CHAPTER – II

COMMERCIAL TAXES DEPARTMENT OF KERALA - AN OVER VIEW

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2.0 Introduction

Taxation has been the main pillar of the financial structure of states from very ancient times as also in modern times. The present work on taxation in ancient India is an attempt to deal comprehensively with all the important aspects of taxation in India from the earliest times up to the Gupta Period. Besides discussing the different taxes levied during the aforesaid period the present monograph aims at presenting a comparative study of the principles and tenets of ancient Indian tax system vis ~ a ~ vis the modern fiscal development.

All taxes have some features in common. They are a compulsory levy imposed by Government on income, expenditure or capital assets, for which the tax payer receives nothing specific in return. The primary purpose of imposing a tax is to raise money for public spending purposes. The collection of all the taxes in operations in an economy and the rules related to these taxes are called a tax structure.

2.1 Sales Tax

Sales tax is levied on the sale of a commodity, which is produced or imported and sold for the first time. If the product is sold subsequently without being processed further, it is exempt from sales tax.

Sales Tax is a levy on purchase and sale of goods in India and is levied under the authority of both Central Legislation (Central Sales Tax) and State Governments Legislations (Sales Tax). The Government levies sales tax principally on intra-state sale of goods. States also levy tax on transactions which are "deemed sales" like works contracts and leases.

In addition to sales tax, some states also levy additional tax, surcharge, turnover tax and the like. Ordinarily, sales tax is recovered from the buyer as a part of consideration for the sale of goods. Sales tax is paid by every dealer on the sale of any goods made by him in the course of inter-state trade or commerce, despite the fact that no liability to tax is raised on the sale of goods under the tax laws of the appropriate state.

2.2 Brief History of Sales Tax in Kerala

The history of sales tax in India begins in 1938. The levy of taxes on sale of good and advertisement was authorized as per Entry 48 in List II of the VIIth Schedule of Government of India Act, 1935 which empowered the provinces in British India to levy sales tax. The first province in India to levy tax on sale of goods under the above act was Central Provinces and Bearar (renamed as Madhya Pradesh after independence), which in 1938 levied a tax on the retail sale of motor spirit and lubricants.

A general sales tax levy on goods was first made in the State of Madras in 1938, while Shri. C. Rajagopalachari was in power. The State of Kerala was formed by the integration of the princely States of Travancore and Cochin with the Malabar District and Kasargode Taluk of the State of Madras. In the princely State of Cochin, sales tax was introduced on the 1st day of chingom 1122 (17th August 1946) and in Travancore on 1st day of Edavam 1124. In the erstwhile Cochin area the administration of the Sales Tax Law was under the control of the Income Tax Department and in the Travancore area the Sales Tax administration was in the hands of the Excise department. On the integration of the two States on 1st July 1949 the Travancore General Sales Tax Act, was extended to Cochin. This was later extended to the whole Kerala with the name of General Sales Tax Act, 1125. After the Federal Financial Integration as per G.P.No.sR/1-4611/49/RD dated 12th May 1950, a separate Agricultural Income Tax and Sales Tax Department with the Board of Revenue at its head was formed in May 1950 to administer the General Sales Tax Act, 1125 and Agricultural Income Tax Act 1950[1].

The Kerala General Sales Tax Act, 1963 was enacted after repealing the General Sales Tax Act, 1125 on the basis of the recommendations of the High Level Sales Tax Committee headed by Shri. P.S. Nataraja Pillai, former finance minister. Consequent to the abolition of the Board of Revenue as per the Kerala Board of Revenue Abolition Act 1998 in July 1988, the Department was renamed as the Department of

Commercial Taxes and the Member Board of Revenue in charge was redesignated as the Commissioner of Commercial Taxes.

In the constitution, the power to levy tax on the sale or purchase of goods other than newspapers rests with the State Legislature by virtue of entry 54. List II of the seventh schedule. These powers are regulated by Articles 286 and 301 to 304 of the constitution. But as per item 92A of list II taxes on sales or purchase of goods other than news papers, where such sale or purchase takes place in the course of interstate trade or commerce will come under the purview of the power of the Central Government. As per the scheme of taxation in India, Central Sales Tax is levied by the Central Government while local sales tax is levied by the State Government. Though central sales tax is levied by the Central Government, it is administered by the State Governments and tax collected in each state is retained by that State Government[2].

2.3 Commercial Taxes Department in Kerala

The Department of Commercial Taxes is the major source of revenue of the Government of Kerala, accounting for 3/4th of its revenues. The Department caters to 1,83,000 traders through 431 offices, including check Posts, across the state. The critical functions of the department such as filing of returns, payment of tax, issue of statutory forms, declaration of consignments etc. are now fully automated. In earlier times the effective and enhanced collections of taxes were seldom achieved as per the targets. This is mainly due to the ineffective administration in all the hierarchical levels of Commercial Taxes Department. At present Tax administration demand effective administrative practices at all levels of the Commercial Taxes Department.

Commercial Taxes Department mobilizes major share of revenue to the state of Kerala by focusing tax laws compliance in the business community. The department caters to more than 1.83 Lakh of dealers (tax payers) registered under different central and state Acts of taxation.

The organization of the Commercial Taxes Department comprises of five important wings and the Commissioner is the administrative head of the department.

- Tax Assessment Wing
- Intelligence Wing
- Investigation Wing
- Internal Audit Wing
- Appellate Wing
- Law Wing

The Commercial Taxes Department consists of the erstwhile Agricultural Income Tax and Sales Tax Departments. The main activities entitled to Commercial Taxes departments are registration of dealers, collection of tax, recovery of arrears of tax, prevention and detection of tax offences under a series of legislations enacted by the State and the Central Governments.

The Commercial Taxes Department administers the Central Sales Tax Act 1956, Kerala Surcharge on Taxes Act 1957, Kerala Money Lenders Act 1958, Kerala General Sales Tax Act 1963, Kerala Tax on Luxuries Act 1976, Kerala Agriculture Income Tax Act 1991, Kerala Tax on Entry of goods into Local Areas Act 1994 and The Kerala Value Added Tax Act 2003.

The geographical coverage includes the State Head quarters at Trivandrum and other 15 District Head quarters. There are around 296 Commercial Tax Offices, which include 221 assessment circles, 44 Check posts, 75 Enforcement Squads, 16 Investigation Wings, 1 Appellate Tribunal. These are geographically distributed across 14 revenue districts. There are a total of 4613 employees catering for 1.83 lakh dealers.

2.4 Functional areas of Commercial Taxes Department in Kerala.

The functions exercised by the Commercial Taxes Department are broadly classified as follows.

2.4.1 Head Office

The Commissioner of Commercial Taxes exercises general control of the Department and over all authority under the Acts administered by it. As a part of this, the commissioner inspects or causes inspection of sub-ordinate offices. Apart from the general control exercised by the Commissioner as Head of the Department, he is also vested with powers of revision under the various Acts, suo motu as well as on application. Under the immediate supervision and control of the commissioner, there are four (4) Joint Commissioners, out of which one is IAS cadre and other three are Non – IAS cadre. They are assisted by Assistant Commissioners, Law officers, Statistical officers, CTO's, ASTO's…etc.

2.4.2 Assessment

This function is exercised through the Sales Tax Officers/Agricultural Income Tax and Sales Tax Officers/Assistant Commissioners. Inspecting Assistant Commissioners at sub district level and Deputy Commissioners at district level supervise the officers of the Assessment wing. The assessing authorities also function as registering authorities under the KGST Act, CST Act and Tax on Luxuires Act.

2.4.3 Appeals

Appellate Assistant Commissioners and Deputy Commissioners (Appeals) are the first appellate authorities in respect of the orders issued by officers in the cadre of Sales Tax Officers and Assistant Commissioners respectively. Second appeals against orders issued by the first appellate authority vested with the Appellate Tribunal except in the case of Kerala Money Lenders Act and the Kerala Tax on Luxuries Act.

2.4.4 Intelligence / Enforcement / IB Investigation

This function includes inspection of business places and vehicles, investigation and detection of frauds and evasion. These functions are exercised by the intelligence Squads/Investigation Squads normally headed by an officer in the cadre of Sales Tax officer. Their work is supervised by inspecting Assistant Commissioners (Intelligence/ investigation), Deputy Commissioners (intelligence) and Joint Commissioner (Enforcement)

2.4.5 Revision

The poser of revision is exercised by Deputy Commissioner suo motu and on application, under the various Acts. Revision on application is provided against orders, which are not appealable. Suo motu power is exercised in order to correct any illegality in the orders issued by the subordinate authorities.

2.4.6 Audit and inspection

This includes audit of assessments, performance audit and inspection of offices. The objective is achieved through Sales Tax Officers (Audit) at district level, whose work is supervised by Inspecting Assistant Commissioners (Audit) and Deputy Commissioners (Audit).

2.4.7 Check Posts

Check posts conduct inspection of vehicles at notified areas with a view to prevent evasion of tax under the KGST Act/CST Act, and collect primary information regarding transport of goods in and out of the state. Check posts also collect entry tax under the Kerala Tax on Entry of Goods into Local Areas Act, Major check posts are headed by Assistant Commissioners and others by sales tax officers/Sales Tax Inspectors.

2.4.8 Licensing under the Kerala money Lenders Act

Inspecting Assistant Commissioners at sub-district level act as licensing authorities under the Kerala Money Lenders Act and also watch compliance of the provisions of the Act by the money lenders.

Commercial Taxes Department is one of the most important Public Services of our federal country. The lion's share of the revenue earned by the state Government is from commercial tax. Therefore the administrative leadership of such a department is important for any Government. Though the Government of Kerala, in their annual budgets announces fresh tax design and tax reforms, the effective and enhanced collection of taxes are seldom achieved as per the targets. This is mainly due to the ineffective administrative leadership potential in all the hierarchical levies of the Commercial Taxes Department. A new taxing system called "Goods and Service Tax" is proposed to be implemented from the next fiscal year (w.e.f 1-4-2013). For the successful functioning of GST system, Tax administration demands effective administrative leadership at all levels of the Commercial Taxes Department.

Even the best designed tax structure may fail to achieve its objectives for want of proper administrative leadership. Therefore, simplicity of the administration co – existed with effective leadership is a panacea against administrative failure to implement well conceived tax designs and reforms like GST[3]. In this context, Richard M Bird[4] has observed that "since the quality of Tax administration is such an important constraint on the possibility of tax reforms, it would appear logical to suggest tax reforms which can be administered by poor administrator**.** Tax policy must be framed on the basis of a realistic understanding and appraisal of the capabilities of the Tax administration.

Bird[5] continues to say that a less than ideal tax structure designed for a poor administrator may work better - its effects may be more in line with these desired - than a 'good' tax badly administered.

Therefore the leadership at all levels of a department is important for achieving the objectives for which it is set up. This defends the selection of study of administrative effectiveness of Commercial Taxes department.

Moreover, the studies on effective administration are scarce in India, especially in Kerala. Management is a growing subject and a study of one of its important concept like 'administration' is welcomed by both the academicians and practitioners. As said, the research conducted in India on such an important area viz., administration is meager when compared to the foreign countries like USA and Canada. In Kerala, till now there are very few attempts have been made to conduct studies on administration and even most of the studies are confined to private sector, and not in Government[6].

In a nutshell, the public service administration is moving towards a crisis everywhere in the world and informed and effective action is needed to stop drift and to adapt to changing times and emerging tasks. The problem is both a decline in the quality of administration and a slowness to respond to the changing world. Administrator in the 21st century are facing demands to modernize public services and orient them more closely to the needs and wishes of the public. There are also higher expectations on the part of the general public, who expect public services to keep up with private ones. Other radical changes include increased opportunities, and requirements, for partnerships both across the public sector and with private and voluntary organisations and pressures to harness new technology and deliver Government services electronically. To understand these astonishing changes taking place around the world and to keep the department, one is heading in tune with the times. The administrative factor is the most crucial. The Public services in Kerala are no exception to the phenomenon.

2.5 Statutes Administered and Monitored by the Commercial Taxes Department of Kerala.

The main revenue oriented statutes such as the Kerala General Sales Tax Act 1963 (Act 15 of 1963), The Kerala Agriculture Income Tax Act (Act 15 of 1991). Central sales Tax Act 1956 (Act 74 of 1956), The Kerala Money Lenders Act 1958 (Act 35 of 1958), The Kerala Surcharge on Taxes Act 1957 (Act 11 of 1957) and The Kerala Tax on Luxuries Act (Act 32 of 1976), are at present administered and monitored by the Commercial Taxes Department. Besides, The Kerala Value Added Tax Act 2003 (Act 30 of 2004) which came in to force on 1st April 2005 is also administered and monitored by the Commercial Taxes Department.

A brief summary of important revenue oriented statutes at present administered and monitored by the department is given below.

2.5.1 The Central Sales Tax Act, 1956

Item 92A of the list II of the seventh schedule of the constitution of India, empowers the Central Government to levy sales tax in respect of sales or purchase of goods other than news papers where such sale or purchase took place in the course of inter state trade or commerce. In 1953 the Central Government appointed the taxation enquiry commission to study the incidence of taxation with reference to different states. In the light of several recommendations made by the Taxation Enquiry Commission, the Central Sales Tax Act was enacted in parliament in 1956 to levy tax on interstate sale or purchase. The Central Sales Tax act came into force with effect from Jan 5, 1956 and it extends to the whole of India including the state of Jammu and Kashmir.

2.5.2 The Kerala General Sales Tax Act, 1963

The Kerala General Sales Tax Act 1963, which extends to the whole state of Kerala, came in to force on 1 April 1963. The Act has 9 chapters, 61 sections, a number of sub sections and five schedules. They keep changing every year with additions and deletions. For its governance, Kerala Government has framed more than 70 rules under the title Kerala General Sales Tax Rules which in turn have hundreds of sub rules. Many supplementary laws like Kerala Sales Tax Appellate Tribunal Regulations Rules 1966 and notifications and circulars have also been enacted to administer the Act. Now the KGST Act was abolished and applied only to certain commodities

2.5.3 The Kerala Agriculture Income Tax Act, 1991

The Kerala Agricultural Income Tax Act 1991, which extends to the whole state of Kerala, came into force on 1st April 1991. This Act contains 15chapters, 100 sections and a number of sub – sections. As per section 3 of the Act, tax at the rate or rates specified in the schedule to this Act shall be charged for each assessment year in accordance with and subject to the provisions of this Act, on previous year's total agricultural income of every person. Section 13 provides for the compounding of tax by any person who holds landed property within the State extending to not more than 500 hectares.

2.5.4 The Kerala Surcharge on Taxes Act, 1957

The Kerala Surcharge on Taxes Act 1957, which extends to the whole State of Kerala, came into force on 1st April 1957.

The agricultural income tax payable by any person (other than a company) assessed to such tax under the Agricultural Income Tax Act 1950, shall be increased by a surcharge at the rate of ten percent of the tax payable each year, and the provisions of the Agricultural Income Tax Act, 1950 shall apply in relation to the said surcharge as they apply in relation to the agricultural income tax payable under the said Act.

2.5.5 The Kerala Tax on Luxuries Act, 1976

The Kerala Tax on Luxuries Act, 1976, which extends to the whole state of Kerala, came into force on 1st April 1976. The objective of the Act is to levy tax on luxuries provided in a hotel or in a house boat and in respect of commodities included in the schedule.

As per section 4B of the Act, every proprietor of a hotel having not less than five rooms to rented for accommodation or residence, shall get his hotel registered and the registration renewed annually. Similarly every proprietor of a house boat rented for accommodation for residence or leisurely cruising shall get his house boat registered and renewed annually.

Luxury tax at the rates varying from seven and a half percent to fifteen percent is payable by the person residing in a hotel depending on the amenities provided and the rate charged in the hotel. Similarly the luxury tax is payable by the proprietor of the house boat at the rate of four percent of the rent received on all the amenities and services provided in the house boat. It shall be collected by the proprietor and should be paid to the Government Treasury. Luxury Tax is also payable in respect of a commodity included in the schedule at the rates specified and calculated on the basis of the value of commodity, by the person who uses the same.

2.5.6 The Kerala Money Lenders Act, 1958

The Kerala Money Lenders Act, 1958, was enacted to provide for the regulation and control of the business of money lenders in the state.

Money lender means the a person whose main or subsidiary occupation is the business of advancing and realising loans or acceptance of deposits in the course of such business and includes any person appointed by him to be in charge of a branch office or branch offices or a liaison office or any other office by whatever name called, of his principal place of business and a pawn broker, but does not include: (a) A bank or a co-operative society; or (b) The life insurance corporation of India; or (c) The industrial credit and investment corporation of India; or (d) The industrial finance corporation; or (e) Any institution established by or under an Act of parliament or the legislature of a State, which grants any advance in pursuance of the provisions of that Act; or (f) Any other institution in the public sector, whether incorporated or not, exempted by the government by notification. As per section 3 of the Act, any person, firm, or a joint family carries on or continues the business as a money lender at any place in the state should obtain a license under this Act.

2.5.7 The Kerala Value Added Tax Act, 2003

The purpose of the Act is to consolidate and amend the law related to the levy of tax on the sale or purchase of goods based on the concept of Value Added Tax in the State of Kerala. The value added tax is on the value added at each stage of production of goods and services. The Act extends to the whole of the State and in Kerala it came into force from 1st April 2005. The various modes of charging Sales tax on the sale or purpose of different kinds of goods and services in the State are given in Sections 5 to 19 of the Kerala Value Added Tax Act 2003[7]. It is given here under:

Every dealer whose total turnover for a year is not less than ten lakh rupees and every importer or casual trader or agent of a non-resident dealer, whatever be his turnover for the year, shall pay tax on his sales or purchases of goods as provided in this Act. The liability to pay shall be:

a. In the case of goods specified in the second and third schedules at the rates specified therein and at all points of sale of such goods within the State;
b. Goods specified in the fourth schedule shall be outside the purview of this act:
c. In the case of transfer of the right to use any goods for any purpose whether or not for a specified period, at the rate of 4 percent at all points of such transfer;
d. In the case of goods not falling under clauses(a) (b) or (c) at the rate of 12.5% at all points of sale of such goods within the state;
e. In the case of transfer of goods involved in the execution of works contract where transfer is in the form of goods, at the rates specified for such goods in clause (a) (b) (c) or (d) above, as the case may be;
f. In the case of transfer of goods involved in the execution of works contract, where the transfer is not in the form of goods but in some other form, at the rate of 12.5% at all points of sale;

2. Every dealer who purchase taxable goods from any person other than a registered dealer shall pay tax on the purchase turnover of the goods at the rate mentioned in the schedules to this Act. But a dealer other than importer, casual trader or an agent of a non-resident dealer shall not be liable to tax under this sub-section if his total turnover for a year is less than five lakh rupees.

3. Any registered dealer other than an importer or a dealer liable to pay tax under sub-section (2) or a dealer effecting the first taxable sale of goods within the State, whose total turn over for a year is below fifty lakhs rupees, may at his option, pay tax at the rate of one percent of the turnover of taxable goods as presumptive tax instead of paying tax under sub-section (1) But a dealer who has been paying tax under sub-sections (1) shall not be entitled to.. for payment of tax under this sub-sections unless his total turnover continue to be within the limit specified in this sub section consecutively for three years.

Compounding of Tax

Section 8 of the Act, provides for the payment of tax at compounded rates in the following cases:

1. Any works contractor who is not an importer or a dealer effecting first taxable sale in the state.
2. Any dealer producing granite metals with the aid of mechanized crushing machines.
3. Any dealer in cooked food and beverages.
4. Any dealer who transfers the right to use video cassette or computer disc.

Input Tax Credit

The greatest advantage offered by Value Added Tax scheme is the unique facility of claiming input tax credit in all input tax paid at the time of purchase on all output tax collected at the time of sale. Section 11 of the Act provides for 'input tax credit'. Any registered dealer, other than those paying presumptive tax under sub-section (5) of section 6 or those paying compounded tax under section 8, who makes purchases from a registered dealer, of taxable goods within the State for resale or for use by him in the manufacture of taxable goods other than those coming under fourth schedule, for sale or for use in the execution of works contract or for use as containers or as packing materials for the packing of taxable goods in the State for sale, shall be eligible for input tax credit. No input tax credit shall be allowed for the purchases;

a. From an unregistered dealer or from a dealer not liable to pay tax under section 6 or from a dealer whose registration has been cancelled;

b. From a dealer paying presumptive tax under subsection 5 of section 6;
c. From a dealer paying compounded tax under section 8;
d. Of goods from outside the State in the course of interstate trade or commerce or otherwise in respect of tax paid on such purchase;
e. Of goods which are used in the manufacture, processing or packing of goods specified in the first schedule and fourth schedule;
f. Of goods specified in the fourth schedule;
g. Of goods which are used as fuel in motor vehicles or vessels or stores;
h. Which relates to goods sold by a principal through his agent in respect of which the principal has claimed input tax credit or vice versa;
i. Of goods remaining unsold at the time of closure of business;
j. Of goods which are used in the manufacture, processing or packing of goods, where such manufactured, processed or packed goods remain unsold at the time of the closure of business;
k. Of goods where tax invoice in prescribed form is not available with the dealer or there is evidence that the same has not been issued by the selling dealer;
l. By a dealer who is exempted from payment of tax.

Registration of Dealers

As per sec 15 of the Act, every dealer whose total turnover in a year is not less than two lakh rupees shall, and any other dealer may, get himself registered under this Act. For getting registration under the Act, an application for registration shall be made to such authority, in such manner and within such period as may be prescribed and shall be accompanied by a specified fee.

Section 20(1) provides that every registered dealer and every dealer liable to be registered under this Act shall submit to the assessing authority such return or return before such dates and in such manner and accompanied by such documents as may be prescribed. Where the return submitted under sub section (1) of section 20 is the prescribed manner accompanied by the prescribed documents, the assessment related to the return period shall, subject to the provisions of sections 22, 24 and section 25, be deemed to have been completed on the receipt of such return.

Items exempted from VAT

With the commencement of Kerala Value Added Tax Act, w.e.f. 1st April 2005, The Kerala General Sales Tax Act 1963 has only limited applications in respect of the following goods mentioned in the fourth schedule to the Kerala Value Added Tax Act 2005.

1) Petroleum products
2) Foreign liquor
3) Ganja and opium

2.6 Tax revenue growth in Kerala

The growth of the State's own tax revenue declined temporarily during 2009-10 from the relatively healthy trend of the previous years. The Economic Review for 2010 of the State Planning Board says the estimated growth rate for 2010-11 (budget estimate) was 18.49 per cent against the actual growth rate of 10.22 per cent in 2009-10. The total own tax revenue realised during 2009-10 was ₹17,625.02 crore and the budget estimate for 2010-11 was ₹ 20,884.23 crore. The sales tax was the major source of the State's own tax revenue during 2009-10, having contributed ₹6950.60 crore (72.4 per cent) followed by the stamps and registration fees of ₹1,896.41 crore (10.75 per cent)[8].

The detrimental effects of the global economic downturn affected the contributions from stamps and registration that year. Their contributions had decelerated to ₹ 2,002.99 crore during 2008-09 from ₹ 2,027.97 crore in 2007-08.

The State excise accounted for ₹ 1,514.81 crore (8.59 per cent), motor vehicles tax ₹ 1,131.1 crore (6.42 per cent) and land revenue ₹ 53.93 crore (0.31 per cent).

2.6.1 Recent Trends in State's Tax Collection

During the past two decades revenue from Commercial Taxes Department has increased manifold and has come to occupy a pivotal place in tax armory of state administration. Currently over 40 percentage of the total revenue of the Kerala state is derived from the different taxes and duties levied and collected by the Government of Kerala. Out of the total tax revenue collected by the State Government, VAT contributes more than 50 percentage. The Table No. 2.1 given below shows the percentage of different tax income on the total tax revenue collected by the state Government during the year 2010-11.

Table No. 2.1

Percentage of different tax incomes on the state's total tax revenue for 2010 – 2011.

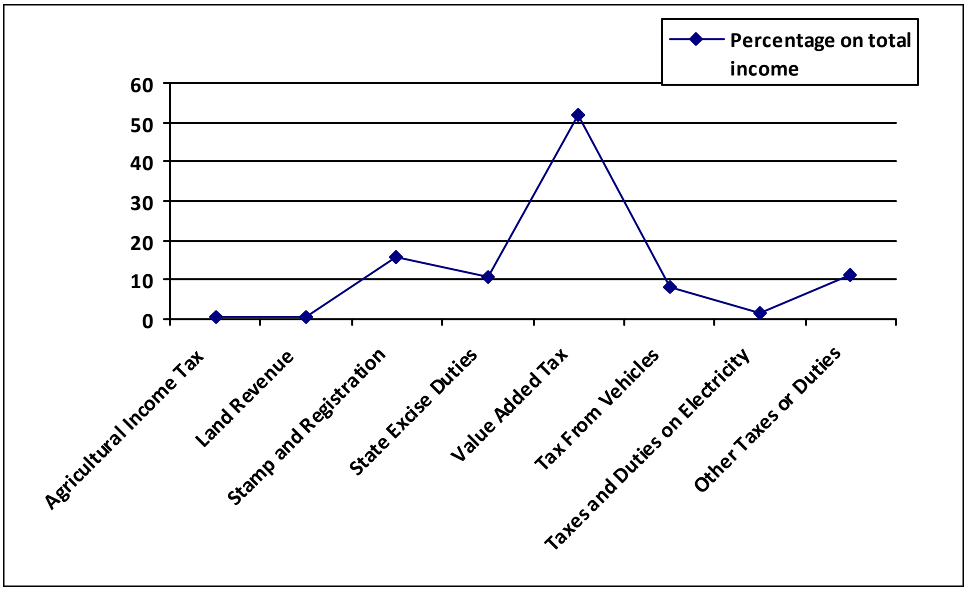
Sl.No.	Type of Tax	Rs. (in Crore)	Percentage on total income	Growth Rate (Percentage)
1	Agricultural Income Tax	47	0.29	10
2	Land Revenue	56	0.35	7
3	Stamp and Registration	2552	15.75	27
4	State Excise Duties	1700	10.49	9
5	Value Added Tax	8396	51.83	14
6	Tax From Vehicles	1331	8.26	6
7	Taxes and Duties on Electricity	281	1.71	-20
8	Other Taxes or Duties	1836	11.33	9
	Total	16199	100	13

Source: Compiled from the records maintained at the office of the commissioner of Commercial Taxes Department, Government of Kerala.

From the Table 2.1 It is evident that sales tax revenue is the most important source of revenue to the State Government and it had contributed 51.83 percent of the State Government's total tax revenue for the year 2010 – 11. Chart No. 2. Shows the proportion of different tax incomes on the State's total tax revenue.

Chart No. 2.1

Trend in State taxes and duties



2.6.2 Share of VAT and Non VAT contribution to State's exchequer

Table No.2.2 given below shows the share of VAT and Non VAT contribution to State's Exchequer during 2005 – 06 to 2011 – 12.

Table No.2.2

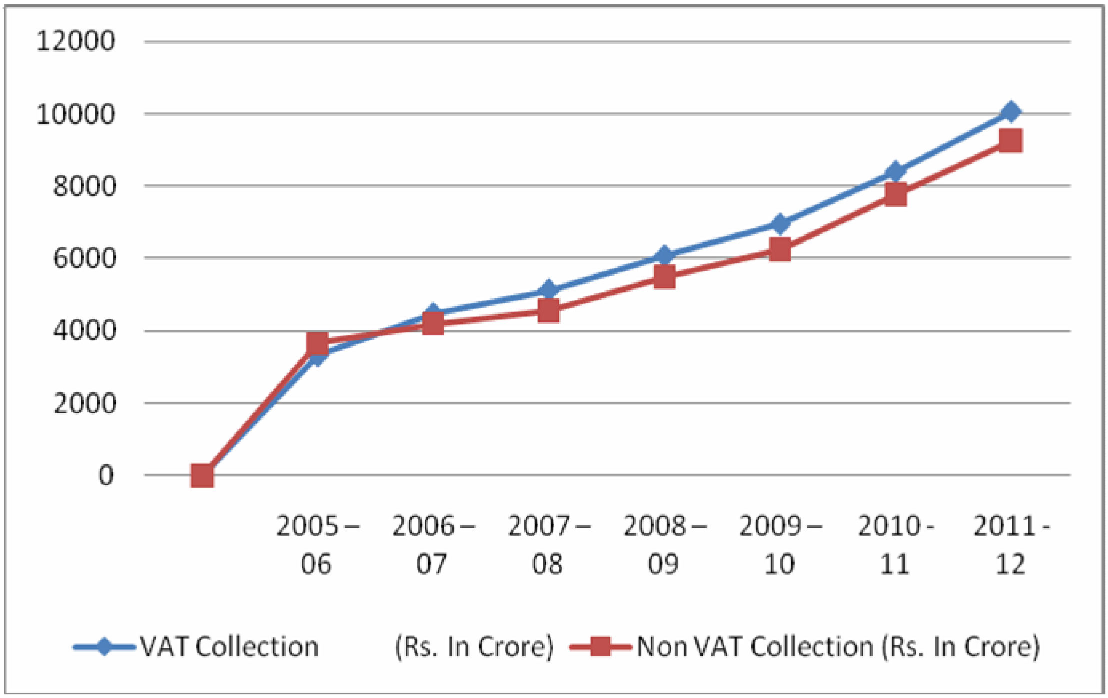
VAT and Non VAT collection to State's exchequer

Year	VAT Collection (Rs. In Crore)	% of VAT on State's Total Revenue	Non VAT Collection (Rs. In Crore)	Total (Rs. In Crore)
2005 – 06	3321.98	47.57%	3661.27	6983.25
2006 – 07	4482.12	51.60%	4204.71	8686.83
2007 – 08	5132.06	52.99%	4553.28	9685.34
2008 – 09	6073.88	52.49%	5497.54	11571.42
2009 – 10	6950.60	52.66%	6249.59	13200.19
2010 – 11	8395.54	51.97%	7760.39	16155.93
2011 – 12	10055.19	52.07%	9255.35	19310.54

Source: Compiled from the records maintained at the office of the commissioner of Commercial Taxes Department, Government of Kerala.

Chart No. 2.2

VAT and Non VAT Collection in Kerala



2.6.3 Annual Growth Rate in Collection of state's own tax revenue

The annual average growth rate of the state's own tax revenue from 1999-2000 to 2010-11 was 13.49 per cent - land revenue 20.11 per cent; stamps and registration fees 19.18 per cent; State excise duty 11.65 per cent; sales tax 13.5 per cent; and motor vehicle tax 12.47 per cent.

The annual growth rate in the state's own non-tax revenue was 18.79 per cent during 2009-10. In actual terms, it increased from ₹ 1,599 crore in 2008-09 to ₹ 1,852 crore in 2009-10. The revenue from the major components of non-tax revenue, except social development services, increased during 2008-09 over the previous year. The revenue from social development services came down from ₹ 310.96 crore in 2008-09 to ₹ 294.64 crore in 2009-10. The general services and the economic services together accounted for more than three-fourths of the State's own non-tax revenue for 2009-10.

The Table No. given below shows the annual growth rate in collection of Sales Tax / VAT during the past 10 years and Chart No. 2. Shows its graphical representation.

Table No. 2.3

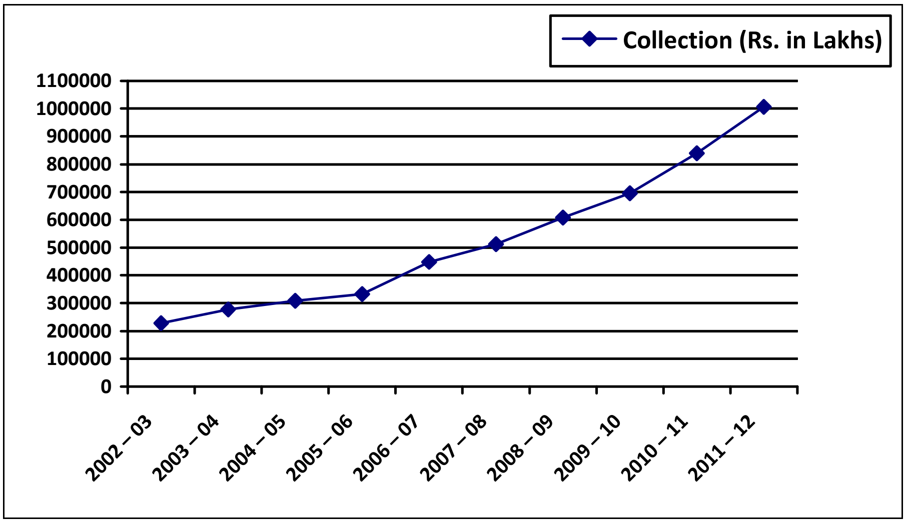
Annual Growth Rate in Collection of Sales Tax / VAT

Year	Collection (Rs. in Lakhs)	Annual growth rate in collection of sales tax (in percentage)
2002 – 03	2,28,596	23
2003 – 04	2,77,228	20
2004 – 05	3,08,409	11
2005 – 06	3,32,198	8
2006 – 07	4,48,212	35
2007 – 08	5,13,206	15
2008 – 09	6,07,388	18
2009 – 10	6,95,060	14
2010 – 11	8,39,554	21
2011 – 12	10,05,519	20

Source: Compiled from the records maintained at the office of the commissioner of Commercial Taxes Department, Government of Kerala.

Chart No. 2.3

Annual Growth Rate in Collection of Sales Tax / VAT



The chart No.2.4 shows the organisational structure and the Table No.2.4 shows the organisational strength of the Commercial Taxes Department of Kerala as on 31st March 2011.

Chart No. 2.4

Organizational structure of Commercial Tax Department[9]

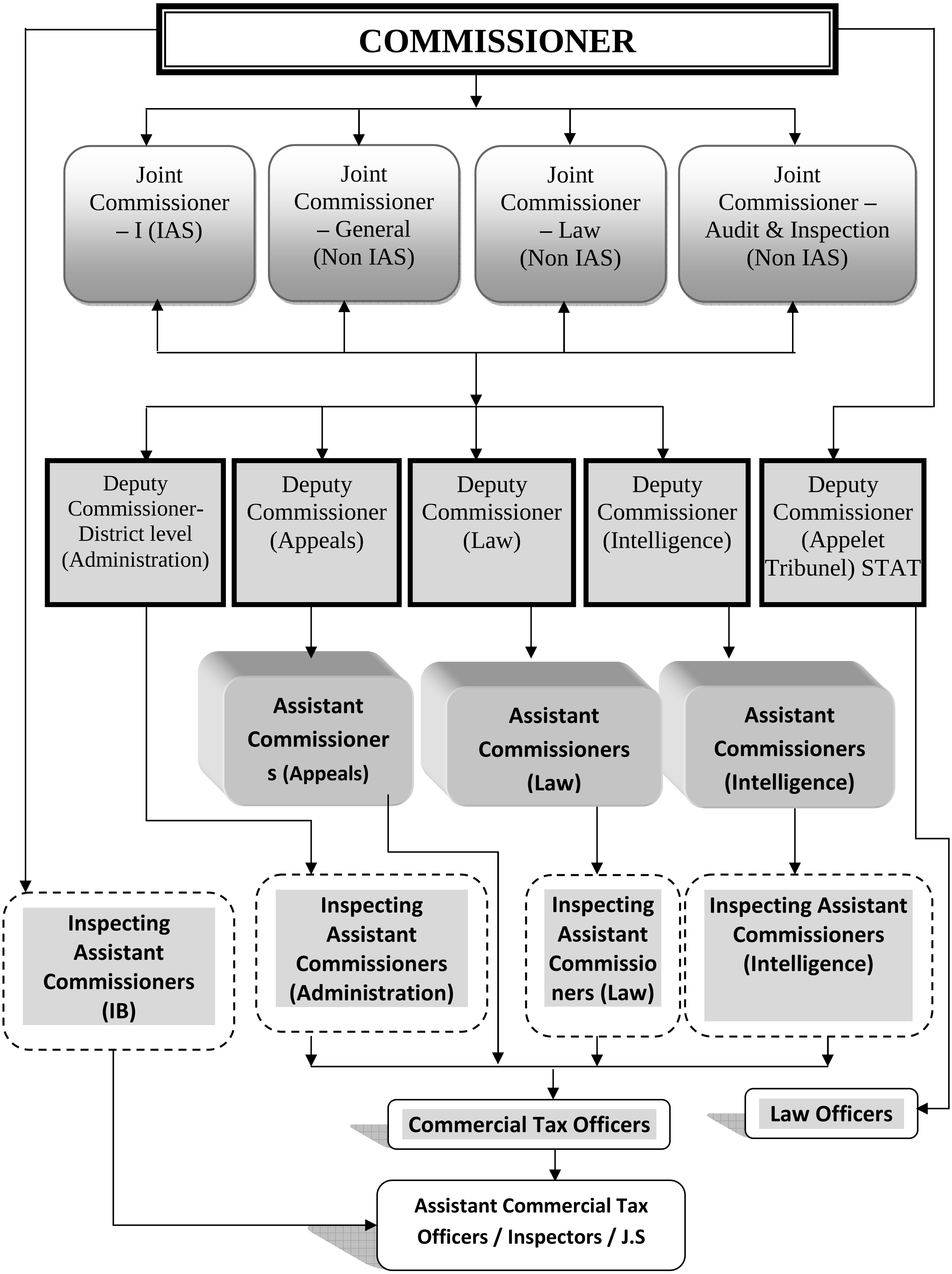


Table No. 2.4

Organizational Strength of the Commercial Taxes Department of Kerala

Sl. No.	Name of the post	Total strength
1.	Commissioner	1
2	Joint Commissioner	1(IAS) 3 (Non IAS)
3	Deputy Commissioner	35
4	Assistant Commissioners & Inspecting Asst. Commissioners	126
5	Commercial Tax Officers	553
6	Assistant Commercial Tax Officer / Inspectors / Junior Superintendent	981
7	Confidential Assistant	73
8	Selection grade Typist	68
9	Head Clerks	52
10	Upper Division Clerks	635
11	Lower Division Clerks	635
12	Senior Grade Typist	67
13	Finance Officer (Deputation)	1
14	Statistical Officer (Deputation)	1
15	Senior Research Assistant (Deputation)	1
16	Research Assistant (Deputation)	1
17	Junior statistical Inspector (Deputation)	1
18	Fair Copy superintendent	2
19	Upper Division Typist	136
20	Lower Division Typist	136
21	Drivers	130
22	Clerical Attenders	215
23	Peons	757
24	Lift Operators	1
25	Night Watcher	1
Grand Total		**4613**

Source: Compiled from the records maintained at the office of the commissioner of Commercial Taxes Department, Government of Kerala.

Under this part time contingent employees are 145 in numbers, Casual/ Part time/ Contract/ Daily waged employees are 107 in numbers. Women employees including part time are 1863.

2. 7 Specific Performance Requirements from other Departments

Table No. 2.5

Specific Performance Requirements from other Departments

Department	Department Requirements
Treasury Department	Timely Reconciliation of Receipts and Expenditure
Revenue Department	Timely Reconciliation of Revenue Recovery for effective Collection of Arrear Revenue
Forest Department	Valuation and Identification of Timber
Police Department	Assistance in Enforcement
Motor Vehicle Department	Providing of Details of Vehicles
Local Self Government Department	Verifying the Local Body Licences
Public Works Department	Timely Allotment of Infrastructure
Information Technology	Upgradation of IT Infrastructure
Income Tax Department	PAN Verification and Information Sharing
Indian Railway	Sharing of Consignment Details
Customs and Central Excise	Sharing commercial Information
Civil Aviation	Sharing commercial Information
Ministry of Shipping	Sharing commercial Information
Other State CT Departments	Sharing of Information

2.8 Gulati Institute of Finance and Taxation (GIFT) (Formerly Centre for Taxation Studies

The Centre for Taxation Studies (CTS) was an autonomous institution constituted by the Government of Kerala in 1992 under the Travancore-Cochin Literary, Scientific and Charitable Societies Act, 1955. The major objectives of the centre were to undertake research, training, consultancy and publication in the fields of public finance, taxation law, accounting and management.

Recognising the academic achievements of the CTS, the Government of India, along with the Government of Kerala, decided to upgrade it to a national-level institution in 2009. It was also decided that the centre would be renamed the **Gulati Institute of Finance and Taxation (GIFT)** in honour of renowned economist Prof I. S. Gulati.

It is envisaged as a centre of excellence, specialising in research, training, consultancy and provision of fiscal and social policy inputs to the Government of Kerala and the South Indian States in general. GIFT was formed in 2009 by upgrading **Centre for Taxation Studies (CTS)**, an autonomous institution formed by Government of Kerala in 1992 for undertaking research, training, consultancy, and publication in the area of public economics.

GIFT is named after Professor I.S Gulati, an eminent economist who was closely associated with public policy making in various capacities, notably as Vice Chairman of State Planning Board, Government of Kerala. Dr. Gulati was also one of the best known authorities on Centre-State financial relations, taxation, public distribution system, migration-related issues and international trade.[10]

The affairs of the GIFT are directed, supervised and controlled by a Governing body and Executive committee represented by senior IAS officers from Central and State Government, renowned economists and management experts. The institute conducts theoretical and policy oriented studies in the areas mentioned above which are brought out in the form of working papers, monographs and research reports. It also provides training and consultancy services to corporate bodies, Government Departments and other agencies Normally the Chairman of GIFT is the Vice chairman of Kerala State Planning Board. Along with one Director and 18 subject experts from different areas.

2.8.1 Objectives

- To provide theoretically rigorous, evidence-based and empirically sound policy inputs to the State Governments on matters of public finance, taxation and issues of fiscal federalism and devolution.
- To carry out academic and policy research in the areas of public finance, taxation, fiscal federalism, financial devolution and fiscal governance, resulting in the publication of research papers, monographs and books.
- To develop and carry out an academically sound and rigorous teaching programmes through regular/distance education, leading to the award of doctorates/diplomas / degrees in the areas of public finance and taxation.
- To provide training and consultancy services to various Government departments, central/state governments and corporate bodies in the areas of finance and taxation.
- To create awareness among the general public on business, industry and members of various professions on issues of state finance, taxation, fiscal federalism, devolutions and fiscal governance.
- To function as a resource centre on matters of finance and taxation by networking and collaborating with various outstanding academic and policy-oriented institutions in India and abroad.
- To provide support to State Governments and various committees at Central / State levels in the context of State Taxes and introduction of the Goods and Service Taxes (GST).
- To develop capacity to undertake gender audit, environmental appraisal and impact assessment of the budget process.
- To develop a comprehensive data base for addressing research and policy issues in the state and local body finance and taxation, through appropriate networking with various levels of Government, departments of Government and other stakeholders.

2.8.2 Training

The Institute offers round the year training programmes for officials at all levels of Commercial Taxes Department on various aspects of tax laws, procedures and accounting. In-house training to the tax officials is essential to fulfill the objects of Tax administration and to achieve the goal of tax collection. This can be achieved only through systematic development and extraction of manpower right from the grass root level to the top brass.

During 2009-10, 51 training programmes (71 training days) were conducted, covering 3,445 officials of various cadres of the State Commercial Taxes Department. The list of training details for the last 4 years 2007 -08, 2008 – 09, 2009 – 10, 2010-11 are appended in the Appendix III (a), III (b), III (c) and III (d).

2.8.3 Tax Journal - KERALA TAX REPORTER (KTR)

From 1992, the institute has been bringing out a monthly law journal “Kerala Tax Reporter” [KTR], reporting Supreme Court and High Court Judgments on Sales Tax, Value Added Tax, Agricultural Income Tax, Entry Tax, Money Lenders Act etc. It also publishes Government notifications, circulars and clarifications on the related subjects such as Kerala Budget Speech, Finance Act, Highlights of Union Budget etc. The annual subscription of the journal is Rs.500/-

2.8.4 Courses

Since 1993, the Institute has been conducting two distance education programmes (a) Post Graduate Diploma in Taxation (PGDT) and Diploma in Sales Taxation (DST).

2.8.5 Public Awareness Programmes

The Institute organizes various programmes, workshops and study classes at district and local levels of the state to create public awareness about policy/legal developments in the field of taxation. The target group includes small/medium/big traders, manufacturers, tax practitioners/consultants, industrialists and other sections of the public.

Before and after the introduction of Value Added Tax in 2005, the Institute organized a series of such programmes during the period 2003-06.

2.8.6 Future Plans

In the context of switching over to a Goods and Services Tax (GST) regime at the national level, in coming years the various core activities of the GIFT-research, consultancy, training, courses, publications and public awareness and dissemination programmes-will be oriented in this direction.

As was the case with Value Added Tax, GIFT will be playing a crucial role in the introduction of GST also by providing valuable inputs in the area of legal drafting, need-based research, training, and dissemination. This will include lecture series by eminent academicians and scholars on current issues related to macro economics and public finance, and a public awareness campaign on the fiscal situation, resource mobilization and expenditure management. In addition, the GIFT will be preparing training and course materials on the GST. It will also Train tax officials of South Indian States and Publish studies, monographs and pamphlets on the GST targeted at various groups. The larger picture will involve developing a network of teachers and researchers in South Indian States specialising in public economics, tax laws and administration.

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