conference (17 March 2023) have been suitably incorporated in the Report.

5.3.5 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following:

- The Mines and Minerals (Regulation and Development) Act, 1957
- The Forest Conservation Act, 1980;
- The Indian Stamp Act, 1899;
- The Indian Stamp (Meghalaya Amendment) Act, 1993;

⁵⁵ DFO (T), Shillong, DFO (T), Jowai, DFO (T), Tura.

- The Environment (Protection) Act, 1986 and Rules framed thereunder;
- The Water (Prevention & Control of Pollution) Act, 1974 & Rules framed thereunder;
- The Assam Forest Regulation, 1891 as adopted by Meghalaya;
- The Meghalaya Minor Minerals Concession Rules, 2016 & its amendments;
- The Meghalaya Mineral Cess Act, 1988 and Rules framed thereunder;
- The Meghalaya Mines and Minerals Policy 2012; and
- Government Notifications, Court judgements, etc. issued from time to time.

5.3.6 Audit sampling

Three out of six Divisional Forest Offices (DFOs), Territorial (T) were selected using Probability Proportional to Size Without Replacement (PPSWOR) method with size measures being the number of mining leases issued during the period from 2016-17 to 2020-21. As on 31 March 2021, there were 123 mining leases (Boulder stone: 78 and Limestone: 45) and 58 forest check-gates established by the F&E Department, of which 111 mines and 39 forest check-gates were under the jurisdiction of the three select DFOs (T). For detailed check⁵⁶, 85 mining leases (Boulder stone: 51 and Limestone: 34) and 21 check-gates were selected. The DFO-wise position of mining lease granted, check-gates *vis-à-vis* selected sample is given in the table below:

Table 5.3.1: DFO-wise position of mining lease, check gates *vis-à-vis* selected sample

Sl. No.	Name of DFO	Districts covered	Boulder stone	Lime-stone	Sand	Total mines	No. of check gates	Selected Sample			
								Boulder stone	Lime-stone	Total mines	Check gates
1	DFO (T), Shillong	EKH & RB	31	25	00	56	26	24	19	43	14
2	DFO (T), Jowai	WJH & EJH	06	20	00	26	05	05	15	20	03
3	DFO (T), Tura	WGH & SWGH	29	00	00	29	08	22	0	22	04
4	DFO (T), Nongstoin	WKH & SWKH	10	00	00	10	04	Not selected			
5	DFO (T), Williamnagar	EGH & NGH	01	00	00	01	13	Not selected			
6	DFO (T), Baghmara	SGH	01	00	00	01	02	Not selected			
Total			78	45	00	123	58	51	34	85	21

Sources: Information furnished by the department.

Note: - East Khasi Hills (EKH), Ri-bhoi (RB), West Jaintia Hills (WJH), East Jaintia Hills (EJH), West Garo Hills (WGH), South West Garo Hills (SWGH), East Garo Hills (EGH), North Garo Hills (NGH) and South Garo Hills (SGH).

5.3.7 Acknowledgement

The Office of the Principal Accountant General (Audit), Meghalaya, Shillong acknowledges the co-operation extended by the PCCF & HoFF, PCCF/CF (T) of the F&E Department, and the sampled DFOs (T). The office also acknowledges the co-operation extended by other Departments viz., Mining & Geology Department, DEIAA, SEIAA, District Registrar and MSPCB in the conduct of the Performance Audit.

⁵⁶ Fifty per cent mining leases were selected based on topmost average annual production capacity and remaining 50 per cent of mining leases were selected as per approved mining plan.

Audit Findings

Audit findings are discussed in the succeeding paragraphs arranged in four parts:

Part I: Issues relating to granting and execution of mining leases.

Part II: Assessment and collection of mineral receipts viz., Royalty, MMMRF, Cess and Stamp duty.

Part III: Monitoring and vigilance mechanism in the Department to prevent illegal excavation/transportation of minor minerals; and

Part IV: Department's initiative to safeguard environmental sustainability while granting mining leases and operation of mines.

PART-I

5.3.8 Granting and execution of mining leases

5.3.8.1 Mining leases granted despite non-submission/delay in submission of mandatory documents

Rule 10 of the MMMC Rules, 2016, envisages that on receipt of the application for the grant of mining lease/quarry permit, the competent authority shall take decision to grant precise area for the said purpose and communicate such decision to the applicant by issuing a letter of intent. On receipt of such letter of intent, the applicant shall, within a period of six months or such other period as may be allowed by the competent authority, furnish to the competent authority the following documents for the grant of mining lease, namely:

- **Mining plan** duly approved by the authorised officers⁵⁷ which shall be submitted within three months⁵⁸ from the date of receipt of the letter of intent (LoI);
- **Environmental Clearance (EC)** issued by District Environment Impact Assessment Authority (DEIAA) for mining area up to five ha and State Environment Impact Assessment Authority (SEIAA) for mining area above five ha to be submitted within six months from the date of issue of LoI;
- **Preparation of DSR:** As per Ministry of Environment, Forests and Climate Change notification dated 25 July 2018, preparation of District Survey Report (DSR) for each minor mineral other than sand mining or riverbed mining has been made mandatory and shall form the basis for application for Environmental Clearance (EC), preparation of reports and appraisal of projects. As such, no EC for minor minerals shall be issued without finalisation of DSR after 25 July 2018.

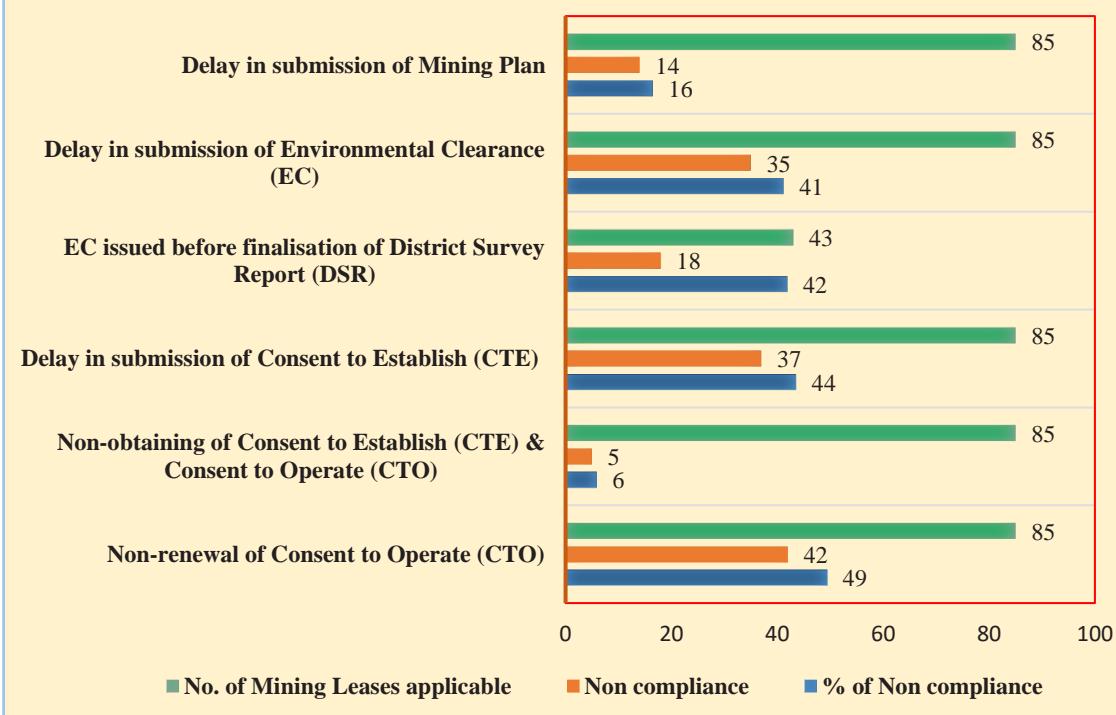
⁵⁷ Mining engineer, Directorate of Mineral Resources - for Khasi Hills region; Divisional Mining Officer (DMO), Jowai- for Jaintia Hills Region; DMO, Williamnagar- for Garo Hills Region -as per amendment dated January 2019.

⁵⁸ As per Rule 19(1) of MMMCR, 2016.

- **Consent to establish⁵⁹ (CTE)** from Meghalaya State Pollution Control Board (MSPCB) under the Water (Prevention & Control of Pollution) Act, 1974 and (Prevention & Control of Pollution) Act, 1981 has to be submitted within six months from the date of issue of LoI and Consent to operate⁶⁰ which is to be renewed⁶¹ within three months before the date of its expiry.

Scrutiny of records of the selected 85 mining leases revealed non-compliance of above provisions. Deficiencies noticed in terms of number of cases and percentage in respect of the above criteria are depicted in **Chart 5.3.2** below.

Chart 5.3.2: Evaluation of Non-compliance



The lapses in grant of mining lease depicted in the Chart indicate that the Departmental authorities failed to exercise due diligence required to ensure that all statutory requirements have been adhered to before granting approval of the mining lease.

The Department stated (March 2023) that EC were issued without preparation of DSR since the Environment Impact Assessment (EIA) notification dated 15 January 2016 has been stayed by the Hon'ble NGT vide order dated 11 December 2018. As such,

⁵⁹ A consent from MSPCB before establishment of any industry, operation or process or any treatment and disposal system or any addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land under Section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 and Section 21 of the Air (Prevention & Control of Pollution) Act, 1981.

⁶⁰ A consent from MSPCB after establishment of any industry, operation or process or any treatment and disposal system or any addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land under Section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 and Section 21 of the Air (Prevention & Control of Pollution) Act, 1981.

⁶¹ The CTO is granted by Meghalaya State Pollution Contrl Board initially for one year, after grant of mining lease by F&E Department.

preparation of DSR is not a pre-condition for issue of EC. Audit however, noticed that prior to the NGT judgement *i.e.*, between 25 July 2018 and 11 December 2018, 18 ECs were issued under the three selected DFOs without finalisation of DSR. In respect of grant of mining leases without submission of CTE/CTO, the Department stated that CTE is necessary before mining lease is granted and CTO after the grant of mining lease. However, copy of CTE of the four lessees and CTO of one out of five lessees as mentioned in **Chart 5.3.2**, were not furnished.

Regarding delay in submission of mining plan, EC & CTE from the date of LoI, the Department stated that Rule 10 of the MMMCR, 2016 provides that on receipt of such LoI, the applicant shall, within a period of six months or such other period as may be allowed by the competent authority, submit these documents and as such additional period was allowed as deemed appropriate by the competent authority. However, documentary evidence in support of extension of time sought by the lessee and the same being allowed by the competent authority was not available on record.

The Department also stated that the DFO would be instructed to pass an express order extending the letter of intent period before accepting the additional documents.

5.3.8.2 Non-execution/delay in execution of lease deed agreement

A lease deed is necessary for legal authenticity of a lease between two parties so as to be recognised in a court of law in case of a dispute. Rule 21 of the MMMCR, 2016 provides that where a mining lease is granted or renewed, a lease deed in Form E shall be executed within three months of the order of grant of the lease and if the lease is not executed within the aforesaid period, the order granting the lease shall be deemed to have been revoked. However, if the competent authority is satisfied that the applicant is not responsible for the delay in execution of the lease deed, it may permit the execution of the deed after the expiry of the aforesaid period of three months.

It was noticed that in respect of 10 mining leases (boulder stone) granted between June 2019 and January 2021 (**Appendix 5.3.1**) under DFO (T), Tura, lease deed agreements are yet to be executed (March 2022). Audit further observed that lease deed agreements were executed after delays ranging from five to 39 months from the date of grant of lease in 10 cases under the division. Despite non-execution/delay in execution of lease deed, the mining leases were not revoked. This indicates the lacklustre approach of the F&E Department in grant of mining leases in the State.

Non-execution of deed of agreement with the lessees by the DFO (T), Tura is not only in contravention of the MMMCR, 2016 but also resulted in non-collection revenue of ₹ 1.43 crore in the form of stamp duty {**Paragraph 5.3.9.4 (A)**}.

The Department stated (March 2023) that Rule 21 of the MMMC Rules, 2016 provides grant of liberty to the competent authority to allow execution of the lease deed agreement beyond three months if the competent authority is satisfied that the applicant is not responsible for the delay in the execution of the lease deed and that the competent

authority would have satisfied himself that it is a fit case for permitting execution of the lease deed beyond three months.

The justification provided by the Department was not acceptable as no documentary evidence on the basis of which the competent authority satisfied himself of the fact that the lessee was not responsible for the delay, could be provided.

5.3.8.3 Mining leases granted within restricted areas

Rule 4 of the MMMCR, 2016 provides that no mining lease and quarry permit shall be granted in respect of any land located within a distance of 50 meters from any village, bridges, national highways (NH) or water source except with the prior approval of the State Government. The rule was amended in September 2020 by the State Government and as per the amendment, no mining lease and quarry permit shall be granted in respect of any land mentioned below, namely:

- (i) within a distance of 200 meters from the edge of the NH and any roads to be notified by the Government.
- (ii) within a distance of 100 meters from any village, water source, bridges, dams, reservoirs and from the edge of the State Highways and any other roads when blasting is not involved; and
- (iii) within a distance of 200 meters from any village, water source, bridges, dams, reservoirs and from the edge of the State Highways and any other road when blasting is involved.

Further, as per Rule 19 of the MMMCR, 2016, the mining plan prepared by the applicant shall contain the mining plan area showing as accurately as possible the location, boundaries and area of the land in respect of which mining lease is applied for, natural water courses, forest areas, etc.

Audit noted that the mining plans approved by the Director of Mineral Resources did not mention the distance of the mining lease from the roads and water courses which resulted in irregular grant of the mining leases as discussed below:

Test-check of records of the DFO (T), Jowai revealed that one mining lease (boulder stone) at Moodymmai issued (March 2021) for a period of 15 years to Shri Wanlang Phawa, West Jaintia Hills was found located within 53 meters from NH-6 (Jorabad-Shillong-Jowai-Aizawl Road).

Further, during joint physical verification (JPV) conducted (October 2021 to December 2021) by the Audit team and the officials of the selected DFOs (T) to ascertain the location of 32 lease areas, it was noticed that three mining leases have been granted for extraction of boulder stone within the restricted areas as detailed in **Table 5.3.2**.

Table 5.3.2: Mining leases granted within the restricted areas

Sl. No.	Type of mining lease and location	Name of the lessee	Date of issue of mining lease	Period of lease (years)	Name of DFO	Remarks
1	Boulder stone at Mawlong Sirdarship	Shri Banroilang Wahlang, EKH	12.01.2021	5	DFO(T), Shillong	Located at 55 meters from PWD road, which contravenes the permissible distance of 200 meters.
2	Boulder stone, Dymniew, Jathit, Pynursla	Smt Lamonlang Massar, EKH	22.03.2019	10		Located at 22 meters from NH-206 (Shillong-Pynursla-Dawki road), which contravenes the permissible distance of 50 meters.
3	Boulder stone	Shri Ringh Sangma, Damjonggre, WGH	20.12.2017	5	DFO(T), Tura	Located at 40 meters from a perennial stream, which contravenes the permissible distance of 50 meters.

Source: JPV reports of DFO (T), Shillong and Tura.

It may be seen from **Table 5.3.2** that four mining leases (one under DFO, Jowai, two under DFO, Shillong and one under DFO, Tura) were granted within the restricted areas by the Department. This indicates that environment and public safety were not considered while granting these mining leases.

The Department stated (March 2023) that in respect of Shri Banroilang Wahlang and Smt Lamonlang Massar, the distance of the mining sites from the road were 60 and 50 meters respectively. However, since the applications along with other documents were submitted to the DFOs concerned before amendment of the MMMCR *i.e.*, September 2020, the mining leases were granted. In respect of Shri Ringh Sangma, the Department attributed the reason to shifting of the river course, while in case of Shri Wanlang Phawa, the Department stated that the mining lease was re-issued with the additional condition that no blasting is allowed within 200 meters from the paddy field and PWD road.

The Department's reply in respect of Shri Banroilang Wahlang, Smt Lamonlang Massar and Shri Ringh Sangma, was not acceptable since, MMMCR, 2016 amended in September 2020 prohibits any mining lease to operate within 200 metres from the edge of NH/State highway/river/water source without any exemption clause. In respect of Shri Wanlang Phawa, the mining lease was issued on 9 March 2021 *i.e.* after amendment of MMCR, (September 2020), hence the Department justification stating that mining lease was re-issued restricting the use of blasting, that too without any record evidence was not acceptable.

5.3.8.4 Mining operated beyond the lease areas

Under Rule 20(1) of the MMMC Rules, 2016, mining operations shall be undertaken in accordance with the duly approved mining plan. Further, as per the approved mining plan, barbed wire fencing shall be provided around the excavation to check the inadvertent entry of humans and livestock or fauna in the mining site.

During JPV, it was seen that in two mining areas each under DFO Shillong & Tura, mining activities were carried out beyond the boundary of the lease areas, details of which are given in **Table 5.3.3.**

Table 5.3.3: Mining activities beyond the permitted lease areas

Name of lessee and address	Type of mineral and location	Date of issue of lease	Lease area as per mining plan	Actual mining area	Date of inspection
Shri Kitboklang Khonglah, DFO(T), Shillong	Limestone at Sohra, Mawlong, EKH	22.2.2021	2.88 Ha	0.25 ha beyond the boundary	09.11.2021
Wensila Ch. Marak, Manggapara, DFO(T), Tura	Boulder stone at Manggapara, Zikabari, West Garo Hills District	12.04.2019	0.56 ha	0.90 ha beyond the boundary	13.12.2021

Source: JPV reports.

Both the lessees present during the JPV denied extraction of minerals beyond the lease areas. The Range Officer, Southern Range under DFO (T) East Khasi Hills also could not ascertain the person involved in extraction of limestone in the area outside the mining area. It was also observed that no barbed wire fencing was provided around these mining sites.

The Range Officer (RO) under DFO (T), Tura stated that the extraction of minerals beyond the mining area was carried out manually by local people and without the use of any machinery. The RO further stated that since the place was very far, it is not possible for the forest staff to detect the people involved in illegal mining.

The Department stated (March 2023) that in respect of Shri Kitboklang Khonglah, the mining activities were occurring at a site which was beyond the boundary of the mining lease and is an abandoned mine, while in respect of Smt. Wensila Ch. Marak, it was stated that the extraction beyond the mining area was carried out manually by local people and without the use of any machinery which is more of a stray incident for reasons of livelihood and being done at a time when the forest staff were not present.

The justification provided by the Department is not acceptable since during JPV, extracted quantity of about 55 MT of limestone (DFO, Shillong) and 110 cu.m of Boulder stone (DFO, Tura) were found lying at the sites. Moreover, the lessees should have reported about illegal mining being done just beside their mining lease area, to the authorities/ DFO concerned. The reply of the Department also reflects absence of monitoring and its inability to control prevalence of illegal mining activities.

5.3.8.5 Maintenance of records of Transport challans (Form-H).

Under Rule 26 of the MMMCR, 2016, the competent authority shall issue transport challans in Form-H to any lessee or permit holder who intends to dispatch minor minerals from the lease or permit area. No person shall transport or carry away any minor mineral from any place without a transport challan. The Form-H used for transportation of minor minerals includes details like the name and address of the lease holder and the mining lease, name of the mineral, name and address of the consignee

and the place of delivery of the minor mineral. Form-H is issued to the lessee only after payment of royalty and other dues.

Scrutiny of records pertaining to the maintenance and utilisation of transport challans (Form-H) revealed the following shortcomings:

A. Absence of proper accounting of Form-H

As per information collected from Printing and Stationery Department, 5,175 books⁶² of Form-H were delivered to DFO (T), Shillong during the period from October 2017 to March 2021. However, the DFO did not maintain any register/records showing the number of books of Form-H received, issued and stock balance. In reply, the DFO (T), Shillong furnished a statement showing position of Form-H. On cross examination of the records furnished by Printing and Stationery Department with the statement furnished by DFO (T), Shillong, it was further seen that 580 books⁶³ of Form-H issued to the DFO during the period between March 2020 and January 2021 were not recorded in the DFOs' statement.

In respect of DFO (T) Tura, it was seen that though a register was maintained, only the receipt and issue of Form-H were recorded in the register. The dates of return of the used books were not recorded.

Thus, due to the improper maintenance of records of Form H by the two DFOs, misuse of the same for unauthorised transportation of minerals as discussed in the succeeding **Paragraph 8.1.5(2)** and the risk of loss of revenue cannot be ruled out.

The Department, while accepting the audit observation, stated (March 2023) that all the DFOs have been directed to maintain records/register for proper accounting of Form H.

B. Issue of Form-H to non-lease holders

Under Rule 26 (1) and (2) of the MMMCR, 2016, the competent authority shall issue transport challans in Form-H to a lessee or permit holder who intends to dispatch minor minerals from the lease or permit area and no person shall transport or carry away any minor minerals from any place without such transport challan.

Scrutiny of issue register of Form-H revealed that DFO (T) Tura, had issued four books (bearing book Nos. 487, 592, 604 and 1004) containing 400 sheets of transport challans (Form-H) to a non-mining lease holder *viz.*, M/s Megha Stone Industries (stone crushers), Tura on 25 November 2019, 26 February 2020, 06 March 2020 and 13 March 2020 respectively. Further examination of records of the LCS, Ghasuapara revealed that M/s Megha Stone Industries had utilised 43 sheets of the said transport challans to export 486 MT of minor minerals⁶⁴ to Bangladesh during April 2021. The circumstances under which Form H was issued to a non-mining lease holder by DFO Tura was not found on record.

⁶² Cash book of Form H challans consists of 100 sheets.

⁶³ Book Nos. 6761-6780, 6801 to 6820, 6861-6880, 6921-6940, 6981-7000, 7080-7081, 7121-7160, 7281-7320, 7401-7440, 7481-7520, 7641-7680, 7761-7800, 7881-7920, 7961-8000, 8081-8120, 8281-8320 and 8361-8400.

⁶⁴ Stone chips.

The issue of Form-H to a non-mining lease holder is not only a violation of Rule 26 (2) of the MMMCR, 2016 but is an open encouragement to transport minor minerals sourced from illegal mining to cross border check-gate.

The Department stated (March 2023) that transport challan issued to Megha Stone Industries was meant for transportation of minor minerals for export of the processed minor mineral, issued inlieu of the already issued domestic transport challan, and that associate fees due has been collected. The reply stated further that it was issued purely with an intention to monitor, check, regulate and maintain proper record/ data of the export of chips/ crushed materials through forest check gates.

The reply is not acceptable since Form-H was supposed to be issued only for transportation of extracted minor minerals from the permit area and not for transportation of the minerals from one place to any other place.

5.3.8.6 Discrepancy of GPS Co-ordinates due to improper verification of mining leases

Rule 16 of the MMMCR, 2016 states that mining lease or quarry permit survey of an area shall be carried out in the following manner:

- (i) Survey and demarcation of the area applied for the grant of mining lease or quarry permit shall be done by the applicant; and
- (ii) Verification of the same shall be done by the competent authority.

Examination of the GPS co-ordinates mentioned in the non-forest clearance certificate, environmental clearance, mining plan and mining lease certificate issued to the lessees revealed that out of 85 leases selected, discrepancies in GPS co-ordinates were noticed as highlighted below:

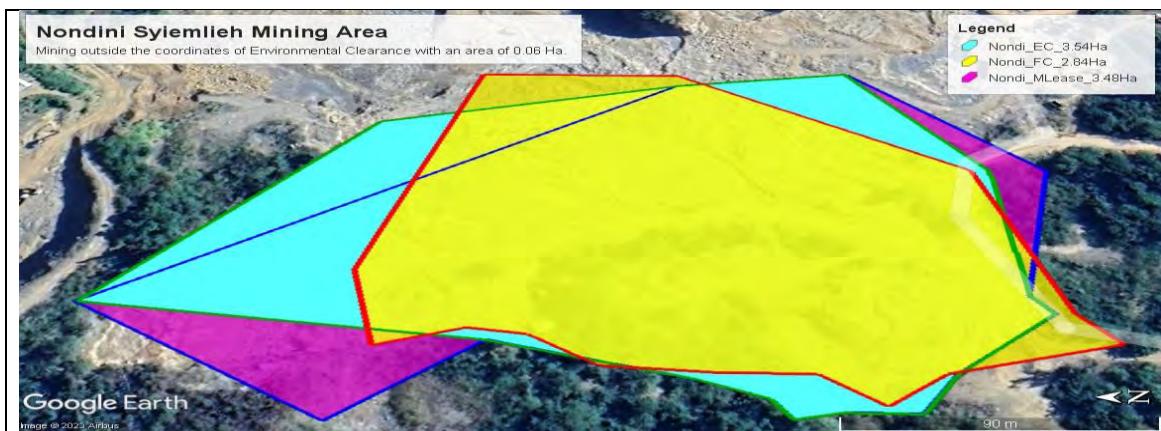
- Although the non-forest land certificate and mining lease were granted by the same authority *i.e.*, the DFO concerned, in 25 cases⁶⁵ (*29 per cent*), the GPS co-ordinates issued for the non-forest land certificate and mining lease did not match.
- In 15 cases⁶⁶ (*18 per cent*), there was a discrepancy in the GPS co-ordinates in the non-forest land certificate and environmental clearance.
- In 20 cases⁶⁷ (*24 per cent*), there was a discrepancy in the GPS co-ordinates issued for the non-forest land certificate and mining plan.

Audit plotted the GPS co-ordinates mentioned in the mining lease and those mentioned in the forest clearance and environmental clearance in Google Earth and noticed that there is huge variation in the area plotted as per GPS co-ordinates mentioned in the mining lease and the area mentioned in the forest clearance and environmental clearance. Samples of GPS coordinates plotted through Google Earth are indicated below:

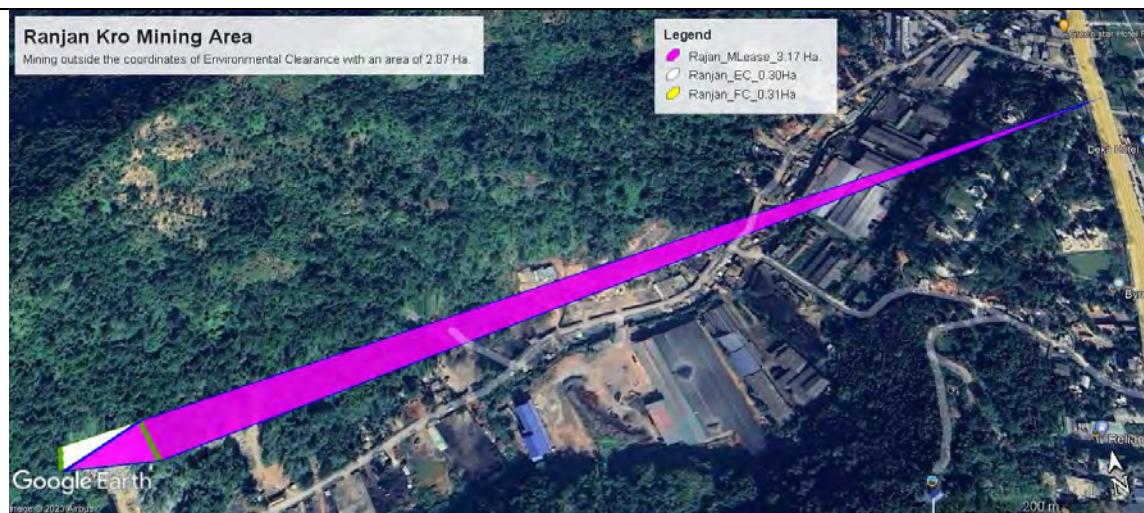
⁶⁵ (9 in East Khasi Hills, 10 in Ri-Bhoi and 6 in West Garo Hills).

⁶⁶ (9 in East Khasi Hills, 2 in Ri-Bhoi and 4 in West Garo Hills).

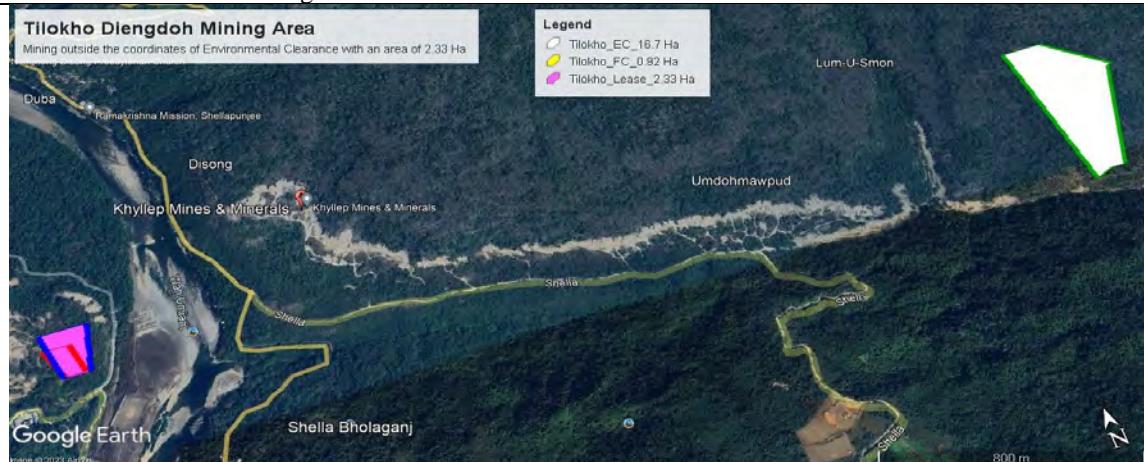
⁶⁷ (8 in East Khasi Hills, 7 in Ri-Bhoi and 5 in West Garo Hills).



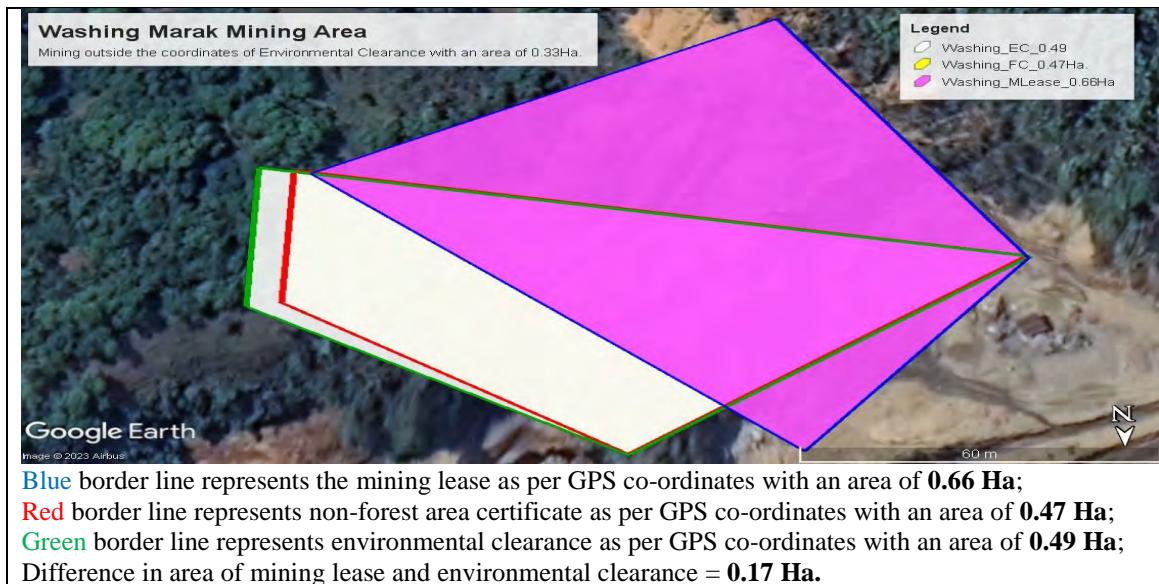
Blue border line represents the mining lease as per GPS co-ordinates with an area of **3.48 Ha**;
 Red border line represents non-forest area certificate as per GPS co-ordinates with an area of **2.84 Ha**;
 Green border line represents environmental clearance as per GPS co-ordinates with an area of **3.54 Ha**.
 Difference in area of mining lease and environmental clearance = **0.66 Ha**.



Blue border line represents the mining lease as per GPS co-ordinates with an area of **3.17 Ha**;
 Red border line represents non-forest area certificate as per GPS co-ordinates with an area of **0.31 Ha** (however, the red line is not visible due to overlap by green border line);
 Green border line represents environmental clearance as per GPS co-ordinates with an area of **0.30 Ha**.
 Difference in area of mining lease and environmental clearance = **2.87 Ha**.



Blue border line represents the mining lease as per GPS coordinates with an area of **2.33 Ha**;
 Red border line represents Non-forest area certificate as per GPS co-ordinates with an area of **0.92 Ha**;
 Green border line represents environmental clearance as per GPS co-ordinates with an area of **16.70 Ha**.
 Difference in area of mining lease and environmental clearance = **14.37 Ha**.



Prevalence of these discrepancies indicated that the DFOs in the F&E Department were not carrying out survey/site inspection of the lease areas diligently. Mining activities in unauthorised land cannot be ruled out due to these discrepancies.

The Department stated (March 2023) that cases of deviation of GPS co-ordinates in decimals (seconds) in East Khasi Hills District may be attributed to error in the GPS device. In respect of Ri-Bhoi district, where huge variations were noticed, show cause/closure notice have been issued. The Department stated further that there is no discrepancy in the GPS coordinates as observed by audit in respect of DFO Tura, which is not acceptable since based on re-examination, it was noticed that there are discrepancies of GPS coordinates mentioned in the non-forest land certificate compared with the GPS co-ordinates mentioned in the mining plan, EC and mining lease as already pointed out.

Conclusion

In many instances, provisions of MMMCR Rules 2016 had not been complied by the DFOs, while issuing/ granting the mining lease as cases of granting mining leases despite non-submission/ delay in submission of mandatory documents as well as cases of lease being granted within restricted areas and mining activities being carried out beyond lease areas were also observed. Besides, absence of proper accounting of Form H and cases of issuance of Form-H to non-lease holders were also noticed.

Recommendations

- *The Department should review all the mining leases pointed out in Audit, which have been granted without adherence to the statutory requirements. Further, the Department should put in place appropriate procedures for the forest officials and other authorities to ensure strict compliance with the provisions of MMMCR Rules, 2016 while granting mining leases in the State.*
- *The Department may investigate all cases of violation of the MMMCR, 2016, fix responsibility and take punitive action under Rule 36 of MMMCR 2016 read with*

sub-section (2) of section 21 of Mines and Mineral (Development and Regulation) Act, 1957.

- *The matter relating to issuance of Form H to non-lease holders should be investigated, and accountability should be fixed to avoid repetition of such irregularities.*

PART-II

5.3.9 Assessment and collection of minor mineral receipts viz., royalty, fees and others

The main activities of the F&E Department are conservation and development of natural forests and wildlife. As such, it is not considered a revenue earning Department of the State Government. However, it is one of the major non-tax revenues earning Departments since the F&E Department is responsible for granting mining lease of minor minerals and collection of forest receipts comprising of royalty from minor minerals, sale of timber, sand and other forest produce, etc.

Royalty on minor minerals is one of the important components for the State's own revenue as it comprised 10 *per cent* (₹ 260.98 crore) of the State's non-tax receipts (NTR) of ₹ 2,532.85 crore during 2016-21. The target set by the F&E Department for collection of royalty from minor minerals and actual collection of the same *vis-à-vis* comparison with State NTR during 2016 to 2021 is given in **Table 5.3.4.**

**Table 5.3.4: Target *vis-a-vis* actual collection on minor minerals during 2016 to 2021
₹ in crore)**

Year	Target	Actual receipts on minor minerals	Total Non-tax Receipts (TNTR)	Percentage of actual receipts to	
				Target	TNTR
2016-17	71.37	67.37	685.24	94	10
2017-18	99.36	29.95	366.63	30	8
2018-19	88.17	43.42	427.70	49	10
2019-20	91.30	57.90	530.11	63	11
2020-21	62.20	62.34	523.17	100	12
Total	421.26	260.98	2,532.85	62	10

Source: information furnished by the F&E Department and State Finance Accounts.

From the table above, it is seen as follows:

- Against the total target of ₹ 421.26 crore for collection of revenue (royalty) on minor minerals, an amount of ₹ 260.98 crore only was collected during 2016-21; thus there was overall shortfall in collection by 38 *per cent*.
- The increase/decrease in the targets are not in conjunction with the actual collection. During the last five years' period from 2016-17 to 2020-21, the target of ₹ 99.36 crore set during 2017-18 was the highest, against which the actual collection was only ₹ 29.95 crore *i.e.*, shortfall of 70 *per cent*. Thereafter, the target dipped to ₹ 88.17 crore (2018-19) with slight increase to ₹ 91.30 crore (2019-20) which again dipped to ₹ 62.20 crore in 2020-21. On the contrary, the collection of revenue has been on an increasing trend from ₹ 43.42 crore in 2018-19 to ₹ 62.34 crore in 2020-21.

The above deficiencies indicated that budget/target for revenue receipt was not prepared in a realistic manner and points towards overestimation of receipts on mineral minerals. No record on the procedure adopted by the Department for fixation of target on receipts of minor minerals was made available to audit.

During the exit meeting (17.03.2023), the Department stated that the target was fixed on thumb rule basis by increasing the projections by five *per cent* over the previous year's target. The reply confirms the audit contention that the targets were not prepared in a realistic manner.

Audit noticed several cases of non/ short realisation of royalty, Meghalaya Minor Mineral Reclamation Fund (MMMRF), cess and stamp duty, which are discussed in the succeeding paragraphs:

5.3.9.1 Short-realisation of royalty on sand and stone

Under Section 34(2)(h) of the Meghalaya Forest Regulation Act (Assam Regulation No. 7 of 1891 as adopted by Meghalaya), the Forest & Environment Department, Government of Meghalaya notified (19 June 2014) revision of the schedule of rates of royalty on all types of forest produce, payable to the Government. The rates of royalty were enhanced with effect from 24 January 2019. The schedule of rates of royalty also includes rates for sand, stone and limestone as given in **Table 5.3.5.**

Table 5.3.5: Schedule of rates of royalty on sand, stone and limestones

Sl. No.	Categories	Unit	Rate of royalty per unit	
			From 19.06.2014	From 24.01.2019
1	Sand	Cum	90	110
2	Stone	Cum	240	240
3	Limestone	MT	80	100

In Meghalaya, all user agencies (Government departments) utilising minor minerals for execution of works contracts have been made (29 April 2016) responsible for deduction of royalty on minor minerals utilised for works from the contractors' bills and for depositing the same to the Treasury through the Forest Department.

Mention was made in Paragraph 5.4.14.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 (Revenue Sector) and Paragraph 5.4 of the Report *ibid* for the year 31 March 2018, regarding short levy/ non levy of royalty from user agencies. Audit had therefore recommended that the Forest Department should actively follow up the issue with the user agencies regarding the timely submission of accounts for the minerals utilised by them and to realise the balance amount of royalty from the contractors.

Scrutiny of records of the selected DFOs pertaining to payment of royalty by the user agencies revealed that 10.92 lakh cum of boulder stone and 5.35 lakh cum of sand were utilised for construction of various works under 26 different user agencies between April 2016 and March 2021 as detailed in **Table 5.3.6.**

Table 5.3.6: Non/short realisation of royalty

(₹ in crore)

Name of DFO	No. of user agencies	Period	Quantity of Minor Minerals utilised (cum)		Royalty payable	Royalty paid	Short payment
			Stone	Sand			
DFO(T), Shillong	13	June 17 to February 2021	4,08,610	1,22,344	11.11	9.17	1.94
DFO(T), Jowai	10	April 16 to March 2021	4,95,049	2,99,834	15.10	11.54	3.56
DFO(T), Tura	3	April 16 to October 2018	1,88,650	1,13,176	5.55	1.96	3.59
Total	26		10,92,309	5,35,354	31.76	22.67	9.09

Source: Compiled by Audit from the records of the selected DFOs (T).

It may be seen from **Table 5.3.6** that against the payable royalty amount of ₹ 31.76 crore, an amount of only ₹ 22.67 crore was realised by the user agencies under the three DFOs. The DFOs also failed to take any action in this regard. Thus, due to failure of the user agencies and the concerned DFOs to ensure realisation of royalty at the prescribed rate resulted in short realisation of royalty to the tune of ₹ 9.09 crore.

The above lapses indicated that no remedial action had been taken by the Forest Department on the Audit recommendations. Thus, inaction of the Department to take up the matter with the concerned user agencies to ensure deduction of royalty at the prescribed rate resulted in short realisation of royalty on minor minerals amounting to ₹ 9.09 crore during April 2016 to March 2021 under the three DFOs.

The Department, while accepting the Audit observation, stated (March 2023) that respective DFOs (T) had from time to time intimated and reminded the user agencies on short/non-payment of royalty and its recovery. The Department added further that since the onus of collection of royalty also lies with the user agencies, the Department had written to all user agencies to deposit the royalty and other statutory dues.

A. Non-realisation of royalty on limestone

During the period between January 2019 and March 2019, 13 lessees under DFO (T), Jowai transported 0.57 lakh MT of limestone and paid royalty of ₹ 0.46 crore which was accepted by the DFO.

Audit noted that these lessees had made payment of royalty at the rate of ₹ 80/MT instead of ₹ 100/MT resulting in short realisation of royalty on limestone amounting to ₹ 0.11 crore (₹ 0.57 - ₹ 0.46) from the 13 lessees (**Appendix 5.3.2**).

The DFO (T), Jowai attributed (10 December 2021) delay in receiving intimation of the revised rates from the Department as the reason for not deducting royalty at the revised rate of ₹ 100/MT, which he stated was received only on 30 March 2019.

The reply of the DFO (T), Jowai was contradicted by the Department in their reply dated 16 March 2023, wherein it was stated that the revised rates of royalty on limestone was intimated to all the Divisions including DFO (T), Jowai on 30 January 2019. The Department also stated that royalty amounting to ₹ 0.44 crore has been recovered out of the total payable amount.

The reply is factually incorrect since examination of records furnished by the Department revealed that the amount of ₹ 0.44 crore had already been paid by the lessees during January 2019 to March 2019. However, the amount of ₹ 0.11 crore still remains unrealised.

Thus, failure of the DFO (T), Jowai to levy royalty on limestone at the revised rates has resulted in non-realisation of royalty amounting to ₹ 0.11 crore during January 2019 to March 2019.

B. Extraction of incidental minor minerals without obtaining exemption certificate

Under Rule 3 (ii) of MMMCR 2016, any extraction of minor minerals which is incidental in nature is exempted from the provisions of MMMC Rules provides that an exemption certificate is obtained from the competent authority. Further, under Rule 3 of MMMCR (amendment in January 2021), any extraction of minor minerals which is incidental in nature shall be permitted for commercial uses only after payment of royalty and cess.

During JPV conducted (08 November 2021) in a mining lease granted to Smti. Lamonlang Massar, Pynursla, East Khasi Hills District, it was noticed on the way to the lease areas that extraction of boulder stone was being carried out at the roadside of NH-40 (Shillong-Pynursla-Dawki). Some of the photographs taken during the JPV are shown below:



Extracted boulder stone lying at site during site inspection in Pynursla, East Khasi Hills District during widening of Shillong-Dawki road.

The Range Officer, Southern Range of DFO (T), Shillong stated that the extraction of boulder stone from the roadside was carried out by NHIDCL⁶⁸ for the purpose of construction of Shillong-Dawki Road.

Since the extraction of boulders stone arises out of construction of roads which is incidental in nature, an exemption certificate needs to be obtained from the Forest department. However, Audit noticed that the exemption certificate was neither obtained by NHIDCL nor were they instructed by the Forest department to obtain the same. Further, the Forest department did not ascertain whether the extracted boulder stone was used for commercial purposes for proper collection of royalty and cess.

⁶⁸ National Highways and Infrastructure Development Corporation Ltd.

The Department, while accepting the Audit observation, stated (March 2023) that NHIDCL has submitted an application and the same is under process for obtaining approval from the State Government for issuance of exemption certificate. However, a copy of the application was not furnished.

5.3.9.2 Meghalaya Minor Mineral Reclamation Fund (MMMRF)

In compliance with the order of the Hon'ble High Court of Meghalaya dated 30 June 2015, the Forest & Environment Department directed (December 2015) the PCCF & HoFF for creation of the Meghalaya Minor Mineral Reclamation Fund (MMMRF) at the level of the PCCF & HoFF with the following salient features:

- The fund is to be operated by a committee chaired by the PCCF & HoFF with the Chairman, MSPCB, Secretary SEIAA and FAO of the office of the PCCF & HoFF, as members.
- The amount to be credited in this fund will be *10 per cent* of the sale proceeds. This will be determined in the case of export by *10 per cent* of the value shown in the Letter of Credit (LoC) and for sale within the country, as per the Schedule of Rates of PWD.
- Collection of money for this fund will be done through the DFOs at the time of collection of royalty.

The purpose for the creation of MMMRF was for reclamation of damage caused to the forest and environment as a result of mining activities, to be executed through the DFOs. Since, land belongs to private individuals/ community in Meghalaya, the SEIAA will obtain an undertaking prior to issue of Environmental Clearance, that the owner(s) of the land will allow the Department to undertake reclamation works on the land from the Reclamation Fund in terms of the orders of the Hon'ble High Court.

Scrutiny of records pertaining to collection and utilisation of Reclamation Funds revealed that MMMRF was created on 13 January 2016 and the collection started from 15 March 2016. As on 31 March 2021, the total amount collected under MMMRF was ₹ 102.02 crore, of which ₹ 0.07 crore was spent till the date of Audit (March 2021). The year-wise collection of MMMRF from 15 March 2016 to 31 March 2021 is shown in **Table 5.3.7.**

Table 5.3.7: Collection of MMMRF (Amount in ₹)

Year	Collection	Interest	Closing balance
2015-16 (from 15/03/2016 to 31/03/2016)	69,06,244.69	9,589.00	69,15,833.69
2016-17	27,32,18,527.35	59,05,042.00	28,60,39,403.04
2017-18	6,73,52,741.00	1,36,16,475.00	36,70,08,619.04
2018-19	15,90,44,202.60	1,77,45,434.00	54,37,98,255.64
2019-20	19,11,90,840.33	1,50,13,282.00	75,00,02,377.97*
2020-21	24,01,44,108.94	3,00,76,528.00	102,02,23,014.91
Total	93,78,56,664.91	8,23,66,350.00	

*Including an amount of ₹ 30,80,00,000 transferred to fixed deposit on 01 May 2019.

In this connection Audit observed the following:

A. Short/Non-realisation of MMMRF

GoM fixed (December 2015) the rates for contribution to MMMRF at 10 *per cent* of the Public Works Department (PWD)'s Schedule of Rates (SOR) for stone and sand as shown in **Table 5.3.8.**

Table 5.3.8: Rate for collection of MMMRF

Sl. No.	Categories	Schedule of Rate (SOR) Per cum (₹)	MMMRF realisable per cum (10 per cent of the SOR) (₹)
1	Sand	800	80
2	Stone	1,300	130

In Meghalaya, apart from lessee/quarry permit holders, MMMRF is also being collected from contractors through works Departments⁶⁹, also known as user agencies, since most of the contractors could not produce challans in support of actual procurement of minor minerals, particularly sand and stone, from the quarry permit holders. Thus, the user agencies are made responsible for deduction of royalty and other dues including MMMRF from the contractors' bills and to deposit the same to the fund account through the DFOs.

During the period from April 2016 and March 2021, 26 different user agencies/divisions under the three DFOs (T) had utilised 10.92 lakh cu. m. of boulder stone and 5.35 lakh cu. m. of sand for construction of various works. It was however, noticed that against the payable amount of MMMRF of ₹ 18.48 crore, an amount of ₹ 0.68 crore only was realised by 26 user agencies from the bills of the contractors resulting in short/non-realisation of ₹ 17.80 crore as shown in **Table 5.3.9.**

Table 5.3.9: Non/short realisation of MMMRF

(₹ in crore)

Name of DFO	No. of user agencies	Period	Qty. of Minor Minerals utilised (cu.m.)		Total payable MMMRF ⁷⁰	MMMRF paid	Short realisation
			Stone	Sand			
DFO(T), Shillong	4	March 2018 to February 2021	2,61,996	69,946	3.97	0.68	3.29
	9	June 2017 to November 2020	1,46,614	52,398	2.32	0	2.32
DFO(T), Jowai	10	April 2016 to March 2021	4,95,049	2,99,834	8.83	0	8.83
DFO(T), Tura	3	April 2016 to October 2018	1,88,650	1,13,176	3.36	0	3.36
Total	26		10,92,309	5,35,354	18.48	0.68	17.80

Source: Compiled by Audit from the records of the selected DFOs (T).

It may be seen from **Table 5.3.9** that 13 user agencies under the DFO (T), Jowai and DFO (T), Tura did not realise MMMRF from the contractor bills to the tune of ₹ 12.19 crore, while under the DFO (T), Shillong, MMMRF amounting to ₹ 2.32 crore against utilisation of stone (1.47 lakh cu.m) and sand (0.52 lakh cu.m) was not deducted from nine user agencies by the respective departments during the period between June 2017 and November 2020. Moreover, an amount of ₹ 0.68 crore only was deducted

⁶⁹ Works Departments like Public Works Department, Public Health Engineering Department, Soil Conservation Department, etc. which undertake works on behalf of the Government.

⁷⁰ Stone (Qty. x ₹ 130) + Sand (Qty. x ₹ 80).

from four user agencies under DFO (T), Shillong against deductible amount of ₹ 3.97 crore during the period between March 2018 and February 2021 which resulted in short deduction of ₹ 3.29 crore. Audit further noticed that due to lack of clarity on the base amount on which MMMRF @ 10 *per cent* was to be deducted, the departments concerned deducted the same @ 10 *per cent* of the royalty charged from the contractors resulting in short realisation of MMMRF.

Thus, due to failure of the departments concerned, there was non-realisation of MMMRF amounting to ₹ 14.51 crore as well as short realisation of ₹ 3.29 crore. No action was found to have been taken by the DFOs with the user agencies to ensure that MMMRF is compulsorily deducted at source and at the prescribed rate.

The Department stated (March 2023) that nothing is mentioned in the MMC Rules for contribution of MMMRF by the user agencies. However, the Department has communicated to the user agencies to deposit the MMMRF dues accordingly.

The Department's reply confirmed absence of codified rules to ensure mandatory collection of MMMRF by the user agencies from the contractor's bills.

5.3.9.3 Cess on limestone and boulder stone

Rule 3 of the Meghalaya Minerals Cess (MMC) Act, 1988 (notified in May 1988), provides for levy and collection of cess from any person who extracts or removes the minerals from any mine or quarry in the State. The MMC Act, 1988 provides for collection of cess on limestone (both major and minor) at the prescribed rate (fixed by the Government from time to time). The purpose for collection of cess was for developing primary education and developing and improving the mining areas in the State. In Meghalaya, though minor minerals are under the control of the Forest Department, however, cess on limestone is being collected by the Mining & Geology Department from the mining lease/quarry permit holders.

In exercise of powers conferred by Sub-Section (2) of Section 4 of the MMC Act, 1988, Government of Meghalaya, Mining and Geology Department enhanced (21 March 2016) the rate of cess on limestone to ₹ 60/MT from ₹ 40/MT (*w.e.f.* 07 April 2015). Further, rule 3 of the MMC Act was amended vide gazette notification dated 24 November 2020. Through this amendment, collection of cess on boulder stone at the rate of ₹ 25 per cu.m was inserted.

Scrutiny of records of the three selected DFOs pertaining to collection of cess on minor minerals revealed the following:

A. Non-collection/short collection of cess on limestone and boulder stone

Scrutiny of records furnished by the three selected DFOs on the transport of minor mineral by all lessees revealed that 57 lessees transported 22.21 lakh MT of limestone and 2.22 lakh cum of boulder stone during the years 2017-18 to 2020-21 for which cess amounting to ₹ 13.88 crore was payable by them. It was however noticed that the lessees had paid cess amount of only ₹ 0.93 crore resulting in non-collection/short collection of cess to the tune of ₹ 12.95 crore as shown in **Table 5.3.10**.

Table 5.3.10: Non/short payment of cess on minor minerals

(₹ in crore)

Name of the DFO (T)	Limestone transported from 2017-18 to 2020-21				Boulder stone transported from December 2020 to March 2021				Total cess to be paid (4+8)	Total Cess paid (5+9)	Short payment of Cess (10-11)
	No. of lessees	Qty. (MT)	Cess payable @ ₹ 60/ MT	Cess paid	No. of lessees	Qty. (cu.m)	Cess payable @ ₹ 25/ cu.m	Cess paid			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
DFO, Shillong	9	13,54,593	8.13	0.90	6 ⁷¹	69,194	0.17	0.03	8.30	0.93	7.37
	10	8,66,250	5.20	0	5	21,672	0.05	0	5.25	0	5.25
DFO, Jowai	Issue of non/short collection of cess was not noticed under DFO, Jowai				5	10,233	0.03	0	0.03	0	0.03
DFO, Tura	No mining lease for limestone issued				22	1,21,125	0.30	0	0.30	0	0.30
Total	19	22,20,843	13.33	0.90	38	2,22,224	0.56	0.03	13.88	0.93	12.95

Source: Compiled by Audit from the records of the selected DFOs(T).

From **Table 5.3.10**, it can be seen as follows:

- (i) Under the DFO (T), Shillong, cess was not at all paid by 10 lessees for transporting 8,66,250 MT of limestone and 21,672 cu.m of boulder stone by five lessees, resulting in non-collection of cess amounting to ₹ 5.25 crore. Similarly, under DFO (T), Jowai and Tura, no cess was collected against transportation of 1,31,358 cu.m of boulder stone by five and 22 lessees respectively, resulting in non-collection of cess amounting to ₹ 0.33 crore (DFO, Jowai: ₹ 0.03 crore + DFO, Tura: ₹ 0.30 crore).
- (ii) Again, under the DFO (T), Shillong, cess on transporting of limestone (13,54,593 MT) and boulder stone (69,194 cu.m) has not been collected at the prescribed rates from nine and six lessees respectively. This resulted in short collection of cess amounting to ₹ 7.37 crore (limestone: ₹ 7.23 crore and boulder stone: ₹ 0.14 crore).
- (iii) Cases of non/short collection of cess on limestone were not noticed under DFO, Jowai, since the DFO(T), Jowai issue transport challans to the lessees only after obtaining proof of payment of cess, royalty, etc.

From the above, it is seen that there was non-collection of cess amounting to ₹ 5.58 crore as well as short collection of ₹ 7.37 crore totalling to ₹ 12.95 crore (**Appendix 5.3.3**) against transportation of 22.21 lakh MT of limestone and 2.22 lakh cu.m of boulder stone by 57 lessees during the years 2017-18 to 2020-21.

The Department stated (March 2023) that there were no specific provisions for payment of cess by mining lease holders on limestone and boulder stone in the initial stage when MMMC Rules, 2016 was legislated. However, based on the meeting held on

⁷¹ As per information furnished by the DFO (T), Shillong, 13 out of select 24 lessees did not transport boulder stone during the period from December 2020 to March 2021.

15 November 2018, it was decided that Form H⁷² should not be issued without the payment of cess on limestone and following the said meeting directions were issued and accordingly mining lease holders have started to pay the cess on limestone. In respect of boulder stone, the mining lease holders started to pay cess only after the notification was issued by the State Government dated 24 November 2020.

The reply suggests that there was a lack of coordination among various departments of the State leading to non-realisation of revenue to the tune of ₹ 12.95 crore.

5.3.9.4 Payment of stamp duty by mining lease holders

Rule 21 of MMMCR, 2016 provides that where a mining lease is granted or renewed, a lease deed in Form E shall be executed within three months of the order of grant of the lease and if the lease is not executed within the aforesaid period, the order granting the lease shall be deemed to have been revoked. Under Section 26 of the Indian Stamp Act, 1899, in case of lease of a mine in which royalty is received as rent, such royalty shall be considered for computing stamp duty. Clause 35 (a) (ii to vi) of the Indian Stamp (Meghalaya Amendment) Act, 1993 lays down that stamp duty on lease, where the lease is executed for a term of five to 30 years, stamp duty shall be calculated on the value of the average annual rent reserved⁷³.

Under the Indian Stamp (Meghalaya Amendment) Act, 1993, Government of Meghalaya, Excise Registration, Taxation and Stamps (ERTS) Department fixed the rate of stamp duty on lease as under:

Table 5.3.11: Rates of Stamp duty on lease

Tenure of lease	Rates w.e.f. May 1993	Rates w.e.f. 01 April 2020
Where the lease purports to be for a term of not less than one year but not more than ten years;	Ninety-nine rupees for every one thousand rupees	One rupee for every hundred rupees of the total amount of the average annual royalty payable calculated on the highest annual extraction of minerals as per approved mining plan.
Where the lease purports to be for a term exceeding ten years and not exceeding twenty years;	Ninety-nine rupees for every one thousand rupees for a consideration equal to twice the amount or value of the average annual rent reserved	Two rupees for every hundred rupees of the total amount of the average annual royalty calculated on the highest annual extraction of minerals as per approved mining plan.
Where the lease purports to be for a term exceeding twenty years and not exceeding thirty years;	Ninety-nine rupees for every one thousand rupees for a consideration equal to three times the amount or value of the average annual rent reserved	Three rupees for every hundred rupees of the total amount of the average annual royalty payable calculated on the highest annual extraction of minerals as per approved mining plan.
Where the lease is granted for more than thirty years and not exceeding fifty years	--	Four rupees for every hundred rupees of the total amount of the average annual royalty payable calculated on the highest annual extraction of minerals as per approved mining plan."

Source: Compiled by Audit from the records of the selected DFOs(T).

⁷² Form-H used for transportation of minor minerals includes details like the name and address of the lease holder and the mining lease, name of the mineral, name and address of the consignee and the place of delivery of the minor mineral. It is issued to the lessee only after payment of royalty and other dues.

⁷³ 'Average annual rent reserved', in relation to a lease, means the average rent payable during the term of the lease.

In this regard Audit observed as follows:

A. Short computation of anticipated royalty by the DFOs resulted in short-realisation of stamp duty

It was noticed that in 13 cases under two DFOs, namely DFO (T), Shillong and DFO (T), Jowai, the calculation of anticipated royalty for the purpose of stamp duty was not based on average annual production. Audit observed that against the correct anticipated royalty of ₹ 40.53 crore, the DFOs had arrived at the anticipated royalty erroneously as ₹ 32.11 crore, as detailed in **Table 5.3.12**.

Table 5.3.12: Short computation of anticipated royalty resulted in non-realisation of stamp duty

Name of DFO	No. of lessees	Period of lease (years)	Average production for 5 years (MT)	Anticipated royalty ⁷⁴ for stamp duty (₹)	Stamp duty payable	Anticipated royalty for stamp duty stated in the lease agreement (₹)	Short calculation of anticipated royalty (₹)	Stamp duty paid (₹)	Stamp duty short paid
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Shillong	4	February 2018 to November 2018	12,25,472	9,80,37,760	2,91,17,215	7,01,00,000	2,79,37,760	2,19,29,529	71,87,686
Jowai	9	April 2018 to October 2020	33,30,398	30,72,64,000	3,40,45,573	25,10,59,800	5,62,04,200	2,31,75,071	71,32,859
Total	13		45,55,870	40,53,01,760	6,31,62,788	32,11,59,800	8,41,41,960	4,51,04,600	1,43,20,545

Source: Compiled by Audit from the records of the selected DFOs (T)

It may be seen from **Table 5.3.12** that short computation of anticipated royalty to the extent of ₹ 8.42 crore has resulted in non-realisation of stamp duty to the tune of ₹ 1.43 crore from 13 lessees (**Appendix-5.3.4**). Nothing was found on record as to why, despite availability of anticipated production for five years' period in the approved mining plan, the DFOs had not taken into consideration the correct figures of the anticipated royalty.

The Department stated (March 2023) that in respect of DFO (T), Shillong, the stamp duty paid by the mining lease holders was more than what the audit figures worked out by audit. Audit rechecked the anticipated royalty based on the approved mining plan and found that there was short payment of stamp duty due to short computation of royalty by the DFO (T) Shillong. In respect of DFO (T), Jowai, the Department stated that demand notice has been issued to all the lessees concerned.

Conclusion

Audit observed that there was revenue loss to the State due to short/ non-collection of royalty, MMMRF, cess and stamp duty on minor minerals. There were no clear instructions from the Government for monitoring the minor minerals utilised by contractors for construction works of Government Departments which resulted in short/non-collection of royalty, MMMRF and cess. It was also noticed that despite royalty and MMMRF on minor minerals being collected by F&E Department and cess collected by the Mining & Geology (M&G) Department, there was no mechanism

⁷⁴ Anticipated royalty = Average production for 5 years as per the mining plan x Rate of royalty.

between the two Departments to exchange information on the quantity of minor minerals transported by the lessees which resulted in non-realisation of cess on minor minerals. Boulder stones extracted during construction of roads/widening of existing roads, which was incidental in nature, were not assessed resulting in non-realisation of royalty and other dues.

Recommendations

- *The Department, in addition to actively following up with the user agencies regarding the timely submission of accounts for the minerals utilised and realising the balance amount of royalty from the contractors, also needs to issue clear instructions to ensure that minor minerals utilised by contractors were obtained from mining leases. The contractors should also submit a certificate from the lessee that the minor minerals were procured from mining lease areas. Further, Government may also initiate an inquiry on the issue of short/non deduction of royalty by the user departments.*
- *The State Government may identify the permit holders/vendors who has not deposited the royalty in full and ensure that royalty is recovered from them.*
- *The Government should take steps to ensure that there is timely and proper dissemination of information from the Apex level to field offices to avoid delays in implementation of executive orders. The Government should also fix responsibility in cases where there is loss of revenue to the State due to administrative delays.*
- *The Department needs to issue instructions to all DFOs that Form H shall be issued to the lessees only after advance payment of cess as was in the case of payment of royalty and MMMRF, to prevent leakage of cess.*
- *Extraction of boulder stone which is incidental in nature, arising out of construction of roads or widening of existing roads carried out by agencies like NHIDCL and similar agencies, should be assessed and collection of applicable royalty and cess, should be ensured.*

PART-III

5.3.10 Monitoring and vigilance mechanism

5.3.10.1 Delay in/ Non-submission of monthly/annual returns by the lessees

Rule 35 of the MMMCR, 2016 provides that returns must be submitted by the lessee to the competent authority as follows:

- (i) Monthly returns in Form K, before the 15th day of each month, in respect of preceding month; and
- (ii) Annual returns in Form L, before the 15th of May each year, in respect of the preceding financial year.

Further, Rule 36 of the MMMCR, 2016, provides that whoever contravenes any of the provisions of these Rules shall be punishable under sub-section (2) of Section 21 of Mines and Minerals (Development and Regulation) Act, 1957. Section 21 (2) of the MMDR Act, 1957, provides that “any rule made under any provision of this Act may

provide that any contravention thereof shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to five lakh rupees, or with both, and in the case of a continuing contravention, with additional fine which may extend to fifty thousand rupees for every day during which such contravention continues after conviction for the first such contravention”.

The monthly/annual returns contain information on the details of opening stock, quantity of minor minerals produced/transported and closing stock during the month/year. Thus, regular submission of the monthly/annual returns is one of the mechanism to enable the Department to monitor the quantity of minerals extracted and transported by the lessees.

Audit noticed that 71 out of the 85 lessees selected for audit did not submit the monthly/annual returns as mandated in MMMCR, 2016. The position of non-submission of monthly/annual returns is detailed in **Table 5.3.13**.

Table 5.3.13: Position of non-submission of monthly/annual returns

Name of DFO(T)	No. of lessees who did not submit monthly returns	Period	No. of lessees who did not submit annual returns	Period
Shillong	8	2018-19 to 2020-21	27	2018-19 to 2020-21
Jowai	5	2018-19 to 2020-21	10	2018-19 to 2020-21
Tura	10	2018-19 to 2020-21	11	2018-19 to 2020-21
Total	23		48	

Source: Compiled by Audit from the records of the selected DFOs(T).

Further, it was noticed that 34 lessees submitted the monthly returns after a delay ranging from 3 to 860 days and 21 lessees submitted their annual returns after a delay ranging from 22 to 514 days as shown **Table 5.3.14**.

Table 5.3.14: Delay in submission of monthly/annual returns

Name of DFO	No. of lessees who submitted monthly returns (Form K) after the due date	Period	Delay (in days)	No. of lessees who submitted yearly returns (Form L) after the due date	Period	Delay (in days)
Shillong	10	November 2017 to July 2020	6 -493	4	2018-19 to 2020-21	22-541
Jowai	15	February 2018 to March 2021	3 - 860	10	2018-19 to 2020-21	35-442
Tura	9	November 2018 to March 2021	5 - 456	7	2018-19 to 2020-21	61 - 514
Total	34			21		

Source: Compiled by Audit from the records of the selected DFOs(T).

It may be seen from **Table 5.3.13** and **5.3.14** that monthly and annual returns were not submitted by 23 and 48 lessees respectively out of 85 lessees during the period from 2018-19 to 2020-21, while 34 and 21 lessees had delayed submission of monthly and annual returns respectively, during the same period.

Thus, due to non-submission or delay in submission of the monthly and annual returns by many of the lessees, the DFOs were not fully informed about the details of opening stock, quantity of minor minerals produced/transported and closing stock during the month/ year as well as details of transport challans being issued and utilised by these

lessees. No action was found to have been taken by the concerned DFOs. This indicates poor monitoring mechanism at the DFO level.

Delayed/non-submission of returns is not only in contravention of MMMC Rules, 2016 but also attracts penalty under Section 21 (2) of MMDR Act, 1957. However, it was noticed that no penalty was imposed by the DFOs. It was also noticed that no format/proforma for proper maintenance of registers, computerised data, etc. was prescribed at the Directorate level for monitoring the submission of monthly/annual returns by the lessees.

The Department stated (March 2023) that the mining lease holders have been intimated for submission of monthly/ annual returns for the specified period.

5.3.10.2 Short extraction of minor minerals compared with the mining plans

Under Rule 20 of MMMCR, 2016, mining operations shall be undertaken in accordance with the duly approved mining plan.

Audit noted that the quantity of minor minerals to be extracted was indicated in all the test-checked *i.e.*, 85 mining plans. However, records showing actual extraction of the minerals was available only in respect of 47 lessees, while the remaining 38 lessees (*i.e.*, 45 per cent) did not submit monthly/annual returns. Examination of records/returns showed that these 47 lessees had declared extraction of 0.37 crore MT during the years 2017-18 to 2020-21 as against the estimated extraction of 2.02 crore MT as per the approved mining plans (47 lessees). The extraction so declared was only 18 per cent of the approved extraction. Despite the lessees disclosing very low extraction of minor minerals, no steps were taken by the DFOs concerned to verify the actual extraction of minerals.

Audit is of the considered view that the lessees may not have declared the actual production as there are cases of under reporting of minor minerals at the forest check-gates as discussed in **Paragraph 5.3.10.3 (E)**.

5.3.10.3 Illegal mining of minor minerals

Rule 5 (1)(b) of MMMC Rules, 2016 provides that a mining lease or a quarry permit or any other concession under these Rules shall be granted by the PCCF & HOFF or competent officer⁷⁵ in respect of minor minerals for uses other than in industries as specified in Schedule III. Further, Rule 10 of the Rules *ibid* envisages that for grant of mining lease of minor minerals, the applicant shall, within a period of six months from the receipt of LoI, furnish to the competent authority the approved mining plan, forest clearance, environmental clearance and consent to establish from the concerned Departments. Thus, any extraction of minor minerals without any of the above documents and without the grant of mining lease by the Forest Department is treated as illegal mining.

Further Rule 36 of MMMCR, 2016, provides that whoever contravenes any of the provisions of these Rules shall be punishable under sub-section (2) of Section 21 of

⁷⁵ Divisional Forest officer (Territorial) within their respective jurisdiction (Vide Notification dated 16-11-2016).

Mines and Minerals (Development and Regulation) Act, 1957. Section 21 (2) of the MMDR Act, 1957, provides that “any rule made under any provision of this Act may provide that any contravention thereof shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to five lakh rupees, or with both, and in the case of a continuing contravention, with additional fine which may extend to fifty thousand rupees for every day during which such contravention continues after conviction for the first such contravention”.

A. Illegal sand mining in the State

In Meghalaya, no mining lease/ quarry permits were granted for extraction of sand in the State. However, as can be seen in **Table 5.3.9**, under **Paragraph 5.3.9.2**, 5.35 lakh cu.m of sand had been utilised by contractors engaged by 26 user agencies under the three selected DFOs (T) during the period from April 2016 to March 2021, for which no royalty was realised. Audit further observed that neither the contractors nor the user agencies could ascertain the source of the sand.

Despite the fact that no mining leases was granted for sand in the State and that sand is an integral component/material for all civil works, the Department did not take any action to trace out the persons involved in illegal mining of sand and to levy penalty as per the provision of MMMC Rules, 2016.

On this being pointed out, the Department stated (March 2023) that though sand is being treated as a minor mineral under Section III of MMMC Rules, 2016, yet, the same Rules (Rule 4(1) & 4.2(c)) prohibits granting of mining leases for sand mining from river bed/river bank and agricultural fields located within the vicinity of 50 meters from the water bodies/agricultural fields. The Department, however, further stated that Rule 4 of MMMCR, 2016 has been amended in July 2022, which provides that the restrictions mentioned under the rule shall no more apply to river bed sand mining and river bed mining.

B. Illegal mining detected during joint site inspection

For joint physical verification (JPV), Audit had selected 32 mining sites. During JPV of the selected mining sites, Audit came across mining activities, in areas where mining lease have not been granted by the Department. The detail of such mining activities collected through visual assessment and as provided by the respective Range Officers present during the JPV are tabulated in **Table 5.3.15**.

Table 5.3.15: Illegal mining detected/visited during joint site inspection

Sl. No.	Place	Name of the District	Name of the mineral	Name of the person involved in Illegal mining	Approximate area (in ha.)	Approximate quantity of mineral extracted	Remarks
Inspection Date: 11 October 2021							
1	Lumshnong area	East Jaintia Hills District	Limestone	Shri Rangdamut Lamare	0.70	65 MT	Illegal mining was confirmed by the Forest officer
2	Lumshnong area		Limestone	15 Individuals	26	287 MT	

Sl. No.	Place	Name of the District	Name of the mineral	Name of the person involved in Illegal mining	Approximate area (in ha.)	Approximate quantity of mineral extracted	Remarks
Inspection Date: 12 October 2021							
1	Amtapoh, Nongtalang area	West Jaintia Hills District	Limestone	Unknown	1.75	300 MT	Illegal mining was confirmed by the Forest officer
2	Amtapoh, Nongtalang area		Limestone	Unknown	3.5	2114 MT	
Inspection Date: 8 November 2021							
1	Umtynagar	East Khasi Hills District	Boulder stone	Unknown	1.50	20 cu.m	Illegal mining was confirmed by the Forest officer
2	Umtynagar			Unknown	1.50	22 cu.m	
3	Umtynagar			Unknown	0.35	45 cu.m	
4	Umtynagar			Unknown	0.25	20 cu.m	
Inspection Date: 9 November 2021							
1	Mawlong/Ichamati	East Khasi Hills District	Limestone	Unknown	1.00	168 MT	Illegal mining was confirmed by the Forest officer
2	Mawlong/Ichamati			Wanshai Chyne	0.20	84 MT	
3	Mawlong/Ichamati			Majaion Chyne	0.30	172 MT	
Inspection Date: 16 November 2021							
1	Puran Sukorbani, Rani	Ribhoi District	Boulder stone	Greenland Lakhmie	1.50	310 cu.m	Illegal mining was confirmed by the Forest officer
2	Puran Sukorbani, Rani			Greenland Lakhmie	2.05	600 cu.m	
3	Iew Amber, Rani			WeslyDoloi	2.85	1200 cu.m	
4	Mairapur, Rani			Unknown	1.85	100 cu.m	
5	Happy Donga/Rani			Unknown	2.50	660 cu.m	
6	Happy Donga/Rani			Unknown	0.85	150 cu.m	

Source: JPV reports.

It may be seen from **Table 5.3.15** that 17 mining areas/sites covering an area of about 48.65 hectares with fresh extracted quantity of about 3,190 MT (Limestone) and 3,127 cu.m (Boulder stone) were found operating without permission of the F&E Department. Some of the photographs taken during the JPV are given below:



Illegal mining of limestone at Lumshnong area, East Jaintia Hills (11 October 2021)



Illegal mining of limestone at Amtapoh, Nongtalang area, West Jaintia Hills (12 October 2021)



The above audit findings are based on random site visits during JPV and did not present an exhaustive picture. Thus, existence of more illegal mining activities in other areas/Divisions could not be ruled out.

The Department stated (March 2023) that for all illegal mining activities in East Khasi Hills and Ri-Bhoi districts, the DFOs have served closure notices and for cases detected during JPV in Jaintia Hills Division, the illegal mining was being done in areas of abandoned mines.

The Department's reply is not acceptable as the Department failed to invoke the provision of punitive action prescribed under Rule 36 of MMMCR 2016 to immediately stop the illegal mining activities even after being pointed out in Audit. Besides, the department's reply that illegal mining detected in Jaintia Hills division during JPV were in areas of abandoned mines, is unacceptable as MMMCR 2016 did not permit mining activities in areas of abandoned mines.

C. Illegal mining detected by the Department

Scrutiny of records of the three selected DFOs revealed that during the period from 2017-18 to 2020-21, the Department had detected 631 illegal mining operations as detailed in **Table 5.3.16**.

Table 5.3.16: Illegal quarry/stone crushers

Year	No. of illegal mining/quarries/ stone crushers								
	DFO Shillong			DFO Jowai			DFO Tura		
	No.	Minerals	Status	No.	Minerals	Status	No.	Minerals	Status
2017-18	11	Boulder stone	All seized	-	-	-	50	Boulder stone	No action taken
2018-19	-			-	-	-	33	Boulder stone	No action taken
2019-20	63	Boulder stone	No action taken	12	Limestone	All 12 offenders were penalised	93	Boulder stone	In 82 cases, no action taken, in 10 cases FIR lodged and in one case offence report drawn up
2020-21	298	-do-	89 abandoned, 139 no action taken, FIR against 62 and 8 seized	31	Limestone	In 7 cases limestone was auctioned, closure notice served to 6 and in 18 cases no action taken	35	Boulder stone	No action taken
				5	Boulder stone	In 2 cases closure noticed served and 3 cases are pending in Court			
Total	372			48			211		

Source: Compiled by Audit from the records of the selected DFOs(T).

It may be seen from **Table 5.3.16** that 372 out of 631 illegal mining activities i.e., 59 per cent had been detected under DFO (T), Shillong, followed by DFO(T), Tura and DFO, Jowai with 211 (33 per cent) and 48 (eight per cent) respectively. It can also be seen that despite being aware of the existence of illegal mining activities, the Department failed to take any action in 420 illegal mining cases. This indicates lacklustre attitude of the Department in discharging their mandatory responsibility.

As mentioned under **Paragraph 5.3.6** above, there were 123 legal mining in the State as of March 2021 and 111 legal mines in the selected DFOs. Thus, the above finding reflects that there are activities of illegal mining more than legal mining in the State.

The Department stated (March 2023) that for all illegal mining activities in East Khasi Hills and Ri-Bhoi Districts, the DFO has served closure notice. With regard to illegal mining operation of quarry/stone crusher in Jaintia Hills Division, no action has been taken in 18 cases since the accused are unknown and some of the areas where the minerals were seized have already been compounded. With regard to illegal quarries in Garo Hills District, the DFO Tura has closed down the quarries.

D. Incorrect information on number of vehicles passing through the check-gates

In order to check illegal transportation of minor minerals and other forest produce, the Forest Department had established 58 check-gates in the State for regulating and control of export of minor minerals and other forest produce.

Audit, however, noticed that the Department has not prescribed any norms/guidelines regarding the role and functions of the check-gates/ checkpoints under its control. No guidelines/SOP was issued either at the Department or directorate level in maintenance of registers at the check-gate, submission of check-gate data to the higher authorities, deployment of staff and reconciliation process of data/information as to the number of vehicles passing through the check-gates with other Departments/agencies like Land Customs Station (LCS).

As per monthly returns furnished to the Range Forest Office, Byrnihat by the check-gate in-charge during the year 2020-21, 9,778 vehicles carrying minor minerals had passed through four check-gates viz., Killing, Maikhuli, Barapathar and 9th Mile Check-gates under DFO (T), Shillong and 4,268 vehicles passed through one check-gate (Dhanua check-gate) under DFO (T), Tura during 2019-21. However, as per information furnished (January 2022) by the two DFOs (T), the number of vehicles carrying minor minerals and those passing through these check-gates did not match as detailed in **Table 5.3.17**.

Table 5.3.17: Discrepancies in number of vehicles passing through the check-gate during 2019-21

Sl. No.	Name of check-gates	No. of vehicles passing through the check-gate	
		As per Range Forest Officer/ Check-gate records	As per DFO(T) records
1	Killing	5,949	Nil
2	Maikhuli	2,084	Nil
3	Barapathar	1,362	Nil
4	9 th Mile	383	Nil
5	Dhanua	4,268	18
Total		14,046	18

Source: Monthly returns furnished to the Range Forest Office, Byrnihat by the Check-gate in-charge.

It may be seen from **Table 5.3.17** that a total of 14,046 vehicles had actually passed through the five check-gates, however, as per records of the two DFOs only 18 vehicles had passed through these check-gates.

The Department stated (March 2023) that the number of vehicles passing through the check-gate is based on the information/records submitted by the concerned RFO and as such the number of vehicles as per the RFO records should be considered.

The reply of the Department indicates that there was no system of information exchange between the RFOs and the DFOs concerned. Moreover, it also shows that the DFOs (T) did not have any system to verify the actual number of vehicles passing the check-gates with the number of transport challans issued the office of DFOs (T).

E. Under reporting of vehicles at the check-gates

As stated in **Paragraph 5.3.10.3 (D)**, no guidelines/SOP was issued by the Department for cross-verification/reconciliation as to the number of vehicles passing through the check-gates with other Departments/agencies like LCS.

Cross-verification of records of the DFOs and LCS revealed that the number of trucks as well as the quantity of minor minerals transported as per the LCS records during 2017-21 were much higher than that of the check-gates as given in **Table 5.3.18**.

Table 5.3.18: Variation between number of trucks and quantity of minor minerals (Boulder stone) between LCS and forest check-gate

Sl. No.	Check-gate	Period	No. of trucks	Qty. (in Cu.m)	LCS	No. of trucks	Qty. (in Cu.m)	Difference	
								No. of trucks	Qty. (in Cu.m)
1	Dalu	2019-20	6,193	46,448	Dalu	8,040	48,606	1,847	2,158
2	Mahendraganj	2019-21	18,153	1,15,960	Mahendraganj	19,171	1,20,418	1,018	4,458
3	Erbamon & Amsarin	2017-21	1,58,011	4,04,876	Dawki	1,98,976	6,41,323	40,965	2,36,447
Total			1,82,357	5,67,284		2,26,187	8,10,347	43,830	2,43,063

Source: Records of Forest check-gates and LCS.

It may be seen from **Table 5.3.18** that as per records of the three forest check-gates 1,82,357 trucks had transported 5.67 lakh cu.m of boulder stone during 2017-21 as against the LCS figures of 2,26,187 trucks and 8.10 lakh cu.m respectively. This indicates that there was under reporting of 43,830 trucks and 2.43 lakh cu.m of boulder stone being transported to Bangladesh by the forest check-gates.

The Department stated (March 2023) that the total quantity of boulder stone exported to Bangladesh through Erbammon & Amsarin check-gates during the period from 2017-2021 was 6,60,352 cu.m. (4,69,077 + 1,91,275 cu.m), which was more than that of the LCS, Dawki by 19,029 cu.m. The Department however, did not furnish any supporting documents to substantiate their claim.

F. Non-recording of lessee's name in the check-gate register

In Dalu check-gate, though a register was maintained for recording the details on daily movement of vehicles, however, the name of the lessee was not entered in the register. In absence of the name of the lessee, the source from where the minor minerals were transported could not be ascertained. Similarly, it was not possible to cross-check the monthly returns filed by the lessee with the check-gate records.

The Department stated (March 2023) that the names of the lessees can be traced from Form H challan which is entered in the check-gate register. However, audit is of the opinion that the lessee's name needs to be recorded in the check-gate register as recorded in other check-gates.

G. Disproportionate distribution of staff vs vehicular movement through the check-gates

To ensure proper checking of vehicles transporting minor minerals in the Forest check-gates and maintenance of proper records, adequate manpower is a must. Audit collected data pertaining to number of trucks/vehicles passing through different check-gate *vis-à-vis* availability of manpower and observed disproportionate distribution of staff as given in **Table 5.3.19**.

Table 5.3.19: Disproportionate distribution of staff in comparison with vehicles movement

Name of DFO	Sl. No.	Name of check-gate	Period covered	Total number of vehicles passing through (%)	Daily average number of vehicles passing through the check-gates {Col.5÷(365x3)}	Number of staff deployed	Average number of trucks per day per staff (Col.6÷7)
1	2	3	4	5	6	7	8
DFO (T) Shillong	1	Majai	2018-21	2,19,856 (56)	201	3	67
	2	Erbammon	2018-21	1,50,114 (38)	137	4	34
	3	Shella	2018-21	15,726 (4)	14	3	5
	4	Sohra	2018-21	9,065 (2)	8	4	2
Sub-total				3,94,761 (100)	361	14	26
DFO (T) Jowai	5	Amsarin	2018-21	1,79,469 (70)	164	7	23
	6	Umkiang	2018-21	75,826 (30)	69	11	6
Sub-total				2,55,295 (100)	233	18	13
DFO (T) Tura	7	Mahendraganj	2018-21	18,153 (61)	17	2	8
	8	Dalu	2018-21	11,844 (39)	11	1	11
Sub-total				29,997 (100)	27	3	9
Grand-total				6,80,053	621	35	18

Sources: Records of check-gates.

From **Table 5.3.19** it may be seen as follows:

- In the four check-gates under DFO(T), Shillong the total number of vehicles passing through these check-gates during 2018-21 were recorded as 3,94,761 vehicles, of which 2,19,856 trucks representing *56 per cent* of the total trucks pertain to Majai forest check-gate alone followed by Erbammon forest check-gate with 1,50,114 trucks representing *38 per cent*. However, the number of staff posted in these two check-gates were only three and four persons with the average number of trucks handled per person per day being 67 and 34 trucks respectively. On the contrary, four and three staff each were posted at Sohra and Shella which recorded 9,065 and 15,726 vehicles during the same year representing only two *per cent* and four *per cent* respectively. The average number of trucks handled at these two check-gates per person per day was only two and five trucks respectively.
- In the check-gate of Amsarin under DFO (T), Jowai, seven staff were posted which recorded 1,79,469 vehicles representing *70 per cent* of the total trucks and handling 23 number of trucks as the average number of trucks per person per day. On the other hand, 11 staff were posted at Umkiang check-gate which recorded 75,826 (*30 per cent*) trucks and handled only six trucks per person per day.
- In the two check-gates under DFO (T), Tura, 29,997 vehicles were recorded of which 18,153 trucks representing *61 per cent* of the total trucks passed through Mahendraganj check-gate and 11,844 trucks representing *39 per cent* of the total trucks passed through Dalu check-gate whereas the staff strength of these check-gates were *67 per cent* and *33 per cent* respectively. The average number of trucks handled per person per day at the two check-gates were eight and 11 trucks respectively.

Audit observed that there is no laid down norm leading to disproportionate distribution of staff *vis-à-vis* vehicular' movement through the check-gates. The skewed posting scenario of staff in the check-gates in the absence of any prescribed norms may have a negative effect on the staff efficiency in the management of check-gates.

The Department accepted the audit observation (March 2023).

H. Installation of electronic devices in the forest check-gates

In a meeting held on 04 October 2019, chaired by the Principal Secretary to Government of Meghalaya, F&E Department, it was decided that the DFOs (T) shall install Closed Circuit Television (CCTV) surveillance in all the check-gates/check posts within 15 days for video recording of each consignment of minerals. It was also decided that the CCTV footage of one year will be stored and shall be verified and cross-checked with the check-gate data on number of trucks allowed every month by the CF and monthly report shall be sent to the Government.

Out of the 21 check-gates visited, Audit noticed CCTV installed only in three check-gates viz., (i) Killing, (ii) Mahendraganj and (iii) Dhanua, of which, only the CCTV installed at Killing check-gate under DFO, Shillong was found functional. As

informed by the officer in-charge of the check-gates, the CCTV at Dhanua and Mahendraganj check-gates, both under DFO, Tura, stopped functioning since January 2021 and January 2022 respectively. Reasons for non-installation of CCTVs in remaining 18 check-gates were not stated.

Audit further noticed that the CCTV footage was not submitted by the officers in-charge of the above three check-gates to the DFOs for onward submission to the CF for verification and cross-checking with the check-gate data on the number of trucks passing through the check-gates. Thus, the objectives of installation of CCTV cameras at the check-gates have not been achieved.

The Department stated (March 2023) that installation of CCTV in these three check-gates was done on a pilot basis and non-installation of CCTV in other check-gates was due to lack of electricity and funds constraint.

I. Non-monitoring of stone crusher units

Government of Meghalaya, Forest and Environment Department *vide* Order No. FOR.60/ 2008/ Pt I/ 17 dated 23 December 2021 issued the Meghalaya Stone Crusher Order, 2021 for setting up and carrying on the operation of Stone Crushing in the State.

Audit observed that prior to this order *i.e.*, during the period between May 2016 and March 2021, 103 NOCs⁷⁶ were issued to different individuals in the selected DFOs for operation of stone crusher units. While issuing the NOC, the DFO stipulated that (i) the stone crusher units shall operate only after obtaining clearances from SEIAA and MSPCB, (ii) the source of the materials should be from the mining leases, (iii) a monthly statement on the material crushed and sold should be submitted to the Range officer concerned, (iv) forest royalty of stone/materials to be crushed and MMMRF is to be paid regularly to the Forests & Environment Department, and (v) checking of the crushers by the forests official from time to time should be allowed.

It was noticed that reports/returns were neither submitted by stone crusher units nor any records showing sourcing of the stone materials from authorised mining lease/quarry permit were available with the DFOs. The DFOs also failed to conduct inspection, thereby allowing the units to operate without any monitoring.

Thus, due to the failure of the Department to ensure regular monitoring of the stone crushers, the possibility of stone crushers units sourcing stone materials from illegal sources and evasion of royalty and MMMRF could not be ruled out and the impact on environment and people also remained unassessed.

The Department, while accepting the audit observation, stated (March 2023) that prior to 23 December 2021, only status of land was ascertained through issuance of non-forest land certificate and in absence of standard operating procedures/guidelines, definite monitoring could not be put in place.

⁷⁶ DFO, Shillong: 36, DFO, Jowai: 17, DFO, Tura: 50.

Conclusion

Audit observed that the monitoring and vigilance mechanism in the Department was inadequate and ineffective to prevent illegal excavation/transportation of minor minerals. There were cases where the lessees did not submit the monthly/annual returns within the stipulated time to ensure that minor minerals were transported as per the quantity mentioned in the transport challans. Cases of illegal mining still continue in the State. There were deficiencies in monitoring of vehicles at the check-gates leading to under-reporting of vehicles carrying minor minerals *vis-à-vis* records of DFOs concerned and Land Customs Station. This may have an impact on collection of fees/cess on minerals and resultant cascading effect on the overall revenue collection of the fiscally constrained State.

Recommendations

- *The Department may consider amendment of MMMCR Rules, 2016 to impose penalty for delay/ in non-submission of monthly/ annual returns by the lessees to ensure that minor minerals were transported as per declaration made in the returns.*
- *The Department should issue clear instruction to ensure that sand utilised by contractors were obtained from legal mining leases and the contractors should submit a certificate from the lessee that the sand was procured from mining lease.*
- *Government may fix responsibility of the erring forest department officials for their failure to detect illegal mining activities.*
- *The DFOs (T) should conduct monthly reconciliation with data of LCS on number of trucks and quantity of minor mineral exported to Bangladesh with check-gate records.*
- *The Department should rationalise deployment of manpower in each check-gate in conjunction with the number of trucks passing through the check-gates.*
- *For improving the manning of check-gates and to plug the leakage of revenue, the Department may consider installing electronic surveillance system, including Radio Frequency Identification (RFID), CCTV and electronic weighment machines at all forest check-gates, to ensure accurate recording of number of vehicles along with the weight of transported minerals passing through these check-gates.*

PART-IV

5.3.11 Safeguarding of environmental sustainability while granting of mining leases and operation of mines

Mining and allied operations will affect the existing environmental set-up in the area including air, water, and noise quality unless proper mitigation measures are taken.

5.3.11.1 Absence of monitoring mechanism to safeguard environment after the grant of mining lease

In order to maintain environmental sustainability, before the grant of mining lease, the lessee needs to obtain various clearances from the concerned authority such as

Environmental Clearance (EC) from DEIAA/SEIAA, approval of mining plan from DMR and Consent to Operate (CTO) from Meghalaya State Pollution Control Board (MSPCB). These authorities while issuing clearances stipulate certain conditions for compliance by the lessees to sustain the environment while undertaking mining operations.

During JPV of 32 mining sites/ areas, it was seen that most of the stipulated conditions have not been complied by the lessees. Some of the shortcomings/ deficiencies noticed are discussed as follows:

A. Maintenance of Ambient Air Quality within the plant premises and surroundings as per the National Ambient Air Quality Standards

As per the Environmental Clearance issued by SEIAA/DEIAA, air pollution shall be checked periodically and records maintained. Device for checking Air pollution shall be installed at the site as specified by MSPCB. Further, in the Consent to Operate issued by MSPCB under the Prevention and Control of Air & Noise Pollution, provision for setting up & operation of at least three ambient air quality monitoring stations with 120°angle between stations for monitoring the ambient air quality including micro meteorological data should be done immediately, and selection of station should be done in consultation with the Board. The Ambient Air Quality within the plant premises and surrounding areas should be maintained within the National Ambient Air Quality Standards as prescribed in **Table 5.3.20**.

Table 5.3.20: National Ambient Air Quality Standards

Sl. No.	Pollutants	Time weighted average	Concentration in Ambient Air (Industrial, Residential, Rural Aras) ($\mu\text{g}/\text{m}^3$)
1	SO_2	Annual	50
		24 Hours	80
2	NO_2	Annual	40
		24 Hours	80
3	Particulate Matter, PM_{10} (size less than $10 \mu\text{m}$)	Annual	60
		24 Hours	100
4	Particulate Matter, $\text{PM}_{2.5}$ (size less than $2.5 \mu\text{m}$)	Annual	40
		24 Hours	60

The CTO further states that no air pollution shall be created by the industry beyond the prescribed permissible limits and the industry shall comply with all the environment protection measures and safeguards recommended in the approved mining plan. It also stipulates that fuel/air burning ratio of all the Heavy Earth Movable Machineries (HEMM) is to be maintained at an optimum condition so as to reduce air pollution from the exhaust emission of machineries.

In all the inspected mining lease sites, the lessees did not install/own devices or instruments for checking the quality of air to measure the concentration of air pollutants like Sulphur Dioxide (SO_2), Nitrogen Dioxide (NO_2) and Particulate Matters (PM_{10} & $\text{PM}_{2.5}$) in the surrounding area. In absence of such devices or instruments, audit could not verify whether the National Ambient Air Quality Standards within the mining lease premises and its surroundings were within or exceeded the prescribed limit. Thus, the

impact of air pollutants causing major health problems like asthma, lung and heart diseases to labourers at the mining sites would not be ruled out.

B. Non-installation/Non-availability of devices to control Noise Pollution Standards

As per Consent to Operate issued by the Meghalaya State Pollution Control Board (MSPCB) and the Environmental Clearance issued by SEIAA/ DEIAA, noise pollution shall be checked periodically and records maintained. The device for checking noise pollution shall be installed at the site as specified by MSPCB and the industry shall take adequate measures for control of noise from all sources so as to comply with the Standards below:

Limit in dB (A) LEQ	
Day time (6:00 AM to 9:00 PM)	Night time (9:00 PM to 6:00 AM)
75	70

The CTO further states that the company shall comply with all the environment protection measures and safeguards recommended in the approved mining plan.

All the inspected 32 mining lease sites did not install/own devices or instruments for monitoring of ambient noise level *i.e.*, the level of sound measured in decibels (dB)⁷⁷ as per human ear sensitivity from all sources at the mine site. In absence of such devices or instruments, audit could not ensure whether lessees were complying within the ambient noise level standards. Hence, the impact of noise pollution causing induced-hearing loss, sleep disorders, hypertension and other health problems to the labourers at the mine site cannot be ruled out.

C. Absence of gullies/drainage channels for better management of water

As per the Environmental Clearance issued by the SEIAA/DEIAA, sufficient number of gullies/ drainage channels shall be provided for better management of water. Regular monitoring of pH shall be included in the monitoring plan and report shall be submitted to the NE Regional Office, MoEF&CC, Shillong and Meghalaya State Pollution Control Board (MSPCB).

None of the 32 mining leases which were inspected provide for proper gullies/drainage channels for proper management of water within the mining lease area. Thus, water accumulated/stored in the mining site will eventually lead to mine drainage thereby disrupting growth and reproduction of plants in the surrounding area when water is discharged from the mine site. Some photographs taken during JPV are given below:

⁷⁷ A unit used to measure the intensity of a sound.



No gullies/drainages provided in the mining lease site at Randhigopa area under DFO(T), Tura



No gullies/drainages provided in the mining lease site at Lumshnong area under DFO(T), Jowai

D. Identification of demarcated sites for dumping of overburden, mine spoils, etc.

As per the Consent to Operate issued by MSPCB, dumping of overburden, mine spoils, etc. should be properly done in identified and demarcated sites. Such dumping sites should be on impervious and stable ground to avoid percolation of contamination into the water table and prevent landslides. Proper planning should be done so that the dumps are to be done in steps for better stabilisation and the dumping sequence should be planned in such a way that plantation over the dumps can be done simultaneously with dumping. Facilities should be maintained for storing the top soil separately so that the same can be utilised for afforestation/plantation over the dumps and excavated mines pits. None of the lessees properly demarcated sites for dumping of top soil/overburden mine spoils. In one case, it was noticed that a large quantity of topsoil was dumped along the bank of the stream which flow between the mining lease of two lessees viz., Smt. Wensilla Ch. Marak & Shri Ringh Sangma under DFO Tura and in another case, one lessee, Banroilang Wahlang under DFO (T), Shillong, dumped the top soil along the roadside without providing any gullies/ drainage channels.



Dumping of topsoil along the bank of the stream at Manggapara area under DFO(T), Tura



Dumping of topsoil along the roadside without providing any gullies/drainage channels at Mawlong area under DFO(T), Shillong

E. Non developing of green belt

The Consent to Operate issued by MSPCB states that to maintain the environment and ecology of the area, development of green belt by planting selected species of trees should be done, the height of which should not be less than five metres when it matures and at a spacing of one metre should be made invariably at an area of 15 Ha around the mine and two Ha around the colony. As per Environmental Clearance issued by SEIAA/DEIAA, plantation shall be raised in a 7.5 m wide green belt in the safety zone

around the mining lease, backfilled and reclaimed area, around water bodies, along the road, *etc.* by planting native species, following the CPCB guidelines for green belt plantation and in consultation with the DFO (Social Forestry). Greenbelt shall be developed all along the mine lease areas in a phased manner and shall be completed within three years. The density of trees shall be around 2,500 per Ha.

In order to arrest pollution emanating from mining operations within the lease area and to maintain environment and ecology of the area, one of the conditions stipulated in the mining plan was that the lessee shall develop greenbelt in 7.5m wide safety zone all along the mine lease.

None of the 32 mining lease holders developed greenbelt along the mine site. Due to non-compliance by the lessees in developing greenbelt, there was no control over pollution emanating from mining operations within the lease area and sustainability of the environment and ecology of the area was not maintained.

F. Non-provision of check dams/tailing to prevent direct discharge of mine effluents/run-off into the natural water course

As per the Consent to Operate issued by MSPCB, measures to be taken up for prevention and control of water pollution was to provide check dam/tailing dam wherever necessary to prevent the direct discharge of mine effluents/run off etc. into the natural water courses. It further states that facilities should be maintained for utilising the water collected in the dam for spraying of the mine haul roads, *etc.* but not discharge directly into the natural streams without proper treatment so as to conform to the prescribed effluent standards.

In none of the inspected mining lease sites, the lessees provided check dams/garland drains to counteract the run-off of mine effluent from the mining site. In the absence of this check dams/garland drains, it is obvious that the discharge of mine effluents will contaminate the soil of the surrounding mining area and then the water course thereby disrupting the growth and reproduction of plants.

The above indicated that after issue of environmental clearance, mining plan and Consent to Operate, no follow-up action was taken by the departments to monitor the compliance of the lessees with regard to environment sustainability which resulted in operation of mining leases without any mitigation measures either from the departments or from the lessees for safeguarding the environment.

The Member Secretary, SEIAA stated (March 2023) that the Integrated Regional Office, MoEF&CC, Shillong, from time to time monitors the compliance status of Environmental Clearance through submission of six-monthly compliance reports. Information furnished by the Integrated Regional Office, MoEF&CC, Shillong, however, revealed that none of the selected lessees submitted the six-monthly reports on the status of implementation of the environmental safeguards to MoEF&CC.

5.3.11.2 District Survey Report

Government of India vide Notification No. S.O. 141(E) dated 15 January 2016, notified that a District Survey Report (DSR) shall be prepared for each minor mineral in the

district to be updated once every five years. The DSR should contain *inter-alia* the geology, mineral map and the total mineral reserve available in the district. The main objective of preparation of DSR is to ensure (i) identification of areas of aggradations or deposition where mining can be allowed, and (ii) identification of areas or erosion and proximity to infrastructural structures and installations where mining should be prohibited and calculation of annual rate of replenishment and allowing time for replenishment after mining in that area. Further, as per Appendix-XI of the Ministry notification *ibid*, a cluster shall be formed when the distance between the periphery of one lease is less than 500 meters from the periphery of any other lease in a homogeneous mineral area.

Audit observed that DSR of minor minerals was prepared for all the six selected districts as detailed in **Table 5.3.21**.

Table 5.3.21: Preparation of DSR

Sl. No.	Name of the District	Date of finalisation of DSR
DFO Shillong		
1	East Khasi Hills District	21/01/2020
2	Ri-Bhoi District	26/09/2019
DFO Jowai		
1	West Jaintia Hills District	18/11/2019
2	East Jaintia Hills District	18/11/2019
DFO Tura		
1	West Garo Hills District	18/11/2019
2	South West Garo Hills	18/11/2019

Source: Compiled by Audit from the records of the selected DFOs(T).

Scrutiny of copies of the DSRs revealed the following shortcomings:

- In none of the DSRs, validity period of the DSR was mentioned.
- In the DSRs of five districts viz., West Jaintia Hills, East Jaintia Hills, East Khasi Hills, West Garo Hills and South West Garo Hills, the mineral reserves were prepared for the entire State and not for the concerned district.
- In the DSRs of four districts viz., West Jaintia Hills, West Garo Hills, East Khasi Hills & Ri-Bhoi districts, boulder stone was not included in the mineral map of the district despite issuance of 66 mining leases for the same mineral in these districts viz., West Jaintia Hills (six), West Garo Hills Districts (29), East Khasi Hills (nine) and Ri-Bhoi District (22).
- In the DSRs of Ri-bhoi and East Khasi Hills districts, it was declared that no cluster mining was required. However, during JPV, it was seen that 18 mining leases were found located within a distance of 500 meters from the periphery of any other lease as detailed in **Table 5.3.22**.

Table 5.3.22: Details of mining leases found located within 500 meters from the periphery of the other lease

Name of the DFO	Name of the lessee	Name of the minor minerals	Date of grant of EC	Location	Distance between the mining leases (metre)
DFO Shillong	1. Smt. Donsinora Massar 2. Smt. Lamonlang Massar	Boulder stone	26-11-18 26-11-18	Dymmiew, Jathit, East Khasi Hills District	161
	1. Shri Philosopher Iawphniasiaw 2. Smt. Nondini Syiemleih	Limestone	14-09-17 05-01-18	Sohbar, East Khasi Hills District	27

Name of the DFO	Name of the lessee	Name of the minor minerals	Date of grant of EC	Location	Distance between the mining leases (metre)
	1. Smt. Nondini Syiemleih 2. Smt. Kuntimai Tangdhara	Limestone	05-01-18 05-01-18	Sohbar East Khasi Hills District	62
	1. Smt. Kuntimai Tangdhara 2. Shri Philosopher Iawphniaw	Limestone	05-01-18 14-09-17	Sohbar East Khasi Hills District	23
	1. Shri Marbat Dohkrut 2. Smt. Kuntimai Tangdhara	Limestone	26-11-18 05-01-18	Sohbar East Khasi Hills District	78
	1. Smt. Rimiful Shylla 2. Shri Tamdor Sing Nadon	Limestone	05-01-18 05-01-18	Wahlong East Khasi Hills District	63
	1. Shri Khrikshon Lyngkhoi 2. M/s Uranus Stone Products	Boulder stone	16-07-18 18-10-17	Umduba, Ri-Bhoi District	313
	1. Shri Jamda Sangma 2. Shri Ngaitlang Dkhar	Boulder stone	22-08-17 11-04-18	Umduba, Ri-Bhoi District	279
	1. Shri Biru Narleng 2. Shri Romesh Nongrum	Boulder stone	16-07-18 09-01-18	Baridua, Ri-Bhoi District	59.73

Source: JPV reports.

The above indicates that the DSRs, though prepared, were not complete in all respects and also not based on survey reports. Thus, the objective of preparation of DSR i.e., to ensure (i) identification of areas of aggradations or deposition where mining can be allowed, and (ii) identification of areas or erosion and proximity to infrastructural structures and installations where mining should be prohibited and calculation of annual rate of replenishment and allowing time for replenishment after mining in that area, were not ensured.

The Department stated (March 2023) that the shortcomings in the DSR were duly noted and will be improved in future.

5.3.11.3 Utilisation of Meghalaya Minor Mineral Reclamation Fund (MMMRF)

As per guidelines issued by the Forests and Environment Department dated 8th April 2022, MMMRF shall be utilised for the following purposes:

- i. Reclamation, rehabilitation and restoration of quarry/mines of minor minerals including abandoned or illegal mines/quarry;
- ii. Restoration of direct or indirect damage to forests, wildlife habitats, wildlife corridors and environment in general, as a result of mining and allied activities;
- iii. Creation of alternate sources of ecological services to compensate loss in accrual of such services as a result of mining;
- iv. Prevention of illegal mining; and
- v. Monitoring and evaluation of works undertaken from monies released from the fund and to meet expenses of the Authority.

As per bank statements of MMMRF and statements furnished by the PCCF & HoFF, total accumulated amount of MMMRF as on 31 March 2021 was ₹ 102.02 crore. However, an amount of ₹ 0.07 crore only was utilised towards payment of wages to two contractual staff engaged to assist the Secretary, Meghalaya Minor Minerals Reclamation Fund Committee.

No expenditure had been incurred on reclamation works by the Forests & Environment Department. Reason for non-utilisation of the fund towards the purpose for which the MMMRF was created despite availability of fund was not stated.

The Department stated (March 2023) that the MMMR Fund Management Guidelines was notified only in April 2022 and for want of guidelines the fund could not be utilised prior to the notification.

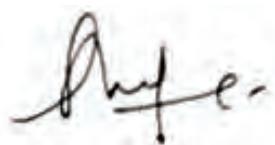
Conclusion

Audit observed that the mitigation measures to safeguard the environment before and after the grant of mining lease are inadequate. Despite two or more mining leases being in close proximity to each other, the Department has not declared cluster zones based on the GoI criteria of 500 meters gap between the boundaries of such mining leases. DSRs, though prepared, were not complete in all respects and also not based on survey reports.

Recommendations

- *The Department needs to fix responsibility for non-conducting periodic inspection of lease areas to ensure that the conditions stipulated while issuing various clearance were strictly complied by the lessees to safeguard the environment.*
- *District Survey reports should be prepared for each district based on annual survey report.*

Shillong
The: 17 August 2023


(Shefali Srivastava Andaleeb)
Principal Accountant General (Audit), Meghalaya

Countersigned

New Delhi
The: 24 August 2023


(Girish Chandra Murmu)
Comptroller and Auditor General of India

APPENDICES

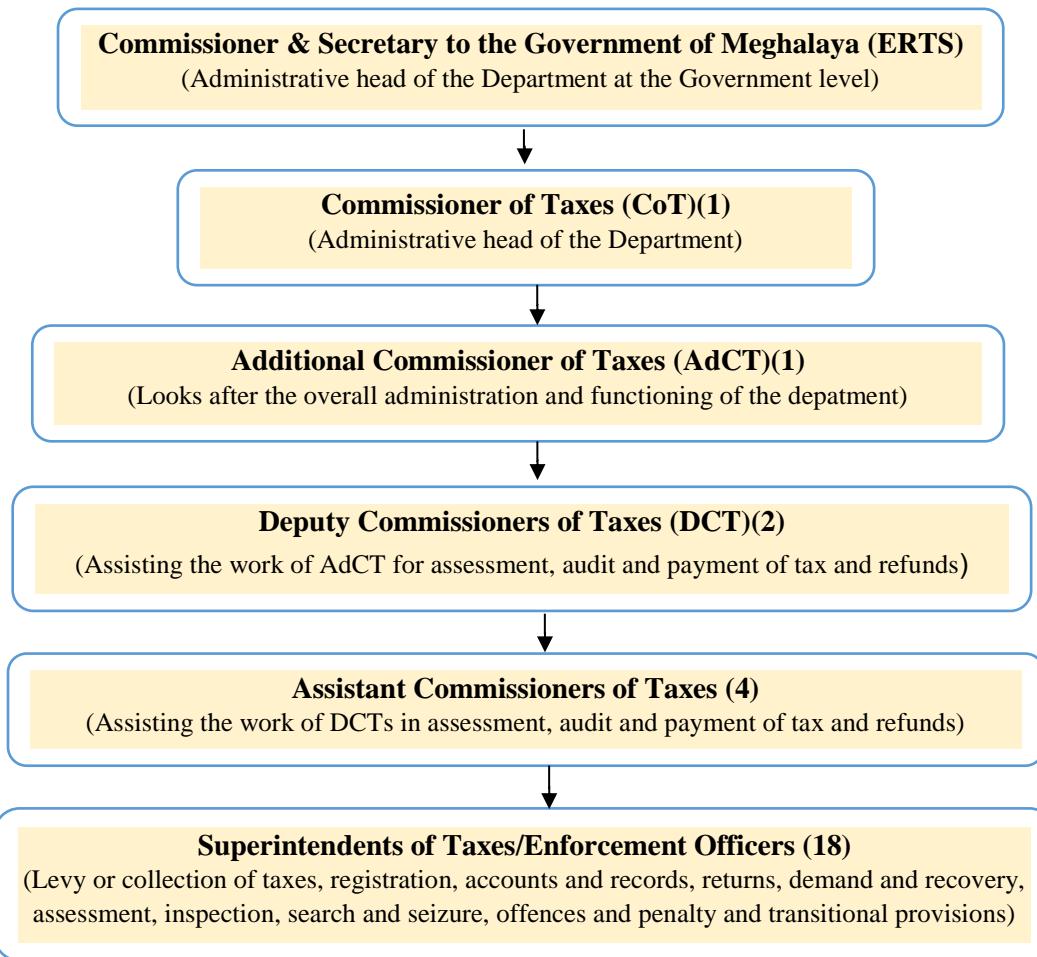
Appendix – 1.2.1
Details of Return filling (GSTR-1 and GSTR-3B)
(Reference: Paragraph 1.2.2.1)

Return Type	GSTR-1			GSTR-3B				
Months	Due for filing	Return filed	Return filing per cent	Due for filing	Returns filed as on the last day of the report period	Return filing per cent	Returns filed by due date	Per cent filed by due date
April 2020	26610	1298	4.88	26610	5563	20.91	Data not available	Data not available
May 2020	26470	2547	9.62	26470	10977	41.47		
June 2020	25760	6347	24.64	25760	10416	40.43		
July 2020	25696	3113	12.11	25696	10619	41.33		
August 2020	25913	3605	13.91	25913	15072	58.16		
September 2020	25659	8368	32.61	25659	16025	62.45		
October 2020	26031	5267	20.23	26031	16476	63.29		
November 2020	26186	4391	16.77	26186	17195	65.66		
December 2020	26317	10570	40.16	26317	19596	74.46		
January 2021	16878	9925	58.80	16878	12287	72.80		
February 2021	16504	9900	59.99	16504	12342	74.78		
March 2021	25358	17900	70.59	25358	21642	85.35		
April 2021	16562	10938	66.04	16562	13016	78.59		
May 2021	16582	10843	65.40	16580	12946	78.08		
June 2021	25396	18025	70.98	25396	21541	84.82		
July 2021	16475	10850	65.86	16475	12823	77.83		
August 2021	16675	10974	65.81	16675	13067	78.36		
September 2021	25656	18539	72.26	25656	22198	86.52		
October 2021	15844	10700	67.53	15844	12568	79.32		
November 2021	16081	10892	67.73	16081	12756	79.32		
December 2021	26317	19178	72.87	26317	22551	85.69		
January 2022	15987	10748	67.23	15987	12583	78.71		
February 2022	16133	10917	67.67	16133	12756	79.07		
March 2022	26642	19442	72.98	26642	22792	85.55		

Appendix – 2.3.1

Organisational set-up of the Goods and Services Tax Department, Government of Meghalaya

(Reference: Paragraph 2.3.1)



Appendix 2.3.2
Circle-wise position of unverified transitional credit claims under GST
(Reference: Paragraph 2.3.6.1)

Circle No./Name	No. of total claims	No. of verified claims	No. of Un-verified claims (%)
Circle-I, Shillong	19	0	19 (100)
Circle-II, Shillong	10	1	9
Circle-III, Shillong	12	1	11
Circle-IV, Shillong	13	0	13
Circle- V, Shillong	25	0	25
Circle -VI, Shillong	17	10	7
Circle -VII, Shillong	15	0	15
Circle- VIII, Shillong	21	5	16
Jowai	18	0	18
Khliehriat	15	2	13
Nongpoh	67	0	67
Nongstoin	2	0	2
Tura Circle-I	11	0	11
Tura Circle-II	1	0	1
Williamnagar	4	0	4
Total	250	19	231

Appendix 2.3.3

Excess claim of transitional credits against the available balance as per assessment/scrutiny

(Reference: Paragraph 2.3.7.1)

Sl. No.	Name of Dealer	GSTIN	Circle	TIN No	Transitional credit availed (₹)	Transitional credit available as per last MVAT Return (₹)	Transitional credit allowed Due demand as per Assessment order (₹)	Excess credit carried forward (6-9) (₹)	Date of credit in ECL	Trans Credit utilised	Trans Credit utilisation date	Date up to which interest has been calculated*	No of days delay (13-12)	Interest payable @18% per annum (11*0.18* delay in years) (₹)	Total payable amount (11+15) (₹)	Excess traditional credit recovered	Interest paid	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Print Xpress	17AHPPS5823D1Z2	II	17021011078	791997	791997	759835	32162	02-12-2017	32162	22-01-2018	30-09-2021	1347	21364	53526	32162	29564	Excess Transitional Credit utilised is fully recovered along with interest
2	M/s M. Kharkang Automobile	17AIMPK2218C1ZL	III	17030059024	2032455	2032455	0	2032455	27-12-2017	2032455	16-07-2018	28-02-2022	1323	1326052	3358507	2032455	0	Excess Transitional Credit utilised is fully recovered but recovery of interest is pending
3	V. Khongsit	17A1LPK1474A1ZG	III	17030184057	3730555	3730555	3495843	234712	30-10-2017	234712	30-04-2021	28-02-2022	304	35188	269900	234712	223780	Excess Transitional Credit utilised is fully recovered along with interest
4	BKL Hardware	17ADTPA5136H1ZI	IV	17041963078	20157	20157	16256	3901	19-12-2017	3901	19-12-2017	31-01-2022	1504	2893	6794	1951	1725	The taxpayer has made partial payment. However, the dealer is liable to pay the balance of ₹ 0.02 lakh as tax and interest of ₹0.01 lakh.
5	Tara Chand Jastasaria	17ADIP12228E1ZV	IV	17040868045	259445	259445	6	259439	26-12-2017	180200	22-07-2018	31-01-2022	1289	164918	424357	0	0	Full liability pending

Sl. No.	Name of Dealer	GSTIN	Circle	TIN No	Transitional credit availed (₹)	Transitional credit available as per last MVAT Return (₹)	Excess credit carried forwarded (6-9) (₹)	Date of credit in ECL	Trans Credit utilised	Trans Credit utilisation date	Date up to which interest has been calculated*	No of days delay (13-12)	Interest payable @ 18% per annum (11*0.18* delay in years) (₹)	Total payable amount (11+15) (₹)	Excess traditional credit recovered	Interest paid	Remarks	
6	K.B. Venture	17AAKCS0740E1ZK	V	17050483073	1290729	665165	625564	19-11-2017	625564	11-12-2021	28-02-2022	79	24371	649935	26641		The taxpayer has made partial payment. However, the dealer is liable to pay the remaining balance of ₹ 5.99 lakh as tax	
7	M/s Banti Agarwala	17AEZPA6570Q1ZJ	V	17050456010	1543918	1543918	1406108	137810	26-12-2017	137810.31	20-11-2018	28-02-2022	1196	81282	219092	137810	128946	Excess Transitional Credit utilised is fully recovered along with interest
8	M/s Dixit Enterprise	17AEAPD3332A1ZG	VI	17060258034	39392	39392	3182	36210	09-09-2017	36210	20-04-2019	31-10-2021	925	16518	52728	0	0	Full liability pending
9	Jerry Kharchandy	17DHIPK1175A2ZM	VII	17070716012	642586	642586	280490	362096	16-10-2017	362096	19-04-2019	30-09-2021	895	159818	521914	0	0	Full liability pending
10	Rainbow Electricals	17ACNPB3823D1ZZ	Tura-I	17110090038	2302342	2305342	-11248360	13550702	27-12-2017	13550702	22-01-2018	30-09-2021	1347	9001379	22552081	0	0	Full liability pending
11	Omega Electricals	17ABQPC9646R1ZN	Tura-I	17110036009	7892.37	7892.37	-17230	25122	05-10-2017	25122.37	19-10-2017	30-09-2021	1442	17865	42987	0	0	Full liability pending
12	NCC Limited	17AAAACNT335C1ZQ	VII	17111529053	0	5621937	-10292355	10292355	17-10-2017	10292355	17-10-2017	30-09-2021	1444	7329285	17621640	0	0	Full liability pending
13	BSC-C&C JV'	17AADFB8115G2ZO	Ri Bhoi	17130243069	10870293	10870293	7391421	3478872	20-10-2017	0	NA	NA				1739436	0	The taxpayer has made partial payment. However, the dealer is liable to pay the remaining balance of ₹ 17.39 lakh as tax
Total				23531761.37	29156698.4	-7539639	31071401						27513290		18180932	45773461	4204699	410656

*Interest is calculated upto date of reply from the department or submission of inspection report by the field party whichever is later.

Appendix 2.3.3(A)

Excess claim of transitional credit on the assessed/ scrutinised cases

(Reference: Paragraph 2.3.7.1)

Sl. No.	Dealer's Name	Circle	Excess credit availed (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Print Xpress	II	32162	32162	29564	The ST stated (September 2021) that the dealer admitted the excess claim of transitional credit and paid the tax in full along with interest.
2	M/s M. Kharkrang Automobile	III	2032455	2032455	0	The ST stated (February 2022) that although the dealer's registration was cancelled due to his death, the taxpayers for the dealer have deposited the wrongly availed transitional input tax credit. The ST further stated that interest is not leviable on ineligible ITC which was availed but not utilised.
3	M/s V. Khongsit	III	234712	234712	223780	The ST stated (February 2022) that the dealer has paid the tax and interest in Form DRC-03.
4	M/s BKL Hardware	IV	3901	1951	1725	The ST stated (January 2022) that the case records of the dealer have been verified and he has made payment in Form DRC-03. However, Audit observed that the payment is partial, and the dealer is liable to pay the remaining balance of ₹ 0.02 lakh as tax and interest of ₹ 0.02 lakh.
5	M/s Tara Chand Jasrasaria	IV	259439	0	0	The ST stated (January 2022) that digital demand notice had been issued to the dealer in Form DRC-01 on the GST portal. Further reply has not been intimated.
6	M/s K.B. Ventures	V	625564	26173	26641	The ST stated (February 2022) that the dealer had voluntarily paid tax of ₹ 0.26 lakh and interest of ₹ 0.27 lakh in February 2022. However, Audit observes that this payment is partial and full amount needs to be recovered.
7	M/s Banti Agarwala	V	137810	137810	128946	The ST stated (February 2022) that tax and interest has been recovered in full from the dealer.
8	M/s Dixit Enterprise	VI	36210	0	0	The ST stated (October 2021) that the dealer has been informed to reverse the excess ITC claimed by him and further intimation will be given after payment is made.
9	M/s Jerry Kharchandy	VII	362096	0	0	Till date (December 2022) no reply has been furnished by the Department.
10	M/s Rainbow Electricals	Tura Circle I	13550702	0	0	
11	M/s Omega Electricals	Tura Circle I	25122	0	0	
12	M/s NCC Limited	VII	10292355	0	0	
13	M/s BSC-C&C 'JV'	Ri Bhoi	3478872	1739436	0	The ACT ⁷⁸ , Circle XIII stated (March 2022) that the dealer was issued a demand notice for ₹ 0.35 crore to which he complied but due to the defects of the GST system the amount was credited equally between CGST and SGST heads instead of being credited wholly to SGST head. The reply is not tenable as it is the responsibility of the Taxation Department to communicate with the GST authorities in order to rectify the error.
			31071400	4204699	410656	

⁷⁸ Assistant Commissioner of Taxes.

Appendix 2.3.4**Excess claim of transitional credits against the available balance as per last MVAT return****(Reference: Paragraph 2.3.7.2)**

Sl. No.	Name of Dealer	GSTIN	Circle	TIN No	Transitional credit availed (₹)	Transitional credit available as per last MVAT Return (₹)	Excess credit carried forwarded (6-8) (₹)	Date of credit in ECL	Trans Credit utilised	Trans Credit utilisation date	Date up to which interest has been calculated*	No of days delay (12-11)	Interest payable @18% per annum (10*0.18%*delay in years) (₹)	Total payable amount (10+14) (₹)	Excess traditional credit recovered	Interest paid	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Gupta Constructions	17AGNPG9480D1Z5	IV	17040130049	6981141	6663301	317840	27-12-2017	317840	25-11-2020	31-01-2022	432	67713	385553	317840	279421	Excess Transitional Credit utilised is fully recovered along with interest
2	Nishant Agarwala & Sons	17AAAHHN0703N1Z4	V	17051206014	250	0	250	27-12-2017	250	17-01-2018	28-02-2022	1503	185	435	250	234	
3	M/s Deb Enterprise	17ABEPV136711ZA	VII	17070093078	307487	0	307487	27-12-2017	307487	23-06-2018	30-09-2021	1195	181207	488694	0	0	Full liability pending
4	Vikash Saw cum veneer Mills Pvt Ltd.	17AACCV0609B1ZV	RiBhoi	17080605065	376400	0	376400	11-11-2017	376400	22-01-2018	30-09-2021	1347	250033	626433	0	0	Full liability pending
5	BSCPL Infrastructure Ltd.	17AAAACB8316K1ZM	Tura-I	17130316013	7159451	5969226	1190225	29-10-2017	1190225	16-04-2018	30-09-2021	1263	741331	1931556	0	0	Full liability pending
				Total	14824729	12632527	2192202	2192202		1240469	3432671	318090	279655				

*Interest is calculated up to date of reply from the department or submission of inspection report by the field party whichever is later.

Appendix 2.3.4(A)

Transitional credit claim over and above the last MVAT returns

(Reference: Paragraph 2.3.7.2)

Sl. No.	Dealer's Name	Circle	Excess credit availed (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Gupta Constructions	IV	317840	317840	279421	The ST stated (January 2022) that the dealer's case record is being verified and he has paid tax and interest in full through Form DRC-03 in January 2022.
2	M/s Nishant Agarwala & Sons	V	250	250	234	The ST stated (February 2022) that the dealer has paid the tax and interest in full through Form DRC-03 in November 2021.
3	M/s Deb Enterprise	VII	307487	0	0	
4	M/s Vikash Saw cum Veneer Mills Pvt Ltd.	Ri Bhoi	376400	0	0	Till date (December 2022) no reply has been furnished by the Department.
5	M/s BSCPL Infrastructure Ltd.	Tura Circle I	1190225	0	0	
Total			2192202	318090	279655	

Appendix 2.3.5**Claim of transitional credits without filing the six-monthly returns****(Reference: Paragraph 2.3.7.3)**

Sl No.	Name of Dealer	GSTIN	Circle	TIN No	Transitional credit availed (₹)	Whether last 6 months returns filed	Transitional credit allowed as per last MVA T Return/ Assessment order (₹)	Excess credit carried forward (6-8) (₹)	Date of credit in ECL	Date up to which interest has been calculated	No of days delay (10-9)	Interest payable @18% per annum (9*0.18* delay in years) (₹)	Total payable amount (9+13) (₹)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	M/s Meghalaya Tyres	17AFVPK2075FZ5	I	17010537018	439092	Return not filed for Q.E. 06/17 03/17	0	439092	12-27-17	9-30-21	1373	297307	736399
2	Surendra Prasad	17AFUPP3399GIZN	V1	17040567054	1898781	No return filed since registration (2005)	0	1898781	12-27-17	9-30-21	1373	1285657	3184438
3	Kapoor & Co.	17ADXPK9311N1ZQ	V1	17060774094	1479774	Return not filed for Q.E. 06/17	0	1479774	12-27-17	9-30-21	1373	1001949	2481723
4	M/s Hindustan Petroleum Corporation Ltd.	17AAACH1118B2ZC	V1	17130083019	780440	Return not filed for Q.E. 06/17 & 03/17	0	780440	10-16-17	9-30-21	1445	556144	1336584
5	Japee Projects Ltd.	17AAACJ6782F1ZF	XIII	17130406029	442193	Return not filed for Q.E. 06/17	0	442193	9-6-17	9-30-21	1485	323831	766024
6	Byrnihat A. Warjri Fuel Stop	17AANPW1996NJZJ	R1 Bhoi	17092517053	58485	Return not filed for Q.E. 06/17	0	58485	12-26-17	9-30-21	1374	39629	98114
Total					5098765			0	5098765			3504516	8603281

Appendix 2.3.5(A)

Claim of transitional credit without filing the last six months' returns

(Reference: Paragraph 2.3.7.3)

Sl. No.	Dealer's Name	Circle	Excess credit availed (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Meghalaya Tyres	I	439092	0	0	Till date (December 2022) no reply has been furnished by the Department.
2	M/s Surendra Prasad	VI	1898781	0	0	The ST stated (October 2021) that the case records of the dealer are not available within the Circle. However, the reply is not tenable as the dealer is registered in Circle VI in the GST regime.
3	M/s Kapoor & Co.	VI	1479774	770000	0	The ST stated (October 2021) that the case records of the dealer are under scrutiny, but his actual transitional credit cannot be determined. Meanwhile, the dealer has made a voluntary payment of ₹ 7.70 lakh in Form DRC-03 and Audit will be intimated upon completion of scrutiny.
4	M/s Hindustan Petroleum Corporation Ltd.	VI	780440	0	0	The ST stated (October 2021) that the case records of the dealer are not available within his Circle. However, the reply is not tenable as the dealer is registered under Circle VI in the GST regime.
5	M/s Japee Projects Ltd.	XIII	442193	0	0	Till date (December 2022) no reply has been furnished by the Department.
6	M/s Byrnihat A. Warjri Fuel Stop	Ri Bhoi	58485	0	0	The ST stated (October 2021) that showcause notice was served to the dealer. Till date (December 2022) no report of compliance was received from the ST.
			5098765	770000	0	

Appendix 2.3.6
Transitional credit claim without prescribed supporting documents
(Reference: Paragraph 2.3.7.4)

Sl. No	Name of Dealer	GSTIN	Circle	TIN No.	Transitio- nal credit availed (₹)	ITC availed as per MVAT Return from October 2016 to June 2017 (₹)	Invoices available for the period (₹)	Excess ITC need to be reversed under GST (7-6) (₹)
1	2	3	4	5	6	7	8	9
1	Balaji Hardware	17ACOPG0308H1ZV	V1	17060061027	59063	5369912	0	5369912
2	M/s Balaji Steels	17ACOPG0276C1ZU	V1	17060445264	89983	3927156	0	3927156
3	Gulraj Constructions	17AAAFG1740P1ZB	V1	17130511080	638330	412057	0	412057
4	M/s Sanna Enterprise	17AWWPGB9797N1Z2	V1	17130358014	943870	943870	0	943870
5	RGS Construction	17AAIFR3238H1Z4	VII	17070426079	9799982	2276538	0	2276538
6	M/s Eddy Construction	17AXNPD3167H1ZD	VII	17070267096	1449984	126594	0	126594
7	Simplex Projects Ltd	17AADCS8598R1Z4	VII	17130284003	13319890	1205617	300662	904955
8	M/s G. Enterprise	17BAMPG9545H1ZB	VIII	17080857071	75089	293219	0	293219
9	N K Trading Company	17AAEFN1761B1ZO	VIII	17130059060	18761309	3303092	0	3303092
10	Shivani Ispat Rolling Mills Pvt. Ltd.	17AAFCSS3465B1ZJ	Ri Bhoi	1709007058	122472	2848324	0	2848324
11	Amit Enterprise	17ACBPPB4739J1ZP	Tura-I	17110063072	94919	3694616	0	3694616
12	Beriwal Construction	17AABFB7014N1ZG	Tura-I	17112807028	423742	529054	0	529054
13	Hallidayganj Service Station	17AOOPN0103M1ZV	Tura-I	17111769031	31331.78	78563.92	0	78563.92
14	M/s Manoj Enterprise	17ACBPPB4738K1ZO	Tura-I	17110097022	1492946	310576	0	310576
15	S.M Filling Centre	17AMFPP6693R1ZX	Tura-I	1711676008	22410.83	26057.88	0	26057.88
16	Mahabir Store	17AACFM7300D1ZS	Tura-I	17110229059	457274	4174916	0	4174916
Total				47782596	29520163	300662	29219501	

Appendix 2.3.6(A)

Excess carry forward of transitional credit of Input Tax Credit (ITC) without invoices

(Reference: Paragraph 2.3.7.4)

Sl. No.	Dealer's Name	Circle	Excess carry forward (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Balaji Hardware	VI	59063	0	0	The ST stated (October 2021) that the dealers had requested time to submit the invoices as the same had been surrendered to the Income Tax Department, Guwahati.
2	M/s Balaji Steels	VI	89983	0	0	
3	M/s Gulraj Constructions	VI	638330	0	0	The ST stated that the case records of these dealers are not available within the Circle. The reply of the ST is not acceptable as the dealers were actually found registered in Circle VI under the GST regime.
4	M/s Sanna Enterprise	VI	943870	0	0	
5	M/s RGS Construction	VII	9799982	0	0	Till date (December 2022) no reply has been furnished by the Department.
6	M/s Simplex Projects Ltd	VII	13319890	0	0	The ST stated (April 2022) that the dealer is not registered within his Circle. However, the reply is not tenable as the dealer was found to be registered under Circle VII in the GST regime.
7	M/s S.G. Enterprise	VIII	75089	0	0	The ST stated (January 2022) that the dealer has submitted TDS challan in respect of his transitional credit claim and the local purchase statement was also furnished for his ITC availed amounting to ₹ 2.93 lakh. However, till date (September 2022) neither the TDS challan nor the actual invoices were furnished to Audit and hence both ITC and TDS claims could not be verified.
8	M/s N K Trading Company	VIII	18761309	0	0	The ST stated (January 2022) that the taxpayer is not registered within the Circle and his case records will be verified after obtaining the same from the Non-Resident Circle (Circle XIII).
9	M/s Shivani Ispat Rolling Mills Pvt. Ltd.	Ri Bhoi	122472	0	0	The ST stated (October 2021) that notice has been served to the dealer for production of documents. However no further reply was furnished (December 2022).
10	M/s Amit Enterprise	Tura Circle I	94919	0	0	Till date (December 2022) no reply has been furnished by the Department.
11	M/s Beriwal Construction	Tura Circle I	423742	0	0	
12	M/s Hallidayganj Service Station	Tura Circle I	31332	0	0	
13	M/s Manoj Enterprise	Tura Circle I	1492946	0	0	
14	M/s S.M Filling Centre	Tura Circle I	22411	0	0	
15	M/s Mahabir Store	Tura Circle I	457274	0	0	
16	M/s Eddy Construction	Tura Circle I	1449984	0	0	The ST stated (April 2022) that the excess amount of TDS claimed by the dealer was Nil. However, Audit observes that for the quarters ending 09/2016 to 06/2017 the ITC claimed is ₹ 1.27 lakh whereas the amount allowed as ITC is ₹ 1.20 lakh. Hence, there is an excess claim of ITC amounting to ₹ 0.07 lakh that needs to be reversed by the dealer along with applicable interest.
			47782596	0	0	

Excess carried forward of transitional credits without certificate of tax deduction at source (TDS)/challans
(Reference: Paragraph 2.3.7.5)

Sl. No	Name of Dealer	GSTIN	Circle	TIN No.	Transitional credit availed (₹)	TDS claimed for last two/ three quarters (₹)	TDS certificate/ challans available for last three/two quarters (₹)	Excess ITC need to be reversed under GST (7-8) (₹)
1	2	3	4	5	6	7	8	9
1	Shree Hari Industries	17AAGFSI546M1ZV	III	17030370026	2179778	3417313	468621	2948692
2	Vinayak Enterprise	17AHBPA1514D1ZA	VI	17061539036	640350	838043	687877	150166
3	Gulraj Constructions	17AAAAGF1740P1ZB	VI	17130511080	638330	1809271	0	1809271
4	M/s Sanna Enterprise	17AWWPBG979TN1Z2	VI	17130358014	943870	1027267	0	1027267
5	M/s M.L Consortium	7ABCPL6388B2ZN	VII	170704330063	1013260	2462318	1734728	727590
6	M/s K B Singh Associates	17AMHPS6578C1ZN	VIII	17081461090	671234	20699	0	20699
7	Neccon Power and Infra Ltd.	17AABCN1603J3ZP	VIII	17130480040	2041116	4227782	0	4227782
8	N K Trading Company	17AAEFDN1761B1ZO	VIII	17130059060	18761309	3912934	2206157	1706777
9	Place Makers	17AZLPS8656C1ZU	XIII	17130429018	754885	1645573	0	1645573
10	Unique Structures and Power Ltd	17AAACU4655Q1ZP	XIII	17130504096	169633	132060	0	132060
11	Amit Enterprise	17ACBPP4739J1ZP	Tura-I	17110063072	94919	614213	21600	592613
12	Beriwal Construction	17AABFB7014N1ZG	Tura-I	17112807028	423742	2294407	0	2294407
13	Singhania Offset Press	17AHSPS7258R2ZW	II	17020073068	347024	62455	56455	6000
Total					28679450	22464335	5175438	17288897

Appendix 2.3.7 (A)

Transitional credit claim without supporting TDS certificates/ TDS challans

(Reference: Paragraph 2.3.7.5)

Sl. No.	Dealer's Name	Circle	Excess credit availed (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Shree Hari Industries	III	2948692	0	0	The ST stated (February 2022) that the dealer had furnished all the local purchase invoices and enclosed photocopies of the same.
2	M/s Vinayak Enterprise	VI	159742	0	0	The ST stated (October 2021) that the case records of the dealer were verified, and they tallied with the TDS claimed. However, Audit verified the documents furnished by the ST and found that TDS claim of ₹ 1.50 lakh is irregular and needs to be recovered along with interest leviable.
3	M/s Gulraj Constructions	VI	1809271	0	0	The ST stated that the case records of these dealers are not available within the Circle. The reply of the ST is not acceptable as the dealers were actually found registered in Circle VI under the GST regime.
4	M/s Sanna Enterprise	VI	1027267	0	0	
5	M/s M.L Consortium	VII	727590	0	0	Till date (December 2022) no reply has been furnished by the Department.
6	M/s K B Singh Associates	VIII	20699	0	0	
7	M/s Necccon Power and Infra Ltd.	VIII	4227782	0	0	The ST stated that the case records of these dealers are not available within the Circle. The reply of the ST is not acceptable as the dealers were actually found registered in Circle VIII under the GST regime.
8	M/s N K Trading Company	VIII	1706777	0	0	
9	M/s Place Makers	XIII	1645573	0	0	The ACT, Circle XIII stated (March 2022) that the dealer has been issued necessary notice calling for submission of TDS challans.
10	M/s Unique Structures and Power Ltd	XIII	132060	0	0	Till date (December 2022) no reply has been furnished by the Department.
11	M/s Amit Enterprise	Tura Circle I	592613	0	0	
12	M/s Beriwal Construction	Tura Circle I	2294407	0	0	The ST stated (July 2021) that the dealer had complied to the showcause notice and made full payment of wrongly availed transitional credit amounting to tax of ₹ 0.07 lakh and interest of ₹ 0.06 lakh.
13	M/s Singhania Offset Press	II	6000	6667	6427	
			28679450	6667	6427	

Appendix 2.3.8

Non-furnishing of declaration forms resulted in excess carried over of transitional credits

{Reference: Paragraph 2.3.7.6(A)}

Sl. No	Name of Dealer	GSTIN	Circle	TIN	Transitional credit availed (₹)	Inter-state sales as per CST Return for the period April 2015 to June 2017 (₹)	Inter-state sales for which C Forms available (₹)	Inter-state sales for which C Forms not available (₹)	Differential tax liability on the non-furnishing of C forms(@ 3%) (6*0.03) (₹)	Date of credit in ECL	Date upto which interest has been calculated	No of days delay (11-10)	Interest Payable @18% per annum (14*0.18% delay in years) (₹)	Total payable amount (9+13) (₹)
1	Jaguar Steel Works	17ABWPJ6894N1ZE	II	17021404025	64	4985202	0	4985202	149556	12-27-17	9-30-21	1373	101264	250820
2	M/s SM Polypack	17AAQFS029K1ZX	II	17020068024	3460004	61711727	8655217	53056510	1591695	08-26-17	9-30-21	1496	1174279	2765974
3	Star Cement Meghalaya Limited	17AAECM7979B1Z7	Khliehriat	17150100036	0	3566042989	0	3566042989	106981290	12-27-17	9-30-21	1373	72436592	179417881
4	Star Cement Limited	17AACCC1465A1Z8	Khliehriat	17150095089	0	926302071	0	926302071	27789062	12-23-17	9-30-21	1377	18870677	46659739
5	Megha Technical and Engineers Pvt. Ltd.	17AADCM5410C1Z0	Khliehriat	17150063079	0	31301148	0	31301148	939034	12-27-17	9-30-21	1373	635816	1574851
6	Umadit Industries Ltd	17AAAACU7999M1ZC	Ri Bhoi	17090299051	0	115608271	0	115608271	3468248	08-24-17	9-30-21	1498	2562133	6030381
7	Anabond Ltd	17AAACCA4158Q1Z9	Ri Bhoi	17090076048	0	934271855	0	934271855	28028156	12-20-17	9-30-21	1380	19074504	47102659
8	NTL Steels	17AAAHFTN9904F1Z4	Ri Bhoi	17091592255	0	1396657452	1270268774	126388678	3791660	09-06-17	9-30-21	1485	2776742	6568402
9	Ferrous Pvt. Ltd.	17AAPCS6873B2ZY	Ri Bhoi	17090023066	0	1647550549	0	1647550549	49426516	12-27-17	9-30-21	1373	33466491	82893008
10	Sriram Wire Products (Meghalaya)	17ABQFS4597K1Z6	Ri Bhoi	17091212015	0	26563784	0	26563784	796914	09-20-17	9-30-21	1471	578101	1375014
11	Jai Mata Coal Pvt. Ltd	17AACCI9492N2ZQ	Ri Bhoi	17092315002	0	5964607	0	5964607	178938	12-27-17	9-30-21	1373	121158	300097
12	Umadit Industries	17ACRPJ7702P1ZW	Ri Bhoi	17090040041	0	37003313	0	37003313	1110099	08-26-17	9-30-21	1496	818980	1929079
Total					3460068	8753962968	1278923991	7475038977	224251169				152616735	37667904

Appendix 2.3.8(A)
Non-submission of declaration ‘C’ Forms
{Reference: Paragraph 2.3.7.6(A)}

Sl. No.	Dealer's Name	Circle	Differential tax liability (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Jaguar Steel Works	II	149556	0	0	The ST stated (September 2021) that scrutiny of the MVAT returns of the dealers is in progress and outcome will be intimated to Audit.
2	M/s SM Polypack	II	1591695	0	0	
3	M/s Star Cement Meghalaya Limited	Khliehriat	106981290	0	0	
4	M/s Star Cement Limited	Khliehriat	27789062	0	0	The ST stated (February 2022) that assessment of these dealers is ongoing.
5	M/s Megha Technical and Engineers Pvt. Ltd.	Khliehriat	939034	0	0	
6	M/s Umadut Industries Ltd	Ri Bhoi	3468248	0	0	The ST stated (October 2021) that the dealer has been subjected to assessment/scrutiny and notices/ reminders have been served to him for production of his accounts.
7	M/s Anabond Ltd	Ri Bhoi	28028156	0	0	The ST stated (October 2021) that the turnover of the dealer under the CST Act was ₹ 93.56 crore of which ₹ 93.27 crore was assessed at two <i>per cent</i> and ₹ 0.21 crore assessed at 14.50 <i>per cent</i> . The remaining ₹ 0.08 crore was assessed at zero <i>per cent</i> . However, the ST's reply is not tenable as C forms have not been provided to support interstate sales by the dealer.
8	M/s NTL Steels	Ri Bhoi	3791660	0	0	The ST stated (October 2021) that this unit is eligible under the Meghalaya Industries (Tax Remission) Scheme 2006 and that assessment was completed. However, the ST's reply is not acceptable as C forms have not been provided to support interstate sales of the dealer.
9	M/s Shyam Century Ferrous Pvt. Ltd.	Ri Bhoi	49426516	0	0	The ST stated (October 2021) that the dealer has been subjected to assessment/scrutiny and notices/ reminders have been served to him for production of his accounts.
10	M/s Sriram Wire Products (Meghalaya)	Ri Bhoi	796914	0	0	The ST stated (October 2021) that this unit is eligible under the Meghalaya Industries (Tax Remission) Scheme 2006 and that assessment was completed. However, the ST's reply is not acceptable as C forms have not been provided to support interstate sales of the dealer.
11	M/s Jai Maa Coal Pvt. Ltd	Ri Bhoi	178938	0	0	The ST stated (October 2021) that the dealer has been subjected to assessment/scrutiny and notices/ reminders have been served to him for production of his accounts.
12	M/s Umadut Industries	Ri Bhoi	1110099	0	0	
Total			224251168	0	0	

Appendix 2.3.9**Non-furnishing of declaration 'F' forms resulted in unpaid tax liability under VAT***{Reference: Paragraph 2.3.7.6(B)}*

Sl. No	Name of Dealer	GSTIN	Circle	TIN	Transitional credit availed (₹)	Stock transfer as per CST Return for the period April 2015 to June 2017 (₹)	Inter-state Stock transfer for which F Forms available (₹)	Inter-state stock transfer for which F Forms not available (10-11) (₹)	Differential tax liability on the nonfurnishing of F form (@ 5%) (8*0.05) (₹)	Date of credit in ECL	Date upto which interest has been calculated	No of days delay (11-10)	Interest Payable @18% per annum (9*0.18*delay in years) (₹)	Total payable amount (9+13) (₹)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1	Vodafone Mobile Services Limited	17AAACCS4457QIZR	VIII	17136423004	0	265878411	0	265878411	13293920.55	8-25-2017	9-30-2021	1497	9814191	23108112
2	Star Cement Meghalaya Limited	17AAECM7979B1Z7	Khliehriat	17150100036	0	936999598	0	936999598	46849979.9	12-27-2017	9-30-2021	1373	31721929	78571909
3	Star Cement Limited	17AACCC1465A1Z8	Khliehriat	17150095089	0	1376287854	0	1376287854	68814392.7	12-23-2017	9-30-2021	1377	46729686	115544079
4	Megha Technical Engineers Pvt. Ltd.	17AADCM5410C1Z0	Khliehriat	17150063079	0	5235314	0	5235314	261765.7	12-27-2017	9-30-2021	1373	177240	439006
5	Adhunik Cement Limited	17AAFC/1128F1Z5	Jowai	17100773014	0	501804784	0	501804784	25090239.2	8-28-2017	9-30-2021	1494	18485663	43575903
6	Shyam Century Ferrous Pvt. Ltd.	17AAPCS6873B2ZY	Ri Bhoi	17090023066	0	369408384	0	369408384	18470419.2	12-27-2017	9-30-2021	1373	12506245	30976664
7	Umaadut Industries	17ACRPJ7702P1ZW	Ri Bhoi	17090040041	0	41681554	0	41681554	2084077.7	8-26-2017	9-30-2021	1496	1537535	36216113
Total				0	3497295899	0	3497295899	174864795					120972490	295837285

Appendix 2.3.9(A)
Non-submission of declaration ‘F’ Forms
{Reference: Paragraph 2.3.7.6(B)}

Sl. No.	Dealer's Name	Circle	Differential tax liability (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	Vodafone Mobile Services Limited	VIII	13293921	0	0	Till date (December 2022) no reply has been furnished by the Department.
2	Star Cement Meghalaya Limited	Khliehriat	46849980	0	0	The ST stated (February 2022) that assessment of the dealers is ongoing.
3	Star Cement Limited	Khliehriat	68814393	0	0	
4	Megha Technical and Engineers Pvt. Ltd.	Khliehriat	261766	0	0	Till date (December 2022) no reply has been furnished by the Department.
5	Adhunik Cement Limited	Jowai	25090239	0	0	
6	Shyam Century Ferrous Pvt. Ltd.	Ri Bhoi	18470419	0	0	The ST stated (October 2021) that the dealer has been subjected to assessment/ scrutiny and notices/ reminders have been served to him for production of his accounts.
7	Umadut Industries	Ri Bhoi	2084078	0	0	
	Total		174864796	0	0	

Appendix 2.3.10
Excess carry forward of Transitional Credit on stock in transit
(Reference: Paragraph 2.3.7.7)

S.I. No	Name of Dealer	GSTIN	Circle	TIN no.	Transitional credit claimed in table 7B (₹)	Date of credit in ECL	Date upto which interest has been calculated	No of days delay (7-6)	Interest Payable @18% per annum (5*0.18* delay in years) (₹)	Total payable amount (5+9) (₹)
1	M/s HLL Lifecare Limited (Amrit Pharmacy)	17AAACH5598K1ZZ	Circle-VIII	17130452007	1459	12-6-17	9-30-21	1394	1003	2462
2	M/s ESS BEE Enterprise	17AGVPM1348L1ZR	Circle-VIII	17081072023	515299	9-11-17	9-30-21	1480	376098	891397
3	Meghalaya Cement Ltd.	17AADCM8079P1ZM	Khliehriat	17100004075	108911	8-27-17	9-30-21	1495	80296	189207
4	East Jaintia Filling Station	17BYVPS0389G1ZN	Khliehriat	17151322042	1446	8-30-17	9-30-21	1492	1064	2510
5	Genemi Enterprise	17ARVPB6277G1ZC	Circle-VIII	17080389046	3647	10-11-17	9-30-21	1450	2608	6255
Total					630762				461068	1091830

Appendix 2.3.10(A)

Transitional credit claims on stock in transit without supporting documents

(Reference: Paragraph 2.3.7.7)

Sl. No.	Dealer's Name	Circle	Excess credit availed (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s HLL Lifecare Limited (Amrit Pharmacy)	VIII	1459	0	0	The ST stated (January 2022) that the case record of the dealer is being requisitioned from the Non-Resident Circle.
2	M/s. ESS BEE Enterprise	VIII	515299	515299	0	The ST stated (January 2022) that the dealer has reversed the entire amount of inadmissible claim.
3	M/s Meghalaya Cement Ltd.	Khliehriat	108911	0	0	The ST stated (February 2022) that the dealer's records are being examined.
4	M/s East Jaintia Filling Station	Khliehriat	1446	0	0	The ST stated (February 2022) that the dealer has paid the tax and interest voluntarily. However, no proof of payment of the same was furnished by the ST.
5	M/s Genemi Enterprise	VIII	3647	0	0	Till date (December 2022) no reply has been furnished by the Department.
Total			630762	515299	0	

Appendix 2.3.11
Irregular claim of transitional credit of stock on ineligible goods
(Reference: Paragraph 2.3.7.8)

Sl No.	Name of Dealer	GSTIN	TIN no	Circle	Transitional credit claim in table 7C (₹)	Date of credit in ECL	Date upto which interest has been calculated	No of days delay (7-6)	Interest Payable @18% per annum (5*0.18* delay in years) (₹)	Total payable amount (5+9) (₹)
1	M/s Jain Trading Agency	17ALAPS8990C1ZS	17051021035	V	94273	07-09-2017	9-30-21	1484	6893	163266
2	M/s Surana Essentials Pvt. Ltd	17AAAHCS0820Q1Z1	17050462024	V	82442	08-09-2017	9-30-21	1483	60293	142735
3	M/s BSCPL Infrastructure Ltd	17AAACB8316K1ZM	17130316013	Tura Circle I	188699	29-10-2017	9-30-21	1432	133258	321957
4	M/s Mahabir Prasad Agarwala	17ACBPA7420P1ZM	17160468075	Tura Circle II	344914	29-12-2017	9-30-21	1371	233200	578114
5	M/s Surana Agencies	17AGBPS9691L1ZJ	17050465031	V	44060	09-08-2017	9-30-21	1513	32875	76935
6	M/s BSC JV	17AADFB8115G2ZO	17130243069	XIII	77288	20-10-2017	9-30-21	1441	54923	132211
7	M/s Megh Motors	17AEQP19267E1Z0	17040059045	IV	230486	26-12-2017	9-30-21	1374	156175	386661
8	M/s L & T LTD	17AAACL0140P2ZJ	17130460058	XIII	579170	27-12-2017	9-30-21	1373	392154	971324
Total					1641332				1131870	2773202

Appendix 2.3.11(A)
Irregular claim of transitional credit of stock on ineligible goods
(Reference: Paragraph 2.3.7.8)

Sl. No.	Dealer's Name	Circle	Excess credit availed (₹)	Amount recovered as tax (₹)	Amount recovered as interest (₹)	Department's reply
1	M/s Jain Trading Agency	V	94273	94273	95771	The ST stated (February 2022) that tax and interest have been recovered from the dealer in full through Form DRC-03.
2	M/s Surana Essentials Pvt. Ltd	V	82442	27983	28409	The ST stated (February 2022) that tax of ₹ 0.28 lakh and interest of ₹ 0.28 lakh have been recovered from the dealer. However, Audit observes that since the payment is partial, the balance amount of tax and interest may be recovered from the dealer.
3	M/s BSCPL Infrastructure Ltd	Tura Circle I	188699	0	0	Till date (December 2022) no reply has been furnished by the Department.
4	M/s Mahabir Prasad Agarwala	Tura Circle II	344914	0	0	
5	M/s Surana Agencies	V	44060	44060	44731	The ST stated (February 2022) that tax and interest have been recovered from the dealer in full through Form DRC-03.
6	M/s BSC JV C & C	XIII	77288	0	0	The ST stated (March 2022) that the dealer refused to comply with the showcause notice issued against him.
7	M/s Megh Motors	IV	230486	230486	206718	The ST stated (January 2022) that the dealer's case records were verified and consequently he has made voluntary payment of the full amount of tax and interest in Form DRC-03.
8	M/s L & T Ltd.	XIII	579170	0	0	The ST stated that (March 2022) that the dealer has been directed to furnish all invoices for verification..
			1641332	396802	375629	

Appendix – 3.4.1

Statement showing issuance of retail permits during invalid period of licence (Reference: Paragraph 3.4)

Sl. No.	Name of IMFL Retailer	Year	Due date	Date of Payment	Period of delay in days	Quantity of liquor in cases	Category
1	M/s Aunty's	2020-21	31-03-2020	22-05-2020	52	2,325	IMFL, BIO, Beer, Wine and Beer
2	M/s B.T.	2020-21	31-03-2020	03-06-2020	64	102	
3	M/s D.K.	2020-21	31-03-2020	20-05-2020	50	681	
4	M/s Diamond Dujo	2020-21	31-03-2020	20-05-2020	50	7,057	
5	M/s El Paso	2020-21	31-03-2020	29-05-2020	59	439	
6	M/s Evergreen	2020-21	31-03-2020	10-05-2020	40	4,172	
7	M/s Golden Drizzle	2020-21	31-03-2020	01-06-2020	62	52	
8	M/s Iatreilang	2020-21	31-03-2020	27-05-2020	57	568	
9	M/s KT	2020-21	31-03-2020	22-07-2020	113		
10	M/s Marshall	2020-21	31-03-2020	15-05-2020	45	586	
11	M/s NM	2020-21	31-03-2020	14-05-2020	44	372	
12	M/s Orion	2020-21	31-03-2020	20-05-2020	50	2,962	
13	M/s Provisions and Necessities	2020-21	31-03-2020	14-05-2020	44	523	
14	M/s RN	2020-21	31-03-2020	14-05-2020	44	653	
15	M/s SRS	2020-21	31-03-2020	20-05-2020	50	3,144	
16	M/s Silli	2020-21	31-03-2020	15-05-2020	45	7,938	
17	M/s Star	2020-21	31-03-2020	29-05-2020	59	587	
18	M/s Sylwan	2020-21	31-03-2020	18-05-2020	48	2,852	
19	M/s Varunette	2020-21	31-03-2020	12-05-2020	42	2,944	
20	M/s Vineyard	2020-21	31-03-2020	01-06-2020	62	2,459	
Total						40,416	

Appendix – 3.4.2

Statement showing delayed realisation of revenue from IMFL retail licensees during the year 2020-21 under the ACE, Shillong

(Reference: Paragraph 3.4)

Year: 2019-20						
Sl. No.	Name of IMFL Retailer	Year	Rate (₹)	Due date	Date of Payment	Period of delay in days
1	M/s B.D.	2019-20	150000	31-03-2019	16-03-2020	351
2	M/s B.T	2019-20	150000	31-03-2019	03-03-2020	338
3	M/s H.P	2019-20	150000	31-03-2019	17-02-2020	323
4	M/s S.I.	2019-20	150000	31-03-2019	15-01-2020	290
5	M/s J. Sylliang	2019-20	150000	31-03-2019	20-09-2019	173
6	M/s Amy	2019-20	150000	31-03-2019	12-07-2019	103
7	M/s Posh	2019-20	150000	31-03-2019	11-06-2019	72
8	M/s Hill Pine	2019-20	150000	31-03-2019	04-06-2019	65
9	M/s 19-Piscine	2019-20	150000	31-03-2019	20-05-2019	50
10	M/s Soannes	2019-20	150000	31-03-2019	24-04-2019	24
11	M/s Ki	2019-20	150000	31-03-2019	03-04-2019	3
12	M/s Vineyard	2019-20	150000	31-03-2019	03-04-2019	3
13	M/s Hot Stop	2019-20	150000	31-03-2019	02-04-2019	2
14	M/s Royal	2019-20	150000	31-03-2019	02-04-2019	2

Appendix – 3.4.2 (A)

Statement showing delayed realisation of revenue from IMFL licensees during the year 2020-21 under the ACE, Shillong

(Reference: Paragraph 3.4)

Year: 2020-21						
Sl. No.	Name of IMFL Retailer	Year	Rate (₹)	Due date	Date of Payment	Period of delay in days
1	M/s Ban, Hat Thymmai, Pynursla	2020-21	150000	31-03-2020	Not paid	
2	M/s Plenty	2020-21	150000	31-03-2020	Not paid	
3	M/s Royal	2020-21	150000	31-03-2020	24-09-2020	177
4	M/s D.A.	2020-21	150000	31-03-2020	14-09-2020	167
5	M/s S. Syiemiong	2020-21	150000	31-03-2020	04-09-2020	157
6	M/s J. Sylliang	2020-21	150000	31-03-2020	02-09-2020	155
7	M/s Hill Pine	2020-21	150000	31-03-2020	01-09-2020	154
8	M/s Ki	2020-21	150000	31-03-2020	28-08-2020	150
9	M/s Prickles	2020-21	150000	31-03-2020	06-08-2020	128
10	M/s SL	2020-21	150000	31-03-2020	05-08-2020	127
11	M/s Shipara	2020-21	150000	31-03-2020	05-08-2020	127
12	M/s D & L	2020-21	150000	31-03-2020	03-08-2020	125
13	M/s HP	2020-21	150000	31-03-2020	29-07-2020	120
14	M/s KT	2020-21	150000	31-03-2020	22-07-2020	113
15	M/s LK	2020-21	150000	31-03-2020	22-07-2020	113
16	M/s Big Boss	2020-21	150000	31-03-2020	20-07-2020	111
17	M/s Friends	2020-21	150000	31-03-2020	20-07-2020	111
18	M/s C	2020-21	150000	31-03-2020	16-07-2020	107
19	M/s Fortune Star	2020-21	150000	31-03-2020	09-07-2020	100
20	M/s Soannes	2020-21	150000	31-03-2020	06-07-2020	97
21	M/s Diamond	2020-21	150000	31-03-2020	29-06-2020	90
22	M/s RW	2020-21	150000	31-03-2020	17-06-2020	78
23	M/s SK	2020-21	150000	31-03-2020	15-06-2020	76
24	M/s B.D.	2020-21	150000	31-03-2020	11-06-2020	72
25	M/s Hot Stop	2020-21	150000	31-03-2020	11-06-2020	72
26	M/s Amy	2020-21	150000	31-03-2020	11-06-2020	72
27	M/s 19-Piscine	2020-21	150000	31-03-2020	09-06-2020	70
28	M/s Hunjrut	2020-21	150000	31-03-2020	08-06-2020	69
29	M/s B.T.	2020-21	150000	31-03-2020	03-06-2020	64
30	M/s Golden Drizzle	2020-21	150000	31-03-2020	01-06-2020	62
31	M/s Vineyard	2020-21	150000	31-03-2020	01-06-2020	62
32	M/s El Paso	2020-21	150000	31-03-2020	29-05-2020	59
33	M/s Star	2020-21	150000	31-03-2020	29-05-2020	59
34	M/s Vintage	2020-21	150000	31-03-2020	27-05-2020	57
35	M/s Iatreilang	2020-21	150000	31-03-2020	27-05-2020	57
36	M/s Aunty's	2020-21	150000	31-03-2020	22-05-2020	52
37	M/s Brothers	2020-21	150000	31-03-2020	20-05-2020	50

Year: 2020-21						
Sl. No.	Name of IMFL Retailer	Year	Rate (₹)	Due date	Date of Payment	Period of delay in days
38	M/s D.K.	2020-21	150000	31-03-2020	20-05-2020	50
39	M/s Diamond Dujo	2020-21	150000	31-03-2020	20-05-2020	50
40	M/s Esskay	2020-21	150000	31-03-2020	20-05-2020	50
41	M/s Orion	2020-21	150000	31-03-2020	20-05-2020	50
42	M/s SRS	2020-21	150000	31-03-2020	20-05-2020	50
43	M/s SS	2020-21	150000	31-03-2020	18-05-2020	48
44	M/s Sylwan	2020-21	150000	31-03-2020	18-05-2020	48
45	M/s Marshall	2020-21	150000	31-03-2020	15-05-2020	45
46	M/s Silli	2020-21	150000	31-03-2020	15-05-2020	45
47	M/s Haka	2020-21	150000	31-03-2020	14-05-2020	44
48	M/s NM	2020-21	150000	31-03-2020	14-05-2020	44
49	M/s Posh	2020-21	150000	31-03-2020	14-05-2020	44
50	M/s Provisions and Necessities	2020-21	150000	31-03-2020	14-05-2020	44
51	M/s RN	2020-21	150000	31-03-2020	14-05-2020	44
52	M/s Varunette	2020-21	150000	31-03-2020	12-05-2020	42
53	M/s Evergreen	2020-21	150000	31-03-2020	10-05-2020	40

Appendix – 3.4.3

**Statement showing delayed realisation of revenue from bar licensees during
2019-20 under the ACE, Shillong**
(Reference: Paragraph 3.4)

Sl. No.	Name of Bar Licensees	Year	Rate (₹)	Due date	Date of Payment	Period of delay in days
1	M/s Lake View Inn	2019-20	150000	31-03-2019	28-02-2020	334
2	M/s Windermere	2019-20	75000	31-03-2019	21-06-2019	82
3	M/s Platinum Bar	2019-20	75000	31-03-2019	02-04-2019	2
4	M/s Balwinder's	2019-20	75000	31-03-2019	01-04-2019	1
5	M/s Mehfil	2019-20	75000	31-03-2019	01-04-2019	1

Appendix – 3.4.3 (A)

**Statement showing delayed realisation of revenue from bar licensees during
2020-21 under the ACE, Shillong**

(Reference: Paragraph 3.4)

Sl. No.	Name of Bar Licensees	Year	Rate (₹)	Due date	Date of Payment	Period of delay in days
1	M/s Orchid, Polo	2020-21	75000	31-03-2020	Not paid	
2	M/s Balwinder's	2020-21	75000	31-03-2020	30-03-2021	364
3	M/s Mehfil Bar	2020-21	75000	31-03-2020	25-03-2021	359
4	M/s Maggie's	2020-21	75000	31-03-2020	25-02-2021	331
5	M/s Loft	2020-21	75000	31-03-2020	30-01-2021	305
6	M/s Tango	2020-21	75000	31-03-2020	21-01-2021	296
7	M/s Lake View Inn	2020-21	150000	31-03-2020	12-01-2021	287
8	M/s Windermere	2020-21	75000	31-03-2020	07-01-2021	282
9	M/s Boss	2020-21	75000	31-03-2020	17-12-2020	261
10	M/s Platinum Bar	2020-21	75000	31-03-2020	04-12-2020	248
11	M/s Heiga	2020-21	150000	31-03-2020	01-12-2020	245
12	M/s Aqua	2020-21	75000	31-03-2020	30-11-2020	244
13	M/s Bottoms Up	2020-21	75000	31-03-2020	30-11-2020	244
14	M/s Serene Bar	2020-21	75000	31-03-2020	30-11-2020	244
15	M/s Blueberry Inn	2020-21	150000	31-03-2020	26-11-2020	240
16	M/s Heritage Club Additional Bar	2020-21	150000	31-03-2020	26-11-2020	240
17	M/s Heritage Club	2020-21	150000	31-03-2020	26-11-2020	240
18	M/s Tripura Castle	2020-21	150000	31-03-2020	26-11-2020	240
19	M/s Déjà Vu	2020-21	150000	31-03-2020	20-11-2020	234
20	M/s Glass House, Alpine Continental	2020-21	150000	31-03-2020	20-11-2020	234
21	M/s Aperitifs	2020-21	75000	31-03-2020	22-10-2020	205
22	M/s Yalana Hotel	2020-21	75000	31-03-2020	22-10-2020	205
23	M/s Klong, Poinisuk	2020-21	150000	31-03-2020	09-10-2020	192
24	M/s Saw Aiom	2020-21	75000	31-03-2020	12-10-2020	195
25	M/s Chennai Junction	2020-21	75000	31-03-2020	27-05-2020	57

Appendix 5.3.1
**Statement showing the name of the Lessees who did not obtain CTE/CTO from
MSPCB**
(Reference Para No. 5.3.8.2)

Sl. No.	Name & Address of Mining Lease holder	Location of Lease	Name of district	Name of the Minor mineral	Date of grant of Mining Lease	Date of grant of CTE	Date of grant of CTO
1	Smt. Shelina Nongbri, Lumdaithkhla, Bhoirumbong, Ri-Bhoi	Umeit Village, Raid Mawbuh, Ri-Bhoi	Ri-Bhoi	Stone	23-12-2020	10-09-2020	Did not obtain CTO
2	Smt. Dolly Khonglah, M/s K.K. International, Tamabil Broder, Dawki, West Jaintia Hills	Amsyndui, Nongtalang, WJH	West Jaintia Hills	Limestone	27-08-2018	02-01-2018	Did not obtain CTO
3	Shri Jengna Marak, Wakrugre Village, P.O. Zekabari, P.S. Tura, West Garo Hills District	Manggapara, P.O. Zikabari, West Garo Hills District	West Garo Hills	Boulder Stone	20-12-2017	30-11-2017	Did not obtain the CTO
4	Shri Kingkong Ch. Marak, Nogapara, P.O. Garobadha, P.S. Ampati, South-West Garo Hills District.	Manggapara, P.O. Zikabari, West Garo Hills District	West Garo Hills	Boulder Stone	20-12-2017	30-11-2017	Did not obtain the CTO
5	Shri Ringh Sangma, Bolgangre Village, P.O. Mukdangra, P.S. Ampati, South-West Garo Hills District.	Damjonggre, P.O. Garobadha, West Garo Hills District	West Garo Hills	Boulder Stone	20-12-2017	15-12-2017	Did not obtain the CTO
6	Shri Monoranjan Sangma, Rochonpara, P.O. Dhanua, West Garo Hills District	Rochonpara, P.O. Dhanua, West Garo Hills District	West Garo Hills	Boulder Stone	25-09-2019	Did not obtain CTE	19-07-2021
7	Shri Sengrak Ch. Marak, Jongkipara Village, P.O. Dhanua, P.S. Tura, West Garo Hills District.	Dhanua-Marasali, P.O. Dhanua, West Garo Hills District	West Garo Hills	Boulder Stone	11-06-2018	Did not obtain CTE	16-05-2018
8	Shri Washing Ch. Marak, Jongkipara Village, P.O. Dhanua, P.O. Tura, West Garo Hills District	Sabraguri, P.O. Dhanua, West Garo Hills District	West Garo Hills	Boulder Stone	11-06-2018	Did not obtain CTE	6-05-2018
9	Shri Rana B. Sangma, Chengkompara Village, P.O. & P.S. Ampati, South-West Garo Hills District.	Dapgiri (Mangapara), P.O. Zekabari, West Garo Hills District	West Garo Hills	Boulder Stone	05-11-2018	Did not obtain CTE	15-10-2018

Appendix 5.3.2

Short realisation of royalty on limestone due to delay in communication of revised rate

{Reference Para No. 5.3.9.1(A)}

Sl. No.	Name of the Lessee/transporter	Quantity (MT)	Challan No.	Challan date	Royalty payable (₹)	Royalty paid (₹)	Short realised (₹)
1	Baby Nongrum	1800	24058	28-01-19	180000	144000	36000
		1800	24308	31-01-19	180000	144000	36000
		1800	24484	05-02-19	180000	144000	36000
2	Lahmon Tongper	900	24137	28-01-19	90000	73000	17000
		900	24414	04-02-19	90000	72000	18000
3	Adelphin Pyrngap	2100	24179	29-01-19	210000	168000	42000
		1800	24457	05-02-19	180000	144000	36000
		1800	24636	08-02-19	180000	144000	36000
4	Jubably Phawa	500	24256	30-01-19	50000	40000	10000
5	Hemantam Nonglamin	1800	24252	31-01-19	180000	144000	36000
		1800	24574	12-02-19	180000	144000	36000
6	Aldrina Nonglamin	1800	24253	31-01-19	180000	144000	36000
		3000	24575	12-02-19	300000	240000	60000
7	Kermiki Dkhar	10000	24178	31-01-19	1000000	800000	200000
8	Aron Myrchiang	900	24322	31-01-19	90000	72000	18000
		1800	24357	04-02-19	180000	144000	36000
		900	24464	05-02-19	90000	72000	18000
		1200	24687	14-02-19	120000	96000	24000
9	Ready Sutnga	1800	24312	31-01-19	180000	144000	36000
		1800	24711	06-03-19	180000	144000	36000
		1800	24710	13-03-19	180000	144000	36000
10	Obiwel Pohtam	1800	24415	04-02-19	180000	144000	36000
		1800	24661	11-02-19	180000	144000	36000
11	Suprita Myrchiang	1800	24520	06-02-19	180000	144000	36000
12	S. Sukhlain	9000	24607	07-02-19	900000	720000	180000
13	Ephiyoo Mukhim	450	24646	11-02-19	45000	36000	9000
		450	24645	11-02-19	45000	36000	9000
Total		57300			5730000	4585000	1145000

Appendix 5.3.3
Statement showing non/short collection of cess on minor minerals
{Reference Para No. 5.3.9.3(A)}

Name of DFO	No. of lease holders	Name of minor mineral	Qty. transported (MT)	Cess payable @ ₹ 60 per Cum (₹)	Cess collected (₹)	Short collection (₹)
Non-deduction						
DFO Shillong	10	Limestone	8,66,250	5,19,75,000	00	5,19,75,000
DFO Shillong	05	Boulder stone	21,672	5,41,800	00	5,41,800
DFO Jowai	05	Boulder stone	10,233	2,55,825	00	2,55,825
DFO Tura	22	Boulder stone	1,21,125	30,28,125	00	30,28,125
Total	42		10,19,280	5,58,00,750	00	5,58,00,750
Short deduction						
DFO Shillong	09	Limestone	13,54,593	8,12,75,580	89,69,940	7,23,05,640
DFO Shillong	06	Boulder stone	69,194	1729850	3,36,725	13,93,125
Total	15		14,23,787	8,30,05,430	93,06,665	7,36,98,765

Appendix 5.3.4
Short computation of anticipated royalty resulted in non-realisation of stamp duty
{Reference Para No. 5.3.9.4(A)}

Name of Unit	No. Mining Lease holder	Name of the Minor mineral	Period of execution of lease deed	Period of lease (years)	Average production for 5 years (MT)	Anticipated Royalty for stamp duty (₹)	Stamp duty payable	Anticipated Royalty for Stamp duty stated in the Lease Agreement (₹)	Short calculation of anticipated royalty (₹)	Stamp duty paid	Stamp duty short paid
DFO (T) Shillong	04	Limestone	05-02-18 to 06-11-18	30	12,25,472	9,80,37,760	2,91,17,215	7,01,00,000	2,79,37,760	2,19,29,529	71,87,686
DFO (T) Jowai	09	Limestone	10-04-18 to 20-10-20	Ranging between 6 to 18	33,30,398	30,72,64,000	3,40,45,573	25,10,59,800	5,62,04,200	2,31,75,071	71,32,859
Total					45,55,870	40,53,01,760	6,31,62,788	32,11,59,800	8,41,41,960	4,51,04,600	1,43,20,545

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