

Sales Tax Systems in India: A Profile

MEGHALAYA

Sales tax is administered in Meghalaya under the following Acts:

1. Meghalaya Sales Tax Act.
2. Meghalaya Finance (Sales Tax) Act.
3. Meghalaya (Sales of Petroleum and Petroleum Products including Motor Spirits and Lubricants) Taxation Act.
4. Meghalaya Purchase Tax Act.
5. Central Sales Tax Act.

1. Structure

The Meghalaya Sales Tax Act (MST Act) is the principal Act and is a sort of general sales tax law of the State. It provides for the levy of sales tax w.e.f. first April of the year in which the gross turnover of the dealer within and outside the State exceeds Rs.20,000. An exemption is allowed on the first Rs.20,000 of the gross turnover of the first year provided that such sale did not arise from the sale of the commodity furnished by the use of C Forms. Sale of taxable goods in the course of inter-State trade or exports outside India has to be excluded to determine the liability to pay tax.

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A dealer once becoming liable to tax shall continue to be liable until the expiry of three consecutive years during each of which his gross turnover remained below Rs.20,000.

Point of Levy: The system of single point tax is followed in the State. Tax under the MST Act is realised at the point of last sale.

Rate Structure: The rates of tax leviable on different commodities are given in Schedule II of the Act. Ready-made garments and hosiery goods are taxed at 6 per cent. Food or any other article for human consumption or any drink (whether or not intoxicating) is taxed at 7 per cent. Transfer of the right to use any goods for any purpose is taxed at 2 per cent. The general rate applicable to goods not specified (other than those taxed under Meghalaya Finance (Sales Tax) Act and Meghalaya (Sales of Petroleum and Petroleum products including Motor Spirit and Lubricants) Taxation Act is 7 per cent.

Works Contract: The MST Act authorises the levy of tax on works contract. According to Section 2(13), the term "Sale price" includes the amount payable to a dealer as valuable consideration for the carrying out of any of the contracts, less such fraction of such amount as represents the prescribed proportion of the cost of labour used in carrying out such a contract. Thus on works contract, tax is levied only on the transfer of goods whether as goods or in any other form.

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Exemptions: As in other States essential goods for the consumption of common man have been exempted from tax. Such goods include foodstuffs, fresh vegetables, fresh fruits, meat, etc.

Taxation of Inputs: The State government is empowered to allow in respect of Small Scale Industries a set off, draw back or refund of the whole or any part of the tax paid in respect of any purchase of raw material for use by any dealer in the manufacture of goods for sale.

2. Registration

Under the MST Act every dealer who is liable to pay tax is under a statutory obligation to get himself registered without which it is illegal for him to carry on business in the State. In the normal course the dealer voluntarily applies for registration but in other cases the Superintendent of Taxes (ST) is empowered to compel a dealer to apply for registration and issue a certificate.

3. Assessment

Returns: Returns are filed on a quarterly basis for the quarters ending 30th June, 30th September, 31st December and 31st March and have to be accompanied by a proof of payment of tax. Delay in filing the returns attracts levy of interest at the rate of 6,9,12 and 24 per cent for the period of delay after allowing one month of grace period. A dealer may also file a revised return before the completion of the assessment, if he discovers any mistake or omission in the original return.

Mode of Assessment: An assessment is made on an annual basis. A return may be accepted and assessment completed, where the assessing authority is satisfied about its correctness. In the absence of such satisfaction assessment may be made after requiring the production of accounts and or any such evidence on which the dealer may rely. The assessing authority is empowered to make an assessment on the best judgement basis, if the dealer fails to file voluntary return or to produce evidence in support of the return, if called upon to do so after affording an opportunity to the dealer to make a compliance.

An ex-parte (best judgement) assessment can be cancelled and fresh assessment made if the dealer satisfies the assessing authority that he was prevented by sufficient cause from filing the return or from producing evidence, etc.

The Superintendent of Taxes may rectify any mistake in the assessment which is apparent from the records within three years from the date of assessment. He also has powers to re-open the assessment, if he discovers that any part of the taxable turnover has escaped assessment, within eight years from the end of the relevant year.

4. Penalty and Prosecution

Failure to file return or/produce evidence on the part of dealer without reasonable cause entails levy of penalty. If the STO is satisfied that the dealer has deliberately concealed the particulars of turnover or has evaded tax liability, he may impose penalty (after giving

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an opportunity to the dealer of being heard) amounting to a sum not exceeding one and a half times the amount of tax payable by him. A person is liable to be punished for making a false statement or declaration. The punishment on conviction by a magistrate may result in simple imprisonment upto 6 months or fine upto Rs.1,000 but the STO has discretion to compound the offence. Where a person evades any tax, he may accept by way of composition a sum of Rs.1,000 or double the amount of tax evaded whichever is higher. In other cases, the composition money not exceeding one thousand rupees may be charged.

Secrecy Regarding Proceedings: The particulars given in the returns or those furnished in any proceedings are to be kept confidential. Public servants found to have disclosed such particulars are liable to be punished with imprisonment (upto 6 months) and fine.

Meghalaya Finance (Sales Tax) Act: Tax under this Act is realised at the first point of sale within the State. A dealer under this Act means a person who sells taxable goods manufactured, made or processed by him in Meghalaya or brought by him into Meghalaya from any place outside Meghalaya for sale in the State. There is no exemption limit under the Act and liability to pay tax arises with the first sale of taxable goods.

Taxable goods are specified in the Schedule to the Act which also gives the rates of tax. Other provisions such as registration, assessment, appeal/revision are the same as in the MST Act.

Meghalaya (Sales of Petroleum and Petroleum Products including Motor Spirit and Lubricants) Taxation Act, 1985: Under this Act sale of petrol, diesel, kerosene, lubricants, grease, etc. are taxable as per the prescribed rates given in the schedule. The provision for registration, assessment, collection and recovery are the same as under the MST Act with an only difference that the return and assessment are made on quarterly basis.

Meghalaya Purchase Tax Act: Tax under this Act is levied at the point of last purchase of the goods specified in the Schedule of the Act at the prescribed rates. Returns are required to be submitted after every quarter.

5. Administrative Organisation

The Commissioner of Taxes is the head of the department as well as the revisional authority.

Appellate functions are performed by the Assistant Commissioner of Taxes who does not have any administrative functions.

The Superintendent of Taxes is the assessing authority who does the work of assessment, registration and collection of taxes in respect of the cases falling under his jurisdiction. At present, 14 posts of Superintendent of Taxes are functioning. The Superintendent of Taxes is assisted by Inspectors of Taxes who are responsible for conducting survey, enquiry work and inspection, etc.

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6. Appeal/Revision/Reference

Appeal against the assessment or penalty order may be filed before the Assistant Commissioner of Taxes (ACT) within thirty days of the service of such order.

The power of revision vests with the Commissioner of Taxes and he may revise any proceedings of the Assistant Commissioner of Taxes or Sales Tax, if he considers that any such order is prejudicial to the interest of revenue after giving an opportunity of being heard, to the dealer. The Commissioner may also, within ninety days, revise either voluntarily or on a petition by the dealer any proceeding and pass such order not being an order prejudicial to the dealer.

A reference may be made to the High Court within sixty days of any order made by the Commissioner on a point of law.

7. Checkposts

There are six check gates in the State set up to check tax evasion in respect of mineral goods, limestone, timber, etc.