

# **PUBLIC ACCOUNTS COMMITTEE** **(1973-74)**

**(FIFTH LOK SABHA)**

## **HUNDREDTH REPORT**

**[Action Taken by Government on the recommendations of the Public Accounts Committee contained in their 74th Report (Fifth Lok Sabha) on Chapter VI of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government(Civil)—Revenue Receipts—Sales-tax Receipts of the Union Territory of Delhi]**



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**PUBLIC ACCOUNTS COMMITTEE (1973-74)**

**CHAIRMAN**

**Shri Jyotirmoy Bosu**

**MEMBERS**

2. Shri Virendra Agarwala
3. Shri S. C. Besra
4. Shri M. Deiveekan
5. Shri C. D. Gautam
- \*6. Shri Pampan Godwa
7. Shri Y. S. Mahajan
8. Shri Bibhuti Mishra
9. Shri H. N. Mukerjee
10. Shri Paripoornanand Painuli
11. Shri Narain Chand Parashar
12. Shri H. M. Patel
13. Shri P. Antony Reddi
14. Shri Biswanarayan Shastri
15. Shri Sunder Lal
16. Shri M. Anandam
17. Shri Golap Barbora
18. Shri Bipinpal Das
19. Shri Nawal Kishore
20. Shri P. S. Patil
21. Shri Sasankasekhar Sanyal
22. Shri Sawaisingh Sisodia.

**SECRETARIAT**

**Shri M. S. Sundaresan—Deputy Secretary.**

**Shri T. R. Krishnamachari—Under Secretary.**

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\*Elected on 29-11-73 *Vice* Shri D. S. Afzalpurkar died.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundredth Report on Action Taken by Government on the recommendations of the Committee contained in their 74th Report (Fifth Lok Sabha) on Chapter VI of the Report of the Comptroller and Auditor General of India for the Year 1970-71—Union Government (Civil)—Revenue Receipts—Relating to Sales Tax Receipts of the Union Territory of Delhi.

2. On the 26th May, 1973, an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members:

- |   |   |                 |
|---|---|-----------------|
| 1. Shri H. N. Mukerjee— <i>Convener</i> | } | <i>Members.</i> |
| 2. Shri Sunder Lal                      |   |                 |
| 3. Shri Biswanarayan Shastri            |   |                 |
| 4. Shri M. Anandam                      |   |                 |
| 5. Shri Nawal Kishore                   |   |                 |
| 6. Shri H. M. Patel                     |   |                 |

3. The Action Taken Sub Committee of the Public Accounts Committee (1973-74) considered and adopted this Report at their sitting held on the 8th January 1974. The Report was finally adopted by the Public Accounts Committee on the 31st January, 1974.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main recommendations/observations of the Committee is appended to the Report.

(vi)

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

NEW DELHI:  
4th February, 1974  

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Magha 15th, 1895 (S).

JYOTIRMOY BOSU,  
/ . . . . .  
Chairman,  
Public Accounts Committee.

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with the action taken by Government on the recommendations contained in their 74th Report (Fifth Lok Sabha) on Chapter VI of the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Civil)—Revenue Receipts—Sales Tax Receipts of the Union Territory of Delhi, which was presented to the Lok Sabha on the 8th March, 1973.

1.2. Action Taken Notes have been received on 11th October, 1973 in respect of all the 24 recommendations contained in the said Report.

1.3. Action Taken Notes/statements on the recommendations of the Committee contained in the Report have been categorised under the following heads:—

(1) *Recommendations|Observations that have been accepted by Government.*

S. Nos. 1, 4, 8, 11, 14—19, 20, 22—24.

(ii) *Recommendations|Observations which the Committee do not desire to pursue in view of the replies of Government.*

S. No. 9.

(iii) *Recommendations|Observations replies to which have not been accepted by the Committee and which require reiteration.*

S. Nos. 3, 5, 6, 7 and 21.

(iv) *Recommendations|Observations in respect of which Government have furnished interim replies.*

S. Nos. 2, 10, 12-13.

1.4. The Committee hope that final replies in regard to these recommendations to which only interim replies have so far been furnished, will be submitted to them expeditiously after getting them vetted by Audit.



1.5. The Committee will now deal with the action taken by Government on some of the recommendations.

*Machinery to forecast business trends and to assess in advance the likely impact of taxation proposals on trade and industry. (Paragraph 1.12—S. No. 2).*

1.6. Commenting on the variation between the Budget Estimates and the actuals of the Sales Tax Receipts of the Union Territory of Delhi, the Committee observed in paragraph 1.12 of the Report as under:—

“The Committee note that there has been no machinery so far with the Delhi Administration to forecast business trends and to assess in advance the likely impact of taxation proposals on trade and industry. This is a serious deficiency which should be rectified without delay so that there may be a reasonably accurate forecast of tax receipts in future.”

1.7. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated as follows:—

“A proposal for setting up a Research and Statistical Cell has been received from Delhi Administration and is under active consideration. After this Cell has been set up, the Administration would be in a better position to gauge correctly sales tax receipts and likely impact of taxation proposals on Trade and Industry in a scientific manner and the lacuna pointed out by the Committee would be overcome.”

1.8. The Committee note that a proposal for setting up a Research and Statistical Cell has been received from the Delhi Administration and that it is under active consideration. In this connection the Committee recall that a proposal of the Commissioners of Sales Tax to create a ‘Statistical Cell’ had been accepted in principle in 1972 by the Delhi Administration and that necessary provision of funds in the Budget Estimates for 1973-74 had also been asked for by the latter vide paragraph 1.5 of the 74th Report. A decision in the matter has thus been considerably delayed with no apparent justification. The Committee would urge Government to come to an early decision and intimate accordingly to them.

*Sales Tax Receipts of the Union Territory of Delhi (Paragraph 1.13—Serial No. 3).*

1.9. Referring to the scope for augmenting Sales-tax receipts of

the Union Territory of Delhi for the year 1970-71 the Committee, in paragraph 1.13 of the Report, observed as under:

“The sales tax receipts during 1970-71 were Rs. 25.57 crores which included Rs. 17.68 crores under the Local Sales Tax Act. The Committee feel that there is scope for augmenting the receipts particularly under the local Sales Tax Act. The total number of current assessments for disposal under the local Act during 1970-71 was 37,393 only. Although as many as 26,199 dealers are stated to have sought voluntary registration during the years 1968-69 to 1970-71, the increase in the number of cases of current assessments for disposal was only to the extent of 5,981 over the years 1967-68 to 1970-71. The Committee would like to know why the increase in the number of assessments was not proportionate to the increase in the number of registered dealers. The Committee would also like to know how far the net increase in the number of sales tax assessees since 1967-68 was consistent with the growth of shops and markets in the Union Territory.”

1.10. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:

“The Committee has observed that as against 26,199 dealers, who sought registration during the year 1968-69 to 1970-71, the increase in the number of cases of current assessment for disposal was only to the extent of 5,981 over the years 1967-68 to 1970-71. In this connection, it may be stated here that as against 26,199 applications received for registration during the financial years 1968-69 to 1970-71, the total number of registration applications disposed of during the said years numbered 26,613 i.e. 9,223 in 1968-69, 8730 in 1969-70 and 8660 in 1970-71. Out of the said applications disposed of, new registrations granted numbered 12,986 and the rest 13,627 applications were rejected. As against the said new registration, increase in cases of current assessments for disposal during the year 1967-68 to 1970-71 was 13,421. Keeping in view the fact that increase in number of assessments due for disposal would also include remanded cases for fresh assessment orders, it is felt that the growth of new dealers is quite in consonance with the growth of new cases becoming due for disposal and there is no inconsistency in this regard.

The Committee have further desired to know whether the increase in the number of sales tax assessees since 1967-68

was consistent with the growth of shops and markets in the Union Territory. While it is true that there has been enormous growth of dealers with the development of new colonies in Delhi, yet the growth is not uniform in new colonies *vis-a-vis* old colonies. Repeated surveys have shown that so far as old Delhi is concerned, the opening of new business premises has almost reached a saturation point and there is hardly any scope for new growth. So far as new colonies are concerned, the position is that the new dealers are mostly retailers for whom the prescribed taxable quantum is Rs. 30,000/- in a year. They neither import goods nor manufacture any goods nor they affect any sales in the course of inter-State trade and commerce. Such dealers also take a year to establish themselves in business and to cross the limit of Rs. 30,000/-. Thereafter the law provides for a further period of two months before they become compulsorily liable under Section 7 read with Section 4(2) of the Act. Therefore, the seemingly large growth of dealers in the new colonies is not a cause for apprehension that they are not paying tax. Moreover, in Delhi the system of tax being single point these new dealers make purchases after paying tax and therefore there is no question of leakage of revenue. All the same, steps are being taken to streamline the survey programme in light of committee's recommendations contained in para 1.14 in such a way that entire area covered by a ward is exhaustively combed once in a year so as to ensure that no unregistered dealer, who is otherwise liable for registration, escapes notice."

**1.11. The Committee are not satisfied with the explanation given by the Ministry in an attempt to justify the existing position. With the increase in the business activity in Delhi which even a layman cannot fail to appreciate, the Committee are convinced that there is ample scope to augment the sales tax receipts particularly under the Local Sales Tax Act. They accordingly desire that the Department should gear up their machinery and improve their procedures of assessment to give a better account of themselves.**

*Machinery to study evasion of Sales Tax—(Paragraph 1.15—Serial No. 5).*

**1.12. Referring to the absence of any study of sales tax evasion in**

the Union Territory of Delhi, the Committee in paragraph 1.15 of the Report observed as follows:—

“It is regrettable that there has been no systematic or scientific study of the sales-tax evasion in the Union Territory so far. The Committee desire that such a study should be undertaken without delay. The result of the study as also the action taken in pursuance thereof to collect Government dues may be intimated to the Committee.”

1.13. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:

“The Committee has observed that there has been no systematic or scientific study of the sales tax evasion in the Union Territory so far. It has, therefore, been desired that such a study should be undertaken without delay.

In this connection it may be stated that a meeting has already been held to discuss ways and means for implementing the Committee's recommendations. A Committee has been set up with Vigilance Officers as its Convener to go into the matter and suggest various measures to be adopted to curb evasion of sales tax. Recommendations of the Committee are awaited. Appropriate measures will be taken to implement recommendations of the Committee. Additional staff required for implementation of Committee's recommendations will be intimated to the Administration in due course. The Committee would be apprised of the action taken in this regard shortly.”

1.14. The Committee find that steps have been taken to devise measures to curb evasion of sales tax in the Union Territory of Delhi. They would like to know the measures proposed to be adopted. In this connection they would recall that they had been informed a year ago that the Delhi Administration was contemplating to set up a Research and Statistical Cell whose functions would also include the study and framing of the estimate of tax evasion, vide paragraph 1.7 of the 74th Report. They desire that there should be a continuous study of the problem of evasion in a systematic and scientific manner.

*Need for an assessment of approximate amount of tax involved in cases of arrears of assessments. (Paragraph 2.12—Serial No. 6).*

1.15. Commenting on the number of cases of arrears of assessments

pending with the Sales-tax Department, the Committee, in paragraph 2.12 of the Report, observed as follows:—

“The number of cases of arrears of assessments pending with the Sales Tax Department was as high as 74,350 as on 31st March, 1971. The Committee are unable to appreciate the position that the amount of tax involved in these cases is not ascertainable. They desire that the approximate amount of net tax involved should be assessed with reference to the relevant past completed assessments and reported to them. Such an assessment should be available in future also.”

1.16. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:—

“The suggestion of the Committee requiring the Department to ascertain the likely impact of tax involved in cases pending for assessment is impracticable for the simple reason that the work involved would be much more than the actual completion of assessments and even then it will be wild guess only without any possible advantage to the revenue.”

1.17. **The Committee are unable to share the view of the Ministry in regard to the possibility and utility of assessing the approximate amount of tax involved in the cases of arrears of assessments. They have found that in the cases of wealth-tax, gift-tax and estate duty the details of pending assessments including the approximate amount of tax involved are made available to Audit and incorporated in the Reports of the Comptroller & Auditor General of India. They would, therefore, reiterate that on the sales tax side also an attempt should be made to bring out the approximate amount of tax involved in such cases which, besides giving a better idea of the pendency, would help the Department in giving priority to completing assessments of big cases.**

*Unimpressive performance of assessing officers. (Paragraph 2.13—Serial No. 7).*

1.18. Referring to the unimpressive performance of the assessing officers in the year 1970-71, the Committee, in paragraph 2.13 of the Report, observed as follows:—

“The Committee regret to observe that although there has been an increase of 30 per cent in the number of assessing offi-

cers, the number of completed assessments during the year 1970-71 shows only an increase of 10 per cent over that of the earlier years. They would like Government to examine the reasons for the unimpressive performance of the assessing officers and take suitable remedial action. Suitable yardstick may also be prescribed in order to evaluate objectively the performance of the assessing officers."

1.19. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated as follows:

"It is conceded that there was growth of nearly 30 per cent in the strength of assessing officers in 1969 as compared to 1968 as a result of creation of new wards in December, 1968. The number of assessment cases completed during the years 1968-69 to 1971-72 were as under:—

1968-69		56958
1969-70		57457
1970-71	..	63207
1971-72	..	66438

From the above particulars, it will appear that number of assessment cases disposed of during the year 1970-71 was more by 6249 as compared to the disposal in 1968-69 which works out to nearly 10.97 per cent. Similarly disposal in 1971-72 was more by 9480 as compared to the disposal in 1968-69 which works out to nearly 16.64 per cent.

In this connection it is also stated that in addition to assessment of registered dealers, as mentioned above, the assessing authorities are also required to attend to assessment of unregistered dealers, disposal of applications filed by the dealers for registration, amendments, cancellation, rectification/penalty orders and refund applications etc. Taking into account the quantum of said work done, the total assessment units completed during the financial years 1968-69 to 1971-72 were as follows:—

1968-68	..	74329
1969-70		76082
1970-71		83756
1971-72	..	97509

Thus there was an increase of 9427 and 23180 cases in disposal during the financial years 1970-71 and 1971-72 respectively over the assessment work done in the financial year 1968-69. This increase works out to 12.68 per cent and 17.37 per cent respectively.

However, the department intends taking following further steps to improve upon the efficiency of the authorities both in regard to quality and quantity:—

- (i) Normally the minimum period for an assessing authority for working in the Sales Tax Department should be fixed at three years so that the assessment work is not hampered by frequent transfers from one department to another as new incumbents take time to pick up the work and attain proper standard and efficiency.
- (ii) Refresher course and training programmes are proposed to be started so that assessing authorities are kept fully equipped with the knowledge of Sales Tax law and procedure as well as to keep them abreast with the latest judicial pronouncements. Sanction in this behalf has been conveyed to the Sales Tax Department. In the meantime, it has been decided to start imparting training to the officers by local arrangements and further action to implement the said decision is being taken."

1.20. The Committee regret to note that the exact reasons for the poor performance of the assessing officers have not been indicated. These should be investigated, if not already done, so as to consider whether steps proposed to be taken to improve the performance are adequate. The results of the investigation may be reported to the Committee.

1.21. The Committee wish to reiterate that suitable yardstick should be prescribed early in order to evaluate objectively the performance of the assessing officers as it does not appear to have been prescribed so far.

*Accumulation of arrears of sales-tax assessments. (Paragraph 2.14—Serial No. 8).*

1.22. Commenting on the accumulation of arrears of sales-tax assessments to the extent of more than one year's workload, the Committee, in paragraph 2.14 of the Report, observed as follows:—

"The arrears at the end of 1968-69 were 65,271 cases. The num-

ber of assessments completed during the subsequent years 1969-70 and 1970-71 was 57,457 and 63,207 respectively against 62,695 and 67,048 current assessments to be completed. Thus the arrears kept on increasing. At this rate the prospects of clearing the arrears in the near future appear to be bleak. As the Department has been carrying over, arrears to the extent of more than the year's workload, the Committee would urge Government to give serious thought to this problem and take suitable measures to ensure that the arrears are cleared by a target date to be fixed."

1.23. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:—

"The observations of the Committee have been noted and the matter is being taken up with the Administration to augment the strength of the assessing authorities without which it is not considered possible to reduce the pending assessment cases to one year's work-load. Formal proposals in this behalf would be sent to the Administration very shortly."

1.24. It is indeed disappointing to note that no progress has been made in regard to implementing the recommendations of the Committee for tackling the arrears of assessments and that the Committee have been merely told that the Department would send the proposals to the Delhi Administration to augment the staff. The Committee cannot appreciate such a complacent attitude. They expect that the steps should be taken without any further delay to progressively reduce the arrears under a targeted programme.

*Arrears of Sales Tax Demands (Paragraph 3.17—Serial No. 10).*

1.25. Referring to the arrears of Sales Tax Demands as on 31st March, 1970, the Committee, in paragraph 3.17 of the Report, observed as follows:—

"Despite the fact that there was no substantial increase in the number of assessments during the year 1969-70, the arrears of Sales Tax Demands rose from Rs. 336.28 lakhs as on 31st March, 1969 to Rs. 482.41 lakhs as on 31st March, 1970. This spurt in arrears has been explained as due to larger additional demands created during the months from November to March in the year 1969-70. The Committee would like to know whether there was any avoid-



able rush of assessments towards the end of the year. Incidentally, it is seen that the heaviest ever demand created against any individual dealer was for Rs. 53.17 lakhs created during the year 1969-70 and that it has since been remanded by the appellate authority for fresh assessment. If the demand is considerably reduced on fresh assessment in this case, a general review may be called for to determine how far the assessing authorities tended to overpitch the demands or otherwise commit mistakes in assessments due to rush of work at the end of the year."

1.26. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:

"It is submitted that increase in arrears does not along depend upon the number of assessment completed during the year. It is just possible that substantial demand is created even in one case alone as has been observed by the Committee themselves in this para. As regards observations of the Committee regarding avoidable rush of the assessments towards the end of the financial year it is submitted that it becomes unavoidable because the dealers when called upon to appear in earlier parts of the year generally seek adjournments mostly for the reasons that various declarations required in support of exemptions and concessions claimed under various provisions of Bengal Finance (Sales Tax) Act, 1941 as well as Central Sales Tax Act, 1956 have not been obtained by them from all the dealers concerned. Assessing Authorities also avoid passing *ex parte* orders, as far as possible, with a view to give full and fair opportunity to the dealers, to support their claims in support of exemptions|concessions with all legal documents prescribed under the law. This necessitates more attention on the part of the assessing authorities to expedite disposal towards the close of the financial year so as to avoid chances of cases becoming time-barred on one hand and to liquidate maximum number of assessment cases pending in their respective wards on the other.

The Committee have further desired to know the results of fresh assessment orders to be passed in the case where highest demand of Rs. 53.17 lakhs was originally created and later remanded. As the fresh assessment has not still been completed, the result thereof shall be communicated as soon as the assessment is completed."

1.27. Apart from bringing out certain general reasons leading to rush of assessments during the end of the year, Government do not appear to have critically examined the assessments made during the year 1969-70 with a view to finding out whether there was avoidable rush towards the end of that year, as suggested by the Committee. This was necessary as the spurt in arrears as on 31st March, 1970 was explained as due to larger additional demands created during the months from November, 1969 to March, 1970. The Committee, therefore, wish to reiterate that a study of the assessments made in 1969-70 and in subsequent years should be undertaken so as to take steps to curb the tendency, if any, for such of assessments at the end of the year.

1.28. The Committee note that the fresh assessment in the case where highest demand of Rs. 53.17 lakhs was originally created and later remanded, has not still been completed. The final outcome as also the action taken on the basis thereof as already suggested by the Committee may be reported to them.

*Frauds and Evasions (Paragraph 4:8—S. No. 19).*

1.29. Commenting on the policy of invoking the provisions of penalty for the offences committed by the dealers rather than initiating prosecution proceedings, the Committee, in paragraph 4.8 of the Report, observed as under:

“Although in 652 cases, assessments were completed during the year 1970-71, prosecution was not launched for non-registration in even in a single case. The Committee feel that the policy of invoking the provisions of penalty for the offences committed by the dealers rather than initiating prosecution proceedings, pursued by the Department so far, suffers from lack of sufficient deterrent effect on the offenders as well as those who are likeminded. They suggest that in glaring cases prosecution should be launched which will create a psychological impact that would be conducive to the interests of revenue.”

1.30. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:

“The observations of the Committee have been noted. It is proposed to launch prosecution in a few cases during the current financial year. Progress would be communicated in due course.”

1.31. Although the Committee had suggested that in glaring cases prosecutions should be launched, the Ministry have remained content with noting the suggestion and intimating that it is proposed to launch prosecution in a few cases during the current financial year. The Committee would have appreciated if action had already been taken in glaring cases. They desire that no time should be lost in processing such cases for launching prosecution.

*Searches and seizures (Paragraph 5.6—Serial No. 21).*

1.32. Noting that 423 cases of searches and seizures were pending finalisation as at the close of the year 1970-71, the Committee, in paragraph 5.6 of the Report, observed as follows:

“As against 381 cases of searches and seizures of books of dealers in which assessments were pending at the close of the year 1969-70, 423 cases were pending at the close of the year 1970-71. The Committee desire that the factors that impeded the expeditious disposal of these cases should be identified and the procedures streamlined early.”

1.33. In their reply dated the 11th October, 1973, the Ministry of Home Affairs have stated:

“The Committee in their observations have desired that suitable steps should be taken to identify the factors that impeded the expeditious disposal of cases of frauds and evasions and searches and seizures so that the pendency in this behalf could be liquidated as expeditiously as possible and arrears in this behalf are not allowed to accumulate in future.

The ward officers have been impressed upon to take suitable action to finalise all cases pending on 31st March, 1973 by 31st October, 1973, as far as practicable, except such cases which may have to be kept pending beyond that date with prior approval of the Admn. Asstt. Commissioner, keeping in view the special circumstances, thereof. The Committee shall be apprised of the results achieved in this regard in due course.”

1.34. From the reply furnished by Government, the Committee notice that Government have not gone into the reasons for the delay in finalisation of cases of searches and seizures with a view to streamlining the procedures. The Committee would like to stress that immediate steps should be taken in this regard and the results be reported to them within three months.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

The variation between the Budget Estimates and the Actuals in regard to the sales tax receipts of the Union Territory of Delhi ranged from 4.8 per cent to 9.2 per cent during the years 1967-68 to 1970-71. The variation was the least during the year 1970-71 as a result of streamlining of departmental machinery of collection. The Committee are glad to note this welcome trend. They, however, desire that the gap should be further narrowed down and steps should be taken to see that variations in excess of 4 per cent do not occur in future.

[S. No. 1—Appendix II Para No. of Report 1.11 of P.A.C.'s  
74th Report (5th Lok Sabha)]

#### Action taken

The observations of the Committee have been noted and all efforts will be made to narrow down the variations between budget estimates and the actuals to the maximum extent practicable.

#### Recommendation

It is common knowledge that there are a large number of small traders at Delhi and those who come from neighbouring States and conduct business transactions assessable to local Sales tax at Delhi who do not maintain proper books of accounts and escape liability to Sales Tax although their gross turnover may exceed the taxable quantum. It is, therefore, necessary that there should be an effective shop to shop survey and surprise checks to ensure that no unregistered dealer who is liable to registration, escapes notice. The Committee note that during the current year comprehensive instructions have been issued to the ward officer for thorough survey of their areas. The outcome of the survey may be reported to the Committee.

[S. No. 4—Appendix II Para No. of Report 1.14 of P.A.C.'s  
74th Report (5th Lok Sabha)]

### **Action taken**

As stated in reply to para 1.13, suitable steps have been taken to ensure that all the assessing authorities chalk out a comprehensive programme locality-wise so as to ensure that entire area falling under the jurisdiction of a ward is combed once in a year. This would ensure that no unregistered dealer, who is otherwise liable for registration, escapes notice as desired by the Committee. Results achieved in this regard would be intimated to the Committee in due course.

It is further stated that as a result of surveys conducted during the financial year 1972-73, 764 dealers were detected conducting business in contravention of the provision contained in Bengal Finance Sales Tax Act, 1941. Appropriate legal proceedings Under Section 11(2) of the Bengal Finance Sales Tax, 1941 against these dealers are in progress.

### **Recommendation**

The arrears at the end of 1968-69 were 65,271 cases. The number of assessments completed during the subsequent year 1969-70 and 1970-71 was 57,457 and 63,207 respectively against 62,695 and 67,048 current assessments to be completed. Thus the arrears kept on increasing. At this rate the prospects of clearing the arrears in the near future appear to be bleak. As the Department has been carrying over arrears to the extent of more than one year's work-load, the Committee would urge Government to give serious thought to this problem and take suitable measures to ensure that the arrears are cleared by a target date to be fixed.

[S. No. 8 Appendix II, Para No. 2.14 of Report of PAC's  
74th Report (5th Lok Sabha)]

### **Action taken**

The observations of the Committee have been noted and the matter is being taken up with the Administration to augment the strength of the assessing authorities without which it is not considered possible to reduce the pending assessment cases to one year's work-load. Formal proposals in this behalf would be sent to the Administration very shortly.

### **Recommendation**

In their 46th Report (1965-66) the Committee noted that the Ministry of Home Affairs were taking remedial measures to prevent

accumulation of arrears on Sales Tax. Ironically enough the arrears of tax demands have risen steeply from Rs. 236.98 lakhs as on 31st March, 1966 to Rs. 564.17 lakhs as on 31st March, 1971. The number of cases where tax involved was Rs. 50,000 or more was 110 and the amount involved was Rs. 256.74 lakhs. Thus the remedial measures, if any, taken have not been effective enough. The Committee would stress that the recoverable arrears should be cleared within the target date to be fixed giving priority to cases involving Rs. 50,000 and more. The steps proposed to be taken in this regard may be reported to them.

[S. No. 11—Appendix II Para No. 3.18 of Report of P.A.C.'s  
74th Report (5th Lok Sabha)]

### **Action taken**

In order to liquidate the arrears following steps have been taken:

- (i) All the assessing authorities have been directed by the Commissioner in a meeting that they should issue recovery certificates as soon as demand has become due for recovery as arrears of land revenue so that the Collector could arrange necessary recovery drives simultaneously. They have further been directed that they should not postpone the issue of recovery certificates to the Collector till the fag end of the financial year. Suitable circular instructions have been issued to this effect.
- (ii) The Collector has finalised a programme to launch three intensive recovery drives first in July/August, 1973, second in Sept.,/Oct., 1973 and third in January/February, 1974 in collaboration with the ward officers/officials so that maximum possible arrears could be liquidated by the end of the current financial year. Suitable circular instructions have been issued to all the ward officers for compliance.

In addition to above steps, effective measures to deal with each individual case wherein arrears exceed Rs. 50,000/-, are also being considered and the Committee should be apprised of the steps taken at an early date.

### **Recommendation**

The Pendency of recovery certificates has been brought down from 6152 cases involving Rs. 183.65 lakhs as on 31st March, 1970 to 5082 cases involving Rs. 169.07 lakhs as on 31st March, 1971. The Committee note that further streamlining of Recovery Branch was

under consideration and that with the streamlining the pendency was expected to be substantially reduced. They would like to know the action taken in the matter and would watch the improvement through future Audit Reports.

[S. No. 14—Appendix II Para No. of Report 3.21 of P.A.C.'s  
74th Report (5th Lok Sabha)]

### **Action taken**

The work of the recovery branch has been further streamlined to achieve the desired objective. Super checks by the Collector have been devised and the whole machinery has been geared up in such a way that 10 per cent of the cases where dealers are not traceable are super-checked by the Asstt. Collectors personally so as to verify the correctness of the reports submitted by the field staff. The pendency of recovery certificates has been reduced from 5082 involving total amount of Rs. 1,69,06,089.00 as on 31-3-71 to 2165 as on 31-3-73 involving total amount of Rs. 64,22,284.00. Strenuous efforts will continue to be made to bring down the recoverable arrears to the minimum and check further accumulation of the recoverable arrears in the Collectorate.

### **Recommendation**

During the year 1970-71, 9006 certificate cases involving a sum of Rs. 209.15 lakhs were returned after recovery or otherwise. The Department is not in a position to let the Committee know the number of cases wherein the certificates were returned without effecting recoveries as also the reasons therefor. The Committee would suggest a review of such cases to see how far the non-recovery was due to inadequate particulars furnished by the ward officers to the Collector and to take suitable remedial measures. They hope that from 1972-73 onwards, the break-up of the certificate cases returned to the Department would be made available to Audit for incorporation in the Audit Reports. They would further reiterate that each case of non-recovery due to want of sufficient particulars should be thoroughly scrutinised on return with a view to taking effective action to make good the deficiency and recover Government dues.

[S. No. 15—Appendix II Para No. of Report 3.22 of P.A.C.'s  
74th Report (5th Lok Sabha)]

**Action taken**

As already stated, it is not possible to furnish details of cases returned after recovery or otherwise at this belated stage, as also the reasons for which recovery certificates were returned without effecting recovery. On the basis of experience, however, it can be said that the No. of cases in which recovery certificates were returned due to inadequate particulars furnished by the ward officers was of the order of 10 to 15 per cent of the total pendency. Suitable instructions have already been issued to ward officers to ensure that the cases returned by the Collector are thoroughly scrutinized by them on return with a view to taking effective action to make good the deficiency and recover Government dues.

It is, however, stated that the proforma showing the details of disposal of recovery certificates has since been amended (copy enclosed) and requisite details relating to disposal of said certificates by the Recovery Branch by cash recovery or otherwise shall be available, as and when called for, in future.



ANNEXURE B

Statement showing progress of disposal of recovery certificate for the month of—197

No. of recovery certificates pending with the recovery Br. as on	Amount involved	No. of R.C. received during the month	Amount involved	Total No. of R.C. for disposal	Total amount involved	No. of R.C. disposed of during the month under report where dates have been re-covered.	Amount involved.
No. of R.C. returned to the wards during the month under report.	Amount	Progressive disposal of R.C. upto the end of the month.	Total amount realised upto the end of the month.	Balance R.C. pending as on	Amount involved.		

### **Recommendation**

Yet another deficiency in the maintenance of records by the Department is the lack of information regarding the cancellation of registration certificate under Section 7(7) and obtaining security deposit under Section 8(A) of the Bengal Finance (Sales Tax) Act, 1941 as extended to the Union Territory of Delhi. The Committee hope that this deficiency also will be remedied.

[S. No. 16—Appendix II Para No. of Report 3.23 of P.A.C.'s  
74th Report (5th Lok Sabha)]

### **Action taken**

The proforma containing particulars of registration certificates cancelled had been suitably revised so that distinct information regarding No. of registration certificates cancelled u/s 7(7) of the Bengal Finance (Sales Tax) Act, 1941 are readily available in future. The revised proforma has been circulated to the ward officers for needful. The proforma in which the particulars relating to security/surety obtained from the dealers under section 8(A) of the Bengal Finance (Sales Tax) Act, 1941 are now maintained by the department is being suitably revised to meet the deficiency pointed out by the Committee.

### **Recommendation**

Sections 11(2) and 11(A) of the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union Territory of Delhi are designed to check evasion of tax and concealment of turnover liable to tax. It is strange that the Department is not aware of the total turnover assessed under these Sections and the demands raised from year to year. The Committee have in various Chapters of this Report dealt with the deficiencies in the maintenance of records. They hope that suitable steps will be taken without delay to improve the maintenance of records so as to bring out all the information necessary to evaluate the performance of the Department.

[S. No. 17—Appendix II Para No. of Report 4.6 of P.A.C.'s  
74th Report (5th Lok Sabha)]

### **Action taken**

The observations of the Committee have been noted. Suitable instructions have been issued in this behalf to all the ward officers to prepare a summary in the Demand & Collection Register at the end of each month indicating separately (a) totals of turnover assessed in case falling u/s 11(2) of the Bengal Finance (Sales Tax Act,

1941 and the demands raised thereon and (b) totals of turnover enhanced and the consequential demand raised in cases disposed of u/s 11(A) of the said Act. Thus the information desired by the P.A.C. in regard to concealed turnover and the tax effect thereon would be readily available in future and the deficiencies in maintenance of records pointed out in this behalf would be remedied.

### **Recommendation**

The Committee find that as on 31st March, 1971, assessments in as many as 1744 cases detected under Sections 11(2) and 11(A) were pending. These cases should be disposed of early in the interest of revenue and arrears should not be allowed to accumulate in future.

[S. No. 18—Appendix II 'Para No. of Report 4.7 of P.A.C.'s 74th Report (5th Lok Sabha)]

### **Action Taken**

The Committee in their observations have desired that suitable steps should be taken to identify the factors that impeded the expeditious disposal of cases of Frauds and Evasions and Searches and Seizures so that the pendency in this behalf could be liquidated as expeditiously as possible, and arrears in this behalf are not allowed to accumulate in future.

The ward officers have been impressed upon to take suitable action to finalise all cases pending on 31-3-1973 by 31st October, 73, as far as practicable, except such cases which may have to be kept pending beyond that date with prior approval of the Administration. Assistant Commissioner, keeping in view the special circumstances, thereof. The Committee shall be apprised of the results achieved in this regard in due course.

### **Recommendation**

Although in 652 cases assessments were completed during the year 1970-71, prosecution was not launched for non-registration even in a single case. The Committee feel that the policy of invoking the provisions of penalty for the offences committed by the dealers rather than initiating prosecution proceedings, pursued by the Department so far, suffer from lack of sufficient deterrent effect on the offenders as well as those who are likeminded. They suggest that in glaring cases prosecutions should be launched which will create a psychological impact that would be conducive to the interests of revenue.

[S. No. 19—Appendix II 'Para No. of Report 4.8 of P.A.C.'s 74th Report (5th Lok Sabha)]

### **Action Taken**

The observations of the Committee have been noted. It is proposed to launch prosecution in a few cases during the current financial year. Progress would be communicated in due course.

### **Recommendation**

The Committee learn that the Sales Tax Department has, after studying the Sales Tax Acts of other States and the Income-tax Act, 1961, prepared a new comprehensive Sales Tax Bill solely with a view to bringing the tax evaders to book and to ensure that revenue due accrues to the Exchequer. The Committee hope that this Bill which is stated to have been passed already by the Metropolitan Council Delhi, will be introduced in Parliament early.

[S. No. 20—Appendix II 'Para No. of Report 4.9 of P.A.C.'s 74th Report (5th Lok Sabha)]

### **Action Taken**

The Sales Tax Bill 1973 Bill No. 22|1973 has already been introduced in the Lok Sabha on 9th April, 1973.

### **Recommendation**

During the year 1970-71, assessments were completed in 208 cases of searches and seizures. Although the Committee wanted to know the number of cases in which the turnover was found to have been concealed or tax evaded as also the total amount of tax evaded, the information is not forthcoming. The Committee trust that the records maintained now would bring out this information which is necessary to evaluate the efficacy of searches and seizures in the interest of revenue. The position in this regard for the year 1971-72 may be reported to them.

[S.No. 22—Appendix II 'Para No. of Report 5.7 of P.A.C.'s 74th Report (5th Lok Sabha)]

### **Action Taken**

The proforma in which the ward officers are furnishing information to the Commissioner about the detection and disposal of cases of searches and seizures has been suitably revised so as to meet the deficiencies pointed out by the Committee. The revised proforma has been circulated among the ward officers so that complete statistical particulars are readily available with the department in future. The Committee have further desired to know the No. of cases of

searches and seizures in which concealment turnover was detected together with the amount of tax evaded during the financial year 1971-72. The desired information in this regard has since been collected and is stated hereunder:—

1. No. of cases in which concealment of turnover was detected . . . . .	78
2. Total turnover found to have been concealed . . . . .	88,29,281.71
3. Tax effect on the said concealed turnover . . . . .	6,60,338.06

### Recommendation

That in as many as 4262 out of 8630 cases disposed of by the appellate authorities during 1970-71, fresh assessments were ordered or the demands were reduced shows clearly a tendency on the part of the assessing officers to overpitch the assessments. The explanation of the Ministry that the percentage of such cases to the total number of the assessments and miscellaneous orders passed by the assessing officers during the year 1970-71 is 3.7 only and that it does not warrant serious notice, displays complacent attitude. The Committee would like Government to study the position after ascertaining the following:—

- (i) No. of cases during the year 1970-71 in which the tax determined originally by the assessing officers was more than the tax shown as due by the assessee;
- (ii) No. of cases out of (i) above which were appealed against and disposed off;
- (iii) No. of cases out of (ii) above in which the demand was either reduced or remanded for fresh assessments by the appellate authorities; and
- (iv) The percentage of (iii) to (i).

[S.No. 23.—Appendix II 'Para No. of Report 6.5 of P.A.C.'s 74th Report (5th Lok Sabha)]

### Action Taken

The statisticals desired by the Committee has been collected and is narrated hereunder seriatum:—

- (i) —27205 cases
- (ii) —2419 cases
- (iii) —1253 cases
- (iv) —46 per cent (App.).

From the above mentioned particulars, it would be amply evident that in 4.6 per cent cases only the demands originally created by assessing authorities were either reduced or set aside for fresh assessment. Thus it can be safely concluded that the demand raised by the assessing authorities were not over pitched.

#### **Recommendation**

The Committee would like Government to take suitable measures in the light of the study and inform them of action taken.

[S. No. 24—Appendix II Para No. of Report 8.6 of P.A.C.'s 74th Report (5th Lok Saha)]

#### **Action Taken**

In view of statistical position explained in respect of para 6.5 of this report, no further action is deemed necessary.

## CHAPTER III

### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

#### Recommendation

Although tax assessable could be compounded under section 5 (1A) of the Bengal (Sales Tax) Act, 1941 as extended to the Union Territory of Delhi, the Committee learn that in actual practice the dealers rarely avail themselves of the facility. As such a procedure of assessment of small traders would go a long way in expediting the assessments besides reducing the cost of collection, the Committee would like Government to examine the reasons for the reluctance of the traders and consider whether by simplifying the rules framed under the relevant Section of the Act the procedure could be made attractive.

[S. No. 9—Appendix II 'Para No. of Report 2.15 of P.A.C.'s 74th Repor" (5th Lok Sabha)]

#### Action Taken

Section 5(1A) of the Bengal Finance (Sales Tax Act, 1941 provides for composition of tax assessable by payment of a lump-sum. Rule 25-B of the Delhi Sales Tax Rules, 1951 covers cases where composition is sought for the following year. Rule 25-C provides composition in respect of periods which have already expired.

Dealers can avail of the provisions for composition only if they find it more advantageous regular assessments and registration. Under the existing Scheme of the Act, the provisions regarding composition cannot have much utility for the following reasons:—

- (a) As regards the future periods, covered by Rule 25-B it appears that in the event of composition the dealer will not be entitled to the benefit of regular registration so that he will not be able to make purchases free of tax, as a registered dealer.

- (b) In order to determine a fair amount as composition money, the assessing authority concerned has to ascertain the taxable turnover of a dealer. After this is determined the amount of composition money recommended for acceptance is not less than the tax payable on the basis of the taxable turnover determined. If all this exercise has to be gone through, both the dealers and the assessing authorities prefer regular assessments to composition. If, on the other hand, the scheme of composition is to be made more attractive particularly in 11(2) cases, we must be prepared to forgo substantial revenue by accepting from dealers amounts by way of composition which will be substantially less than the amount which will be payable by them if regular assessments are made. This will not only be to the detriment of revenue but may also lead to various mal-practices.

The provisions regarding composition can be availed of more liberally in States where registration does not confer any benefit in as much as no goods can be purchased on the strength of the registration certificate. Since, in Delhi registration confers substantial benefits, dealers prefer to get themselves registered and to get assessed on the normal course rather than get the tax assessed on their future sales compounded and forego the benefits of registration. As regards past sales, in most cases covered by section 11(2) if dealers deny liability to pay tax, the question of composition will not arise. If they admit liability they prefer to get themselves registered and avail of the benefit of registration rather than apply for composition in respect of future sales.

The underlying object of the provision for composition is to confer some relief on smaller dealers, because of their difficulty in maintaining accounts etc. In certain States where the provisions regarding composition are incorporated in their Acts, different composition amounts have been prescribed for various States of sales and the provisions have applicable only if the sales of the dealer are below a certain limit. In other words, the scheme does not apply to bigger cases. The underlying object can be better served by increasing the existing taxable quantum, which was fixed about 22 years, back when the price levels were much lower than today. At present, the taxable quantum in the case of manufacturers and importer is Rs. 10,000|- and in case of other dealers, i.e. resellers who purchase good locally Rs. 30,000|-. In the Delhi Sales Tax Bill, 1973 as introduced in the Lok Sabha, the taxable quantum in respect of importers has been reduced to nil. However, in the case of



manufacturers and other dealers it has been increased to Rs. 15,000/- and Rs. 50,000/- respectively. It is felt that, with this increase in the taxable quantum in the case of manufacturers and other dealers smaller dealers will get sufficient relief so that there will be no need for composition in their cases. As regards importers, it is expected that the dealer who import goods from other States will be in a position to maintain regular accounts so that there should not be, ordinarily, any need for invoking provisions relating to composition in their cases.

Composition is a bilateral agreement between the dealer and the Department, under the existing law we cannot make the composition scheme more attractive without losing revenue. As already stated there will also be difficulties in determining the taxable turnover of an applicant to arrive at the composition amount. The scheme of composition if used on a large scale may also lead to various malpractices, as already stated. In short we feel there is a little scope for making the scheme more attractive under the existing scheme of law.

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### Recommendation

The sales tax receipts during 1970-71 were Rs. 25.57 crores which included Rs. 17.67 crores under the Local Sales Tax Act. The Committee feel that there is scope for augmenting the receipts particularly under the local Sales Tax Act. The total number of current assessments for disposal under the local Act during 1970-71 was 37,393 only. Although as many as 26,199 dealers are stated to have sought voluntary registration during the years 1968-69 to 1970-71, the increase in the number of cases of current assessments for disposal was only to the extent of 5,981 over the years 1967-68 to 1970-71. The Committee would like to know why the increase in the number of assessments was not proportionate to the increase in the number of registered dealers. The Committee would also like to know how the net increase in the number of sales tax assessees since 1967-68 was consistent with the growth of shops and markets in the Union Territory.

[S. No. 3, Appendix II Para No. of Report 1.13 of P.A.C.'s 74th  
Report (5th Lok Sabha)]

#### Action taken

The Committee has observed that as against 26,199 dealers, who sought registration during the year 1968-69 to 1970-71, the increase in the No. of cases of current assessment for disposal was only to the extent of 5,981 over the years 1967-68 to 1970-71. In this connection, it may be stated here that as against 26,199 applications received for registration during the financial years 1968-69 to 1970-71, the total no. of registration applications disposed of during the said years numbered 26,613 i.e. 9,223 in 1968-69, 8,730 in 1969-70 and 8,660 in 1970-71. Out of the said applications disposed of, new registrations granted numbered 12,986 and the rest 13,627 applications were rejected. As against the said new registration, increase in cases of current assessments for disposal during the years 1967-68 to 1970-71 was 13,421. Keeping in view the fact that increase in No. of assessments due for disposal would also include remanded cases for

fresh assessment orders, it is felt that the growth of new dealers is quite in consonance with the growth of new cases becoming due for disposal and there is no inconsistency in this regard.

The Committee have further desired to know whether the increase in the No. of sales tax assesseees since 1967-68 was consistent with the growth of shops and markets in the Union Territory. While it is true that there has been enormous growth of dealers with the development of new colonies in Delhi, yet the growth is not uniform in new colonies vis-a-vis old colonies. Repeated surveys have shown that so far as Old Delhi is concerned, the opening of new business premises has almost reached a saturation point and there is hardly any scope for new growth. So far as new colonies are concerned, the position is that the new dealers are mostly retailers for whom the prescribed taxable quantum is Rs. 30,000 in a year. They neither import goods nor manufacture any goods nor they affect any sales in the course of inter-state trade and commerce. Such dealers also take a year to establish themselves in business and to cross the limit of Rs. 30,000. Thereafter the law provides for a further period of two months before they become compulsorily liable under Section 7 read with Section 4(2) of the Act. Therefore, the seemingly large growth of dealers in the new colonies is not a cause for apprehension that they are not paying tax. Moreover, in Delhi the system of tax being single point these new dealers make purchases after paying tax and therefore, there is no question of leakage of revenue. All the same, steps are being taken to streamline the survey programme in light of committee's recommendations contained in para 1.14 in such a way that entire area covered by a ward is exhaustively combed once in a year so as to ensure that no unregistered dealer, who is otherwise liable for registration, escapes notice.

### Recommendation

It is regrettable that there has been no systematic or scientific study of the sales-tax evasion in the Union Territory so far. The Committee desire that such a study should be undertaken without delay. The result of the study as also the action taken in pursuance thereof to collect Government dues may be intimated to the Committee.

[S. No. 5—Appendix II Para No. of Report 1.15 of P.A.C.'s 74th Report (5th Lok Sabha)].

### **Action taken**

The Committee has observed that there has been no systematic or scientific study of the sales tax evasion in the Union Territory so far. It has, therefore, been desired that such a study should be undertaken without delay.

In this connection, it may be stated that a meeting has already been held to discuss ways and means for implementing the Committee's recommendations. A Committee has been set up with Vigilance Officers as its Convener to go into the matter and suggest various measures to be adopted to curb evasion of sales tax. Recommendations of the Committee are awaited. Appropriate measures will be taken to implement recommendations of the Committee. Additional Staff required for implementation of Committee's recommendations will be intimated to the Administration in due course. The Committee would be apprised of the action taken in this regard shortly.

### **Recommendation**

The number of cases of arrears of assessments pending with the Sales Tax Department was as high as 74,350 as on 31st March, 1971. The Committee are unable to appreciate the position that the amount of tax involved in these cases is not ascertainable. They desire that the approximate amount of not tax involved should be assessed with reference to the relevant past completed assessments and reported to them. Such an assessment should be available in future also.

[S. No. 6—Appendix II Para No. of Report 2.12 of P.A.C.'s 74th Report (5th Lok Sabha)].

### **Action taken**

The suggestion of the Committee requiring the Department to ascertain the likely impact of tax involved in cases pending for assessment is impracticable for the simple reasons that the work involved would be much more than the actual completion of assessments and even then it will be wild guess only without any possible advantage to the revenue.

### **Recommendation**

The Committee regret to observe that although there has been an increase of 30 per cent in the number of assessing officers, the number of completed assessments during the year 1970-71 shows only an increase of 10 per cent over that of the earlier years. They would

like Government to examine the reasons for the unimpressive performance of the assessing officers and take suitable remedial action. Suitable yardstick may also be prescribed in order to evaluate objectively the performance of the assessing officers.

[S. No. 7 Appendix II Para No. 2.13 of Report of PAC's 74th Report (5th Lok Sabha)].

#### Action taken:

It is conceded that there was growth of nearly 30 per cent in the strength of assessing officers in 1969 as compared to 1968 as a result of creation of new wards in Dec., 1968. The No. of assessment cases completed during the years 1968-69 to 1971-72 were as under:—

1968-69 56958, 1969-70 57457, 1970-71 63207, 1971-72 66438.

From the above particulars, it will appear that No. of assessment cases disposed of during the year 1970-71 was more by 6249 as compared to the disposal in 1968-69 which works out to nearly 10.97 per cent. Similarly disposal in 1971-72 was more by 9480 as compared to the disposal in 1968-69 which works out to nearly 16.64 per cent.

In this connection, it is also stated that in addition to assessment of registered dealers, as mentioned above, the assessing authorities are also required to attend to assessment of unregistered dealers, disposal of applications filed by the dealers for registration, amendments, cancellation, rectification, penalty orders and refund applications etc. Taking into account the quantum of said work done, the total assessment units completed during the financial years 1968-69 to 1971-72 were as follows:—

1968-69	—	74329
1969-70	—	76082
1970-71	—	83756
1971-72	—	97509

Thus there was an increase of 9427 & 23180 cases in disposal during the financial years 1970-71 & 1971-72 respectively over the assessment work done in the financial year 1968-69.

This increase works out to 12.68 per cent & 17.37 per cent respectively.

However, the department intends taking following further steps to improve upon the efficiency of the assessing authorities both in regard to quality and quantity:—

- (i) Normally the minimum period for an assessing authority for working in the Sales Tax Department should be fixed

at three years so that the assessment work is not hampered by frequent transfers from one department to another as new incumbents take time to pick up the work and attain proper standard and efficiency.

- (ii) Refresher course and training programmes are proposed to be started so that assessing authorities are kept fully equipped with the knowledge of Sales Tax law and procedure as well as to keep them abreast with the latest judicial pronouncements. Sanction in this behalf has been conveyed to the sale tax Deptt. In the meantime, it has been decided to start imparting training to the officers by local arrangements and further action to implement the said decision is being taken.

### **Recommendation**

As against 381 cases of searches and seizures of books of dealers in which assessments were pending at the close of the year 1969-70, 423 cases were pending at the close of the year 1970-71. The Committee desire that the factors that impeded the expeditious disposal of these cases should be identified and the procedures streamlined early.

[S. No. 21—Appendix II 'Para No. of Report 5.6 of P.A.C.'s 74th Report (5th Lok Sabha)].

### **Action taken**

The Committee in their observations have desired that suitable steps should be taken to identify the factors that impeded the expeditious disposal of cases of Frauds and Evasions and Searches and Seizures so that the pendency in this behalf could be liquidated as expeditiously as possible, and arrears in this behalf are not allowed to accumulate in future.

The ward officers have been impressed upon to take suitable action to finalise all cases pending on 31-3-1973 by 31st October, 1973, as far as practicable, except such cases which may have to be kept pending beyond that date with prior approval of the Admn. Asstt. Commissioner, keeping in view the special circumstances, thereof. The Committee shall be apprised of the results achieved in this regard in due course.

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

The Committee note that there has been no machinery so far with the Delhi Administration to forecast business trends and to assess in advance the likely impact of taxation proposals on trade and industry. This is a serious deficiency which should be rectified without delay so that there may be a reasonably accurate forecast of tax receipts in future.

[S. No 2—Appendix II Para No. of Report 1.12 of P.A.C.'s 74th Report (5th Lok Sabha)].

#### Action taken

A proposal for setting up a Research and Statistical Cell has been received from Delhi Administration and is under active consideration. After this Cell has been set up, the Administration would be in a better position to gauge correctly sales tax receipts and likely impact of taxation proposals on Trade and Industry in a Scientific manner and the lacuna pointed out by the Committee would be overcome.

#### Recommendation

Despite the fact that there was no substantial increase in the number of assessments during the year 1969-70, the arrears of Sales Tax demands rose from 336.28 lakhs as on 31st March, 1969 to Rs. 482.41 lakhs as on 31st March, 1970. Thus spurt in arrears has been explained as due to larger additional demands created during the months from November to March in the year, 1969-70. The Committee would like to know whether there was any avoidable rush of assessments towards the end of the year. Incidentally, it is seen that the heaviest ever demand created against any individual dealer was for Rs. 53.17 lakhs created during the year 1969-70 and that it has since been remanded by the appellate authority for fresh assessment. If the demand is considerably reduced on fresh assessment in this case, a general review may be called for to determine how far the assessing authorities tended to overpitch the demands or

otherwise commit mistakes in assessments due to rush of work at the end of the year.

[S. No. 10—Appendix II Para No. of Report 3.17 of P.A.C.'s 74th Report (5th Lok Sabha)].

### Action Taken

It is submitted that increase in arrears does not alone depend upon the No. of assessment completed during the year. It is just possible that substantial demand is created even in one case alone as has been observed by the Committee themselves in this para. As regards observations of the Committee regarding avoidable rush of the assessments towards the end of the financial year it is submitted that it becomes unavoidable because the dealers when called upon to appear in earlier parts of the year generally seek adjournments mostly for the reasons that various declarations required in support of exemptions & concessions claimed under various provisions of Bengal Finance (Sales Tax) Act, 1941 as well as Central Sales Tax Act, 1956 have not been obtained by them from all the dealers concerned. Assessing Authorities also avoid passing *ex parte* orders, as far as possible, with a view to give full and fair opportunity to the dealers, to support their claims in support of exemptions/concessions with all legal documents prescribed under the law. This necessitates more attention on the part of the assessing authorities to expedite disposal towards the close of the financial year so as to avoid chances of cases becoming time barred on one hand and to liquidate maximum No. of assessment cases pending in their respective wards on the other.

The Committee have further desired to know the results of fresh assessment orders to be passed in the case where highest demand of Rs. 53.17 lakhs was originally created and later remanded. As the fresh assessment has not still been completed, the result thereof shall be communicated as soon as the assessment is completed.

### Recommendation

It is a matter for concern that 57 cases involving arrears of tax of Rs. 1 lakh and above were pending as on 31st March, 1971, in spite of the fact that the dealers are required to submit quarterly returns and pay tax producing the treasury receipts therefor alongwith the returns. As admittedly the procedure of publishing the names of dealers against whom demand of Rs. 1 lakh or more is outstanding as is followed by the Income-tax Department, may have some effect in reducing the arrears, the Committee desire that the Department



should consider the feasibility of publishing such names in future either by Administrative action or if necessary by obtaining appropriate legislative sanction.

[S. No. 12—Appendix II Para No. of Report 3.19 of P.A.C.'s 74th Report (5th Lok Sabha)].

### **Action Taken**

The observations of the Committee have been noted and the feasibility of publishing the names of the dealers against whom demand of Rs. 10,000/- or more is outstanding is being considered in consultation with the Sales Tax Authorities of neighbouring States and the Income Tax Department.

### **Recommendation**

In their 28th Report (1964-65), the Committee expressed a hope that early action would be taken to write-off arrears which were found irrecoverable since larger powers of write-off had been delegated to Delhi Administration. However, 921 cases (involving Rs. 135.71 lakhs) are stated to be pending for write-off as on 31st March, 1971. From the instructions issued on 1st May, 1972 to the assessing authorities for expeditious disposal of the cases for write-off, it is seen that the sale tax officers have not shown any earnest interest for finalisation of write-off cases. The Committee are inclined to take a serious view of the slackness in this regard in spite of their earlier observations. They expect that the phased programme of write-off work would be adhered to and all the cases which are ripe for write-off would be disposed of within a period of six months. They would await a report in this regard.

[S. No. 13—Appendix II 'Para No. of Report 3.20 of P.A.C.'s Report (5th Lok Sabha)].

### **Action Taken**

The Recommendations of the Committee have been noted. Suitable instructions have been issued to all the Sales Tax Officers to refer to the Collector (Recovery) all the cases ripe for write-off immediately and in any case not later than 31st October, 1973. The Collector (Recovery) has also been advised to take suitable steps to ensure that all the said cases are finalised of arrears involved therein are written-off with appropriate sanction before the current financial year comes to a close. For this purpose, a proposal to set up a special Cell in the Recovery Branch is being considered and would

be sent to the Administration for appropriate sanction separately. The Committee shall be apprised of the results achieved in this behalf in due course.

[S. No. 1 to 24—received along with Ministry of Home Affairs  
O.M. No. U. 15030|4|73-Ac II dt. 11-10-1973].

NEW DELHI;  
*February 4, 1974.*  

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*Magha 15, 1895 (S).*

JYOTIRMOY BOSU  
*Chairman,*  
*Public Accounts Committee.*

## APPENDIX

### Summary of main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	1.4	Home Affairs	<p>The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished, will be submitted to them expeditiously after getting them vetted by Audit.</p>
2	1.8	-Do-	<p>The Committee note that a proposal for setting up a Research and Statistical Cell has been received from the Delhi Administration and that it is under active consideration. In this connection the Committee recall that a proposal of the Commissioners of Sales Tax to create a 'Statistical Cell' had been accepted in principle in 1972 by the Delhi Administration and that necessary provision of funds in the Budget Estimates for 1973-74 had also been asked for by the latter <i>vide</i> paragraph 1.5 of the 74th Report. A decision in the matter has thus been considerably delayed with no apparent justification. The Committee would urge Government to come to an early decision and intimate accordingly to them.</p>

3 1.11 -Do- The Committee are not satisfied with the explanation given by the Ministry in an attempt to justify the existing position. With the increase in the business activity in Delhi which even a layman cannot fail to appreciate, the Committee are convinced that there is ample scope to augment the sales tax receipts particularly under the Local Sales Tax Act. They accordingly desire that the Department should gear up their machinery and improve their procedures of assessment to give a better account of themselves.

4 1.14 -Do- The Committee find that steps have been taken to devise measures to curb evasion of sales tax in the Union Territory of Delhi. They would like to know the measures proposed to be adopted. In this connection they would recall that they had been informed a year ago that the Delhi Administration was contemplating to set up a Research and Statistical Cell whose functions would also include the study and framing of the estimate of tax evasion, vide paragraph 1.7 of the 74th Report. They desire that there should be a continuous study of the problem of evasion in a systematic and scientific manner.

5 1.17 -Do- The Committee are unable to share the view of the Ministry in regard to the possibility and utility of assessing the approximate amount of tax involved in the cases of arrears of assessments. They have found that in the cases of wealth-tax, gift-tax and estate duty the details of pending assessments including the approximate amount of tax involved are made available to Audit and incorporated in the Reports of the Comptroller & Auditor General of

India. They would, therefore, reiterate that on the sales tax side also an attempt should be made to bring out the approximate amount of tax involved in such cases which, besides giving a better idea of the pendency, would help the Department in giving priority to completing assessments of big cases.

6 1.20

Home Affairs

The Committee regret to note that the exact reasons for the poor performance of the assessing officers have not been indicated. These should be investigated, if not already done, so as to consider whether steps proposed to be taken to improve the performance are adequate. The results of the investigation may be reported to the Committee.

1.21

-Do-

The Committee wish to reiterate that suitable yardstick should be prescribed early in order to evaluate objectively the performance of the assessing officers as it does not appear to have been prescribed so far.

1.24

-Do-

It is indeed disappointing to note that no progress has been made in regard to implementing the recommendations of the Committee for tackling the arrears of assessments and that the Committee have been merely told that the Department would send the proposals to the Delhi Administration to augment the staff. The Committee cannot appreciate such a complacent attitude. They

expect that the steps should be taken without any further delay to progressively reduce the arrears under a targeted programme.

-Do-

1.27

9

Apart from bringing out certain general reasons leading to rush of assessments during the end of the year, Government do not appear to have critically examined the assessments made during the year 1969-70 with a view to finding out whether there was avoidable rush towards the end of that year, as suggested by the Committee. This was necessary as the spurt in arrears as on 31st March, 1970 was explained as due to larger additional demands created during the months from November, 1969 to March, 1970. The Committee, therefore, wish to reiterate that a study of the assessments made in 1969-70 and in subsequent years should be undertaken so as to take steps to curb the tendency, if any, for rush of assessments at the end of the year.

-Do-

1.28

10

The Committee note that the fresh assessment in the case where highest demand of Rs. 53.17 lakhs was originally created and later remanded, has not still been completed. The final outcome as also the action taken on the basis thereof as already suggested by the Committee may be reported to them.

-Do-

1.31

11

Although the Committee had suggested that in glaring cases prosecutions should be launched, the Ministry have remained content with noting the suggestion and intimating that it is proposed to launch prosecution in a few cases during the current financial year. The Committee would have appreciated if action had already

been taken in glaring cases. They desire that no time should be lost in processing such cases for launching prosecution.

12            I.34            Home affairs            From the reply furnished by Government, the Committee notice that Government have not gone into the reasons for the delay, in finalisation of cases of searches and seizures with a view to streamlining the processes. The Committee would like to stress that immediate steps should be taken in this regard and the results be reported to them within three months.