

## FOREWORD

The present study of the sales tax system in Delhi was commissioned in the Institute by Delhi Administration in September 1982. The Report of the study was submitted in July 1984. The significance of the Report is two-fold: It may be described as the most comprehensive so far among those already conducted on the sales tax system in the Union Territory of Delhi, and it is an important link in the on-going series of studies on the sales tax systems in various States being conducted in the Institute.

The purpose of this publication is to generate a constructive debate on several vital aspects of sales tax structure, administration, enforcement and compliance, not only among the business and trading community in Delhi, but also among tax administration officials, legislators, public finance specialists, researchers and practitioners. We shall feel rewarded if the ideas on reform put forward in the Report are considered useful for the formulation of any possible measures to improve tax administration and tax compliance.

We are grateful to Delhi Administration for permission to publish this Report.

AMARESH BAGCHI  
DIRECTOR

*January 1988*

## PREFACE

The National Institute of Public Finance and Policy is an autonomous non-profit organisation whose major functions are to carry out research, undertake consultancy work and impart training in the area of public finance and related policy.

This study was sponsored by Delhi Administration along with the studies of the property tax and the entry tax whose reports are being submitted separately. The study was begun in October 1982 and was discontinued for three months during January to March 1983. The major part of the work was done during April to December 1983. Report writing took six months from December 1983 to May 1984.

The report is a product of team work. The work on the project was largely carried out by Dr. K. N. Reddy under the guidance of Dr. R. J. Chelliah. He was assisted by Ms. Jyotsna Paranjape, Dr. V. S. Renganathan and Mr. Gautam Naresh.

An interim report on *Administrative Organisation of the Department and Norms for Staffing* was submitted in February 1984. The final report which is now being submitted incorporates the interim report with some revisions. The entire responsibility for the work on the administrative organisation and norms for staffing vested with Dr. K. N. Reddy and he has drafted the relevant chapter. He also prepared the original drafts of all the other chapters. The final draft of these chapters has been prepared by Dr. R. J. Chelliah and Dr. K. N. Reddy.

Dr. V. S. Renganathan and Mr. Gautam Naresh conducted the market surveys to estimate the evasion of sales tax with respect to the two selected commodities, namely, automobile parts and sanitary wares and fittings. It is hoped that the findings of the surveys would help the Department to have a better idea of the magnitude of the sales tax evasion in the Union Territory.

Dr. V. S. Renganathan conducted the study on the trade structure of Delhi whose findings are given in Appendix to Chapter 1.

The comprehensive analysis presented in the study of the system of sales tax in force in Delhi, the discussions of the means of rationalisation of the tax structure and the suggestions for improving the administration of the tax and the information system, it is hoped, would be found useful by the Sales Tax Department and the Delhi Administration.

The Governing Body of the Institute does not take responsibility for any of the views expressed in this report. This responsibility belongs to the staff of the Institute and more particularly to the authors of the report.

R. J. CHELLIAH  
DIRECTOR

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We owe a particular debt of gratitude to Shri S. D. Srivastava, formerly Chief Secretary, Delhi Administration, Shri Omesh Sehgal and Shri Prakash Chander, formerly Secretary and Joint Secretary, respectively, of the Finance and Planning Departments, Delhi Administration and Shri T.T. Joseph, formerly Commissioner of Sales Tax, Delhi Administration for entrusting the study to us. Our thanks are due to Shri R. M. Vats, Secretary, Finance Department and Shri Vivek Roy, Joint Secretary, Planning Department for the interest they have shown in our work.

Our special thanks are due to the officials of the Sales Tax Department. We wish to express our gratitude to Shri S. R. Sharma, Commissioner of Sales Tax for the encouragement he has given us and the cooperation which the officers of his Department gave us in many ways.

We are thankful to Shri Kuldip Singh, formerly Assistant Commissioner of Sales Tax, Headquarters, Shri A. B. Sen, Assistant Commissioner of Sales Tax, Headquarters and Shri S. K. Sharma, Assistant Commissioner of Sales Tax, Law and Judicial Branch for clarifying various technical matters relating to sales tax assessments and putting us in touch with the various assessment authorities belonging to different wards. We are thankful also to Mrs. Kashyap, Deputy Commissioner of Sales Tax, Shri R. K. Saxena, Assistant Commissioner Zone-III, Shri S.L. Bansal, Assistant Commissioner, Enforcement, Shri M. Krishnamurti, Assistant Director, Statistics, and Mrs. Brijlani, formerly Assistant Director, Administrative Reforms Cell for their cooperation and help. We are thankful to the officers of the EDP Cell, Mr. R. L. Mitra, Programmer and Mr. Inderjeet Singh, Research Officer for explaining to us the information system being planned in the Computer Centre. Apart from these officers in the Headquarters, several officers in the Wards at

various levels have helped us in collecting information. Indeed, but for their help, cooperation and patience, we would not have been able to complete our study successfully.

Our thanks are due to Shri P. D. Lamba and Shri D. B. Kapoor, retired Deputy Commissioners of Sales Tax who helped us in clarifying certain technical points in the operation of the summary assessments scheme.

We would like to specially thank Shri K. D. Bhatia, Director, Bureau of Economics and Statistics, Delhi Administration for giving us excellent cooperation and information whenever we had approached him. In the same way we wish to record our indebtedness to Shri R. K. Dhawan, Joint Director, Shri S. S. Sota, Deputy Director, Planning Department, Delhi Administration for their cooperation and prompt supply of information.

In our search for evolving suitable norms for staffing the Department we had to collect information from the Sales Tax Departments of various States. Many Commissioners of Sales Tax have helped us in this regard. We are particularly thankful to the Commissioners of Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Tamil Nadu, Rajasthan and West Bengal for their cooperation.

In order to feel the pulse of the mercantile public on the sales tax system in Delhi, we circulated a questionnaire and invited their opinion on various matters. We wish to express our grateful thanks to all those who responded to our questionnaire and appeared before us for explaining their viewpoints on sales tax reform.

Last but by no means least we wish to record our appreciation to Shri K. K. Atri and Shri A. K. Halen of our Computer Unit for handling the various computations expeditiously. Also we wish to record our appreciation of the excellent secretarial services of Shri Suhas Kumar and Shri S. B. Maan who handled successive drafts of the report with skill and patience. Shri K.R. Subramanian Iyer has done a commendable job in stencilling the whole report. To all of them our thanks are due.

AUTHORS