

... का संपूर्ण प्रारूप अथवा यह कि यह अधिनियम, अधिनियम संख्या 19, अधिनियम संख्या 20 अधिनियम संख्या 25 का अंश ...

अधिनियम संख्या 19 ... अधिनियम संख्या 20 ... अधिनियम संख्या 25 ...

"The Chairman and the Member (Legal) of the Authority for Advance Rulings as the Chairman and Member (Legal) of the Central Sales Tax Authority; it is also proposed to be insert a new section 19A to provide that the proceedings before the Authority shall not be questioned or invalidated due to any vacancy and he can be appointed as the Chairman and Member of the Central Sales Tax Authority[R19]. "

... अधिनियम संख्या 19 ... अधिनियम संख्या 20 ... अधिनियम संख्या 25 ...

SHRI K.S. RAO Sir, I welcome this Bill and the reason being it is only a simplifying Bill. The provisions made in the amendment have already been enunciated by the earlier speaker. So, I will not dwell on that. I just wanted to say a few words to the hon. Finance Minister.

Normally, when the Parliament enacts a law, it is expected that it must be in a position to motivate the taxpayers and de-motivate the corrupt evader or the officer. I am happy that the simplification, not only in revenue but also in several other matters, is being discussed in the Parliament time and again. It is a good indication. There is still a lot to be done in this regard.

Our experience tells us that the sincere taxpayer is being harassed on many occasions. A tax evader will get things done because he has got an understanding with the officer concerned. He will get things done in no time and the sincere taxpayer will be harassed so much that he will have access to nobody. So, I would request the hon. Finance Minister that while making this law, it must be drafted in such a manner that there is a reward for the sincere taxpayer and very severe punishment for the tax evader. Similarly, it is not enough to increase the number of levels. For example, we have a tax-assessing officer, tax collector, appellate, tribunal and then some other tribunal at the national level. All these things are basically increasing the steps of corruption only[R20].

It is not simplifying things. So, my humble request is that if we can control corruption in the country, we can reduce expenditure and increase revenue like anything. But a sense of feeling must go into the people of this country, both taxpayers as well as officers concerned, that if they go to the wrong side, it will be punished very severely, without any mercy. But that is not happening. On many occasions, the reverse is happening. So, I wish that in every legislation that is going to be brought, it should be taken care of.

The hon. Minister is an enlightened Minister. He knows the subject in-depth and he can understand the people very well. I would request him to think on these lines and make some remarkable changes in the taxation laws. It is not difficult to collect revenue. The entire revenue that is coming under the Central Sales Tax in the whole country is only Rs.15,000 crore. Even in the States, it is only Rs.80,000 crore. He may say that an amount of Rs.80,000 crore is not small.

For example, he has brought VAT. Earlier, all the States declined to implement VAT but now they observe after a few months that tax revenues in some States have gone up by 28 per cent. That means reforms are bringing a lot of revenue to the States also. So, the people without understanding the implications just say, 'no' to everything. I understand even today some of the BJP ruled States are not implementing the VAT system. My humble request to all those BJP run Governments would be to immediately fall in line and implement the VAT system and increase their revenues also. The Finance Minister has made a provision of Rs.5,000 crore for giving motivation to the State Governments to implement VAT. In case the revenue of States come down due to the implementation of VAT, he was ready to pay the deficient amount. But now it is observed that there may not be any need to pay that at all.

In this context, I would like to mention linking of rivers. When I said that Rs.5 lakh crore or Rs.10 lakh crore is not a big amount for the linking of rivers, some people said that it is a huge amount. But ultimately when they found that it would be a self-financing project which can be implemented very easily, then they said that the only bottleneck is that the State Chief Ministers are not agreeing because it involves inter-State rivers. Like VAT, if a meeting of the Chief Ministers of various States is convened and they are told about the benefits that would accrue to their States also, every Chief Minister will jump and accept the linking of rivers. In this context, I would request the hon. Finance Minister to please consider it. Around 70 per cent of the people are living on agriculture. Now we are implementing Employment Guarantee Scheme for which the Government has provided Rs.24,000 crore. It is for providing employment to one member of a family for 100 days. Instead of that, if the water is provided through linking of rivers to all the villages, they would get the work throughout the year, with the result, there would not be any need for him to provide Rs.24,000 crore.

MR. DEPUTY-SPEAKER: Please come to the sales tax.

SHRI K.S. RAO : I would just request the hon. Finance Minister to take a liberal view in the case of agriculture and irrigation also. Over a period of time, it would prove to be self-financing. It does not require any additional funds either from the Government of India or from the State Governments. It can be borne by the beneficiary himself. The land owner would get unearned income because a land which costs about Rs.1 lakh per acre before the project is implemented would suddenly shoot up to Rs.4 lakh per acre. That means the farmer is also benefited and the farm labour in the villages would also be benefited.

There is an impression that if remunerative prices are given to the agricultural product, there will be inflation and the Finance Minister would be worried about it. But whatever remunerative price is given to the farmer, he does not bother to pay more to the farm labour in the village. So, the farm labour will not be affected, the farmer will not be affected and the rural people will not be affected due to the remunerative prices being paid to the farmer.

So, I would request the hon. Minister to please think of presenting a separate agricultural budget also in this House so that a keen discussion can go for the farming community and the farm labour living in the villages^[r21].

Sir, I have gone through the clauses of the Bill. They are all good and have been meant to make things simpler for the taxpayers. It could, however, be made more simplified. I would like to request the hon. Finance Minister to take all these aspects into account while bringing in laws in this regard. I would also like to request him to take a liberal view in matters of agriculture and irrigation.

MR. DEPUTY-SPEAKER: Shri V.Radhakrishnan, I would request you to be a bit brief.

SHRI VARKALA RADHAKRISHNAN Sir, I shall be brief to the extent possible.

Sir, I rise to support the Bill. The Central Sales Tax Act was passed in 1956. Most of the States then were having their own Sales Tax Acts. In my State, which is mainly a consumer State, the proceeds from the sales tax were quite a good amount and were helping a great deal in earning revenue for the State Exchequer. If I remember correctly, sales tax proceeds accounted for around 40 per cent of the total revenue of the State. It was so because ours is primarily a consumer State.

Certain deficiencies were observed in the 1956 Central Sales Tax Act and those deficiencies in the Act were pointed out by the Supreme Court. The Sales Tax Act of 2001 was introduced in this House in order to evolve a central mechanism to avoid certain difficulties that could arise in future amongst States and that Act was passed in 2001. The main purpose of that legislation was to evolve a central mechanism by which disputes could be settled. Disputes arose between States themselves and even amongst traders. These disputes arose on account of certain operational defects in the 1956 Central Sales Tax Act. The Supreme Court pointed out certain deficiencies. There was no provision for a central mechanism in the 1956 Central Sales Tax Act. The Government of India, however, was pleased to enact an amending legislation in 2001. In that Act even certain deficiencies have been observed. This Act of 2005 has been brought forward in order to clarify certain positions in regard to State authorities and certain rulings. There have been certain difficulties observed in regard to their functioning. So, in order to correct anomalies in regard to the functioning and avoid difficulties, this amending legislation has been brought forward now.

This is a transitory phase in the sense that the States have been asked to switch to the VAT system. Most of the States so far have switched over to the VAT system. The State of Kerala has also implemented the VAT system. I have already mentioned in the outset that owing to switching over to this system of VAT, the States are likely to incur huge losses. The Union Government has, however, agreed to compensate the losses incurred due to this switching over to the VAT system. But in the long run, I am sure, that States like Kerala, which are mainly consumer States, would stand to lose from this. The Central Government, may, as a compulsory measure come to the rescue of the State Governments for the losses incurred for their switching over to the VAT system, but consumer States like Kerala will be at a loss in the long run because of implementation of VAT. There is no doubt about that. A Committee has been formed with the Finance Minister as the head of that Committee. They have taken a decision that the Central Government will compensate any loss to the State Government. But that is for a short period of time. In the long run, consumer States like Kerala will stand to lose. VAT will not be a substitute for sales tax. I am very emphatic about that. VAT will not be a substitute for the Sales Tax Act. A State like Kerala will stand to lose revenue in the coming years because of this[snb22].

We will have [brn23] to think of it at a time when it would arise and it will arise either in 2010 or before that. There is no doubt about that and the consumer State will be the loser.

I would like to draw the attention of the hon. Minister to some facts regarding the check posts. There are check posts in the State boundaries. They are enter of corruption. It is the enter of corruption and tax evasion. All grave economic offences are being committed in these check posts. It is so in many States but nothing has been done about it. Tax evasion is the order of the day. So, if we can make the check posts effective in their functioning, all States will be the gainers. We already have evolved a mechanism for dealing with this. That is all right. But what is the mechanism for preventing such corruption that is taking place everyday in the check posts? If any Finance Minister could stop it, I will give him a gold medal. It will not be possible to stop it. It will continue for ever. No process has been evolved in this regard and no steps have been taken up so far to prevent such corruption which is now prevalent in the check posts.

I would also like to draw the attention of the hon. Minister regarding the matter of preferring appeals. Now, for all appeals, the highest authority is the Central Appellate Authority. All the decisions taken by the State Appellate Authority will go to the highest authority, that is, the Central Appellate Authority. The present position is that the State Appellate Authority will be taking some final decisions. And those decisions are pending. But it is becoming very difficult now because even assessment appeals will go the Central Appellate Authority. That has been done away with this amendment. That is also good. I think, still there will be difficulties especially in different States preferring appeals to the Appellate Authority. There is only one Central Appellate Authority in the whole country. As regards the period in consumer matters, it has been raised from 45 days to 90 days. It is a welcome step. Even then, there will be tax evasion and such other malpractices will continue. These can be effectively checked only if we have an effective machinery. That effective machinery is the need of the hour. I think the hon. Minister will pay attention and have a close study about these matters and do something about this especially at this transition stage of raising revenues in the country.

With these words, I support the Bill.

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15.00 hrs.

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SHRI K.C. PALANISAMY Hon. Deputy Speaker Sir, the House is now discussing Central Sales Tax (Amendment) Bill 2005 and I thank the Chair for giving me an opportunity to participate in this discussion.

The amendments moved by the Government suggest that this Government upholds the spirit of Federalism reflected in our Indian Constitution.

I represent Karur the pioneering handloom industries town. At this juncture, I would like to thank our DMK leader Dr. Kalaignar Karunanidhi who identified me and the electorate of my constituency who elected me to represent Karur in this House.

There is an ancient proverb in Tamil. It says "Earn wealth and in pursuit of it go beyond the oceans". This traditional spirit is there in us the Handloom manufacturing and trading community in Tamil Nadu. We are known for inter-state and international trade relations and I am happy to share my views on this Bill that seeks to facilitate smooth inter-state goods movement and commercial activities.

Sales Tax is levied on goods that are moved from one state to another. They may be transported both as goods for sales distribution and as stock consignment. Tax on them differs accordingly and there is enough scope for misinterpretation and hence disputes. This has led to several court cases leading to losses and delay both to the public exchequer and the private manufacturing and commercial sector.

*English Translation of the speech originally delivered in Tamil.

Sir, the Central Sales Tax Act, 1956 has given rise to several unanswered questions. In 1997, when pronouncing its verdict on a case that came up before it, the Supreme Court suggested that a viable mechanism must be evolved to settle disputes arising out of several gray areas in the Act. By incorporating Chapter VI in 2001 an appellate authority came in. Even then there were certain overlapping interpretations. That is one reason why five amendments are sought to be moved now.

Smooth functioning of Central Sales Tax Appellate Authority is ensured through the amendment of section 19. This will help avoid delay in resolving disputes. It has been provided for through the amendment that the absence of Chairman or a Member need not disrupt the proceedings. I welcome this thoughtful move to overcome snags.

In my opinion, due recognition is now being given to highest appellate authority in the States. This will also help the Central Sales Tax Appellate Authority to function smoothly. This will help a thorough initial screening at the State Level while helping the dealers too. The ambit of Central and State authorities are clearly demarcated. Unnecessary sway from pillar to post, a hardship to the trading community can be obviated. Hence I welcome this Bill.

Several cases have been lost due to non-availability of reasonable period to appeal in time. This has resulted in inter-state distributors losing heavily. Now almost 5 months of time will be available through the amendment. 45 days period time limit is expanded to 90 days. Similarly the condonation period is also enhanced from 15 days to 2 months. This has both advantages and disadvantages. It would be better it is kept open to the trading community to render justice.

The proposed amendments in Section 20 allows the State Governments also to file appeals when they are aggrieved with the rulings of the State level authority. This appears like providing a level playing field. But care must be taken to ensure that this do not prop up legal wrangling due to vengeful attitude of 'some' officials. With a sense of responsibility I urge upon the Central and State Governments to take note of this crucial point.

Section 25 of the Act shall have an amendment that would enable transfer of pending cases back to appellate authorities in States from Central Sales Tax Appellate Authority. This will also provide equal opportunity to both the Governments and the commercial world.

'Be firm and still be gentle' is a desired quality in any form of governance. In that fashion, the proposed amendments seek to avoid losses and hardships faced by both the State Governments and the trading community. Hence I welcome this Bill.

SHRI VIJAYENDRA PAL SINGH Sir, I stand to speak on the Central Sales Tax (Amendment) Bill 2005. Actually, there were some problems regarding the Central, State disputes and the dealer problems. That is only being clarified so that these problems do not arise.

Let me put it across that India is a great country, a very big country geographically. Let me give an example of Europe. Europe has so many small countries. Whenever something was manufactured in one country and transported to another country, then to the next country, everywhere there used to be barriers and taxes. So, the European Union came into the form to sort out all these problems in this economy-driven world today. India is becoming an economic giant as we are witnessing. It is surprising that Europe has been able to sort it out so beautifully so that the consumers really get all the advantages. Whatever is manufactured in France, in Italy it is sold at the same price at which France manufactured or France gets it. In fact, in some countries it so happens that people get it cheaper in the countries which it is exported to than in the manufacturing country[R26]. Surprisingly in India, in a State you manufacture something, then there is duplication of taxes. There is entry tax; there is municipality tax; there is the Central Sales Tax; and there is the State Sales Tax. There are so many taxes but this Bill actually is not that. It is only to sort out the disputes between the State Sales Tax, the appellate authority there, the dealer and the consignment changes. I remember, I wanted to buy a jeep. I found out that at one time it was the cheapest in Goa. So, I went all the way to Goa to bring it. I saved a few thousand rupees. Now, that was happening and I am sure the Minister understands this very well. He is trying to sort it out. Once the VAT comes into existence, I think all this will be sorted out in a big way. It is more political. I, from the BJP, also feel that with the small problems, that have to be sorted out, what is the State really going to get out of it? The State should not have a deficit because of this. The State should not lose out on this and if all this is sorted out the person who is really going to benefit is the consumer and that is what is required, what is necessary.

15.16 hrs. (Dr. Laxminarayan Pandey *in the Chair*)

Let me also say here that there are some problems also of the commissioning agents and the entry tax. Sometimes a commissioning agent does not hold the stock. What is he really doing? He is just booking from one State to another. He should just charge the commission. But what is happening is the stock is being transferred, the Sales Tax is being levied, the Sales Tax of the State is being levied and that has a lot of hindrances on the business and on the manufacturing. Let me talk about the textile industry. You have yarn which is manufactured in one State. It goes to another State and you make the cloth. You get the value addition and the loser is the consumer because what I feel is that the commission agent should only be charged the commission and not the entry tax, the Sales Tax. That must also be sorted out otherwise I welcome the Bill.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I am grateful to the hon. Members for broadly supporting the Bill. As Member after Member has said, this Bill is intended to resolve some issues which arose in the administration of the Act. The Bill was amended and in particular, Section 19 and Section 20 were amended by the Acts of 2001 and then again by the amending Acts of

2003 and 2004. But I am afraid because of oversight or inadequate homework some aspects were missed. Therefore, this gave rise to a serious problem of how to deal with appeals. As the provision stands today, an appeal will lie against the order of the assessing authority. There are thousands of assessing authorities in various States. What was intended was that the appeal should be against the order of the final authority in that State. [\[a27\]](#)

That is what is being sought to be taken care of. As Members have said, we do not wish to set up another tribunal. We have the Advance Rulings Authority for Income Tax. We are setting up the same authority as a tribunal so that we save money, lot of infrastructure and administrative expenses. Eventually, I think, the Central Sales Tax will be phased out. The Finance Ministers of the Empowered Committee are discussing the matter. We hope to phase out the Central Sales Tax in two years or so. The discussions have begun. If there is consensus, the Central Sales Tax will be phased out eventually. But pending that, we need an appellate tribunal at the national level to hear the appeals against the highest appellate authority in the State and that is what this amending Bill is intending to do. I appeal to hon. Members to pass this Bill.

MR. CHAIRMAN : I shall now put the motion for consideration of the Bill to the vote of the House.

The question is:

"That the Bill further to amend the Central Sales Tax Act, 1956, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN: The House will now take up clause-by-clause consideration of the Bill.

The question is:

"That clauses 2 to 8 stand part of the Bill."

The motion was adopted.

Clauses 2 to 8 were added to the Bill.

Clause 1, the Enacting Formula and the long title were added to the Bill.

MR. CHAIRMAN: The Minister may now move that the Bill be passed.

SHRI P. CHIDAMBARAM: Sir, I beg to move:

"That the Bill be passed."

MR. CHAIRMAN: The question is:

"That the Bill be passed.

The motion was adopted.
