FUNDAMENTAL REFORMS OF THE TAX ADMINISTRATION

3. Honourable Members, the Government of India has recently taken two decisions which will result in an annual revenue loss of around Rs. 1,500 crore in the next financial year.

It has unilaterally decided to stop Central Sales Tax (CST) compensation to the State. This has resulted in a loss of revenue for the years 2010-11 and 2011-12 to the tune of Rs. 1,800 crore.

Similarly, Government of India has recently allowed private airline companies to import Aviation Turbine Fuel (ATF). We collect Sales Tax to the tune of Rs. 225 crore every year on sale of ATF, which we fear would substantially reduce on account of the import permission granted by the Government of India.

3.1 Honourable Members, in order to fund the increased development expenditure, we have adopted a strategy. The strategy includes on one hand transforming the tax administration of the State into a simplified system and on the other hand mobilization of some fresh resources.

3.2 Honourable Members, several reforms have been initiated in the Finance Department and the Revenue Directorates since the new Government took over in May, 2011. Several new initiatives have also been taken in the realm of e-Governance in tax administration. The predominant among them are:

(a) The introduction of e-filing of return under the West Bengal Sales Tax Act, 1994,
(b) Pre-assessment refund facility through Electronic Clearing System (ECS),
(c) Payment of Industrial Promotion Assistance through ECS,
(d) Facility to exercise option under different composition schemes under the West Bengal Value Added Tax Act, 2003,
(e) Facility to generate and print the certificate of registration under the VAT and CST Acts in dematerialized form,
(f) Online receiving of application relating to grievance and monitoring,
(g) Electronic system in respect of deduction of tax at source in VAT administration.

We have also introduced the system of payment of salary to the State Government employees through ECS.

I intend to take forward the reform process further with renewed vigour in the coming year to take the State up the ladder of 'ease to do business'.

3.3 Honourable Members, the Government has decided to computerize salary accounts mandatorily in all State Government Offices and other Autonomous Bodies like Municipalities / Panchayats / Educational Institutions etc., which draw pay bills and grant-in-aid salary bills from Government Treasuries / Pay & Accounts Offices.

I am happy to announce that necessary software Computerisation of Salary Accounts (COSA) will be made available in all Drawing & Disbursing Officers (DDO) offices in the State to complete the process in all offices by 30th September, 2012.

3.4 Honourable Members, the DDOs functioning of all Administrative departments, barring few was centralized in the Accounts Office of the Finance Department which often resulted in delay. The State Government has decided to decentralize the DDO functioning from Finance Department to all Administrative Departments. This scheme has already been introduced in 43 Departments. The remaining departments would be brought under the scheme by September, 2012.

3.5 Honourable Members, a large number of files are received in and sent from the Finance Department every day. In the absence of any credible file tracking system it becomes difficult to locate the file and speed up disposal. The existing system is therefore manual and person-dependent. Honourable Members, I am happy to announce that we have decided to put in place a web based online file tracking and management system in the Finance Department. In this new system the individual departments would be able to know the status of the file at any point of time. The system will be operational by September, 2012.

3.6 At present, the Administrative Departments have to get the approval of Departmental Approval Committee (DAC) for all schemes taken up under the State Plan. The power of the Department Secretaries has been enhanced from Rs. 3 crore to Rs. 5 crore.

Honourable Members, it has now been further decided by the Government to enhance the financial power of the Administrative Departments.

With this in view, I propose to introduce Financial Advisors in all the major departments of the State Government. To start with, this system would be introduced in 10 major departments in the next financial year.

3.7 Honourable Members, for the purpose of an efficient management of Government funds and monitoring of the Government Accounts need is felt for an Integrated Financial Management System (IFMS).

Honourable Members, I am happy to announce the introduction of IFMS during the Financial year 2012-13 for better management of all financial aspects of the Government.

3.8 Presently under the West Bengal Value Added Tax Act, 2003, the West Bengal Sales Tax Act, 1994 and the Central Sales Tax Act, 1956, a dealer is required to furnish a hard copy of the return even after filing his return electronically. Honourable Members will kindly appreciate that this requirement of submitting the printed copy of the return is an avoidable duplication of work.

I propose to completely dispense with the requirement of submission of hard copy of return and instead introduce digitally signed e-return. Considering the fact that the cost of obtaining Digital Signature Certificate [DSC] may be a burden on the small dealers, I propose that the first time cost of obtaining DSC will be borne by the Government for dealers with annual turnover below Rupees two crore.

3.9 Honourable Members, at present a dealer has to furnish three separate returns for three different Sales Tax Acts. At the same time each return is very voluminous making it difficult for the dealers especially small dealers to file such returns. I propose to introduce one simple consolidated return for all three Acts to be known as e-Sahaj. This will save time and cost of the dealers in submitting return.

3.10 Honourable Members, since inception, the new Government has placed emphasis on making tax processes simpler. We have already streamlined the system of generation of waybills for import of goods from outside the State and have introduced a single-document electronic waybill in place of two-part waybill. I now propose to make further changes to simplify the process by allowing e-waybill facility also to unregistered dealers.

3.11 Under the VAT Act, it was mandatory on part of the Departmental officers to assess the dealer where any discrepancy was found in their audit report. Honourable Members, through Finance Act 2011, a major reform was initiated in the audit process by stipulating that where the dealer accepts the audit report and deposits the tax, assessment was not to be initiated.

I now propose to take the reform further to the effect that where the audit report is not accepted by the dealer, no further assessment will be initiated. The audit report, on expiry of the prescribed time, shall automatically become a notice of demand. The proposed amendment will reduce the time for the dealers by at least 12 months.

3.12 In accordance with the provisions of the VAT Act, registered dealer whose annual turnover of sales exceed Rs. 1.5 crore is required to submit a copy of Profit and Loss Account and Balance Sheet for such year, along with an Audit Report prepared by a Chartered Accountant or Cost Accountant.

To provide relief to the small dealers, I propose to further raise the threshold for submitting such audit report from the existing Rs. 1.5 crore to Rs. 3 crore. Such dealers will have to submit only a "Self-Audited Statement" instead of audit report from a Chartered Accountant or Cost Accountant. The total number of dealers who will get the benefit from these measures will be around 1.48 lakh. I am sure this measure will be widely welcomed by the small dealers.

3.13 Honourable Members, a simplified process of e-registration with dematerialized certificate of registration was introduced from 1st August, 2011 under which there is no necessity of personal appearance or hearing.

To take the reforms further, I propose to introduce an Amnesty Scheme to be available upto 31st December, 2012 to those dealers who have remained unregistered despite having already acquired liability to pay tax. Such dealers will be given a last opportunity to declare their liability and seek registration on payment of only a certain percentage of their declared taxable turnover. No interest and penalty shall be charged for the undisclosed liability and failure of the dealer to get registered. I am hopeful that the unregistered dealers will come forward to take this opportunity and do their business openly in a lawful manner.

3.14 Honourable Members, we have been steadfastly striving to reduce the litigations in different appellate forums. In the Finance Act, 2011, we had provided for transfer of old Sales Tax and VAT cases from the Appellate and Revisional Board to the Fast Track Appellate Authority for speedy disposal. I want to assure the house through this we will be able to dispose of around 3,600 cases by 31st December, 2012. I, now, propose to introduce a provision in the VAT Act for disposal of assessment related first appeal petitions, by an Appeal Forum consisting of more than one officer, of all those appeals where the disputed amount exceeds Rs. 20 lakh.

I am also happy to inform that we would be introducing the system of e-filing of appeal petitions in the first quarter of the financial year 2012-2013.

3.15 Honourable Members, till 2010-11, electronic payment of Commercial Taxes and Profession Tax could be made only through three Public Sector Banks, namely, the State Bank of India, the United Bank of India and the Central Bank of India. I am happy to announce that presently as many as eleven public sector banks have been authorized to accept deposit of taxes electronically. We hope to authorize all public sector banks to accept tax deposits in e-mode during 2012-13.

3.16 Honourable Members, many small dealers are unable to bear the cost of professional services for preparation of tax returns and other tax-related documents. Honourable Members, I feel privileged to announce the introduction of a new scheme of VAT Return Preparers (VRPs) under the Public Private Partnership model. VRPs will be young graduates willing to be trained in the preparation of Sales Tax returns and other tax-related services.

We propose to train around 1,000 such graduates in the first instance during 2012-13. After the completion of the training each such graduate will be given a Certificate of Proficiency by the Commercial Taxes Directorate after which these graduates can assist dealers in the preparation of returns and also get other related services. I also propose that the Government would subsidize a portion of their cost of training of unemployed youth from minority and backward community. We would be the first in the country to introduce this scheme of imparting skills in the preparation of VAT return to young unemployed graduates for self-employment.

3.17 Honourable Members, VAT is payable on the tax imposed under the Motor Vehicles Tax Acts for the sale of motor vehicles—tax on tax.

To address the issue, I propose that the tax paid under the Motor Vehicles Tax Acts shall not form a part of sale price under the VAT Act. The definition of 'sale price' in the VAT Act is accordingly being amended.

Presently, dealers engaged in repair of motor vehicles are not allowed to enjoy input tax credit on purchases of spare parts as such items are specified in the negative list. Considering their long-standing demand, I propose to amend the negative list under the VAT Act to allow input tax credit on purchases of spare parts of motor vehicles for use in execution of works contract.

3.18 Honourable Members, we have already introduced the provision of deemed assessment in respect of dealers having turnover of sales below Rs. 3 crore for the years 2009-2010 and 2010-2011. The last date for submission of the declarations by dealers was 31st December, 2011. I am happy to announce raising of the limit from Rs. 3 crore to Rs. 5 crore and also extension of date till 30th June, 2012 for the year 2010-2011.

3.19 Honourable Members, presently owners of the small restaurants, eateries, dhabas with turnover up to Rs.15 lakh are eligible to pay tax at the compounded rate of 4 percent under the VAT Act. I am happy to announce to raise the limit from Rs.15 lakh to Rs. 25 lakh.

3.20 Honourable Members, the process of generation of waybills required for import of goods into West Bengal has been drastically simplified.

I now propose to rationalize the penal provisions relating to unauthorized import of taxable goods. It is proposed that the rates of penalty on seizure of goods shall be reduced from 30 percent to 15 percent for goods taxable at 4 percent and from 50 percent to 25 percent for goods taxable at 13.5 percent.

3.21 Honourable Members, there has been a persistent demand from dealers registered in the six districts of North Bengal for organizing camps in North Bengal for disposal of their appeals and revisional cases pending at the West

Bengal Commercial Taxes and Appellate and Revisional Board located in Kolkata.

I am happy to announce that to minimize the costs of the appellant dealers of North Bengal, 4 camps, one in each quarter, of the West Bengal Commercial Taxes Appellate and Revisional Board will be organized every year in Siliguri for the benefit of the dealers of North Bengal.

3.22 Honourable Members, profession tax has become an important source of revenue for the State over the years.

I am happy to announce to raise the exemption limit for payment of profession tax for salaried persons from the existing threshold of Rs. 3,000 per month to Rs. 5,000 per month. I also propose to make the provision of deemed assessment applicable in respect of profession tax returns submitted for the periods up to 31.03.2011.

3.23 Honourable Members, under the Industrial Promotion Assistance Scheme, we have been providing financial assistance to micro and small enterprises for expansion of production capacity, modernization and improvement of marketing capabilities. This financial support comes to an end on 31.3.2012.

I am happy to announce the extension of the benefit of industrial promotion assistance to the micro and small enterprises for a further period of one year up to 31.03.2013.

3.24 Honourable Members, in the present system of property registration in West Bengal there is constant threat of leakage of revenue for attempted use of fake Non-Judicial Stamp papers in different registration offices. The Government therefore has decided to introduce e-stamping system through net banking and also counter payment in authorized Banks. The Government will be able to receive the payments on account of Stamp Duties and Registration Fees in a secured way through an Electronic Centralised Revenue Receiving System. The system is expected to be operational within June, 2012.

3.25 Honourable Members, in order to offer an additional and useful citizen centric services to the registrant public, the Government has also decided to introduce an Advance Queue Management System.

In the system, the registrant public will be able to follow the process of registration on the display boards installed for the purpose in the property registration offices. One SMS would also be forwarded from the system to the particular person to the effect that the deed was ready for delivery. This system will be introduced first in the office of the Alipore District Sub-Registrar from June 2012 onwards.

3.26 Honourable Members, till now there was no provision of registration of agreement between the owner of a piece of land and the developer/ promoter. This vacuum in law has at times led to problems.

In order to protect the interest of particularly small owners of land, it is proposed, through necessary changes in the Indian Stamp Act, to provide a voluntary and optional scheme of registration by paying a nominal stamp duty. Such statutory provision already exists in respect of agreements relating to purchase of residential houses and flats.

Those who choose not to take this option may continue with the current dispensation. The provision in respect of Power of Attorney has been similarly aligned.

3.27 Honourable Members, the Rural Employment Cess is payable under the West Bengal Rural Employment and Production Act, 1976 and the Education Cess payable under the West Bengal Primary Education Act, 1973 by Tea Estates in West Bengal.

In order to facilitate the growth of tea industry in the State and to benefit thousands of workers engaged in the tea gardens, I propose to exempt the payment of both the types of Cess for the period from 1.4.2012 to 31.3.2013. I also propose to allow the benefit of waiver of penalty and payment of interest at lower rate on cess remaining unpaid on 31.3.2012 provided the entire arrear interest at the reduced rate is paid within 31.3.2013.

I am hopeful that this relief will go a long way in rejuvenating the tea industry of our State.

3.28 Honourable Members, most of the States in the country have introduced the system of life time tax on registration of vehicles. I now propose to introduce the life time tax on registration of vehicles. The Road Tax shall be based on the ex-show room price of the vehicles. Currently, the applicants have to pay different taxes such as road tax, additional road tax, video tax, audio tax, registration charges, special tax and other related taxes at the time of registration of vehicles. All these taxes are planned to be merged into a single tax.

However, the option for payment of five year tax will also be available to the registrant public along with the life-time tax. We are happy that the Transport Department has also planned to introduce on-line registration of vehicles through the dealers.

3.29 In order to bring about transparency and simplification in excise duty structure and to prevent tax evasion, I propose to introduce ad valorem duty based on MRP in the country liquor segment. Necessary amendment to the West Bengal Excise (Country Spirit) Rule, 2010 would be made for the purpose.

3.30 Honourable Members, in order to protect the interest of the existing trade and industry and to attract new initiatives in this sphere, we are committed to provide better infrastructural facilities and a very congenial business atmosphere. Therefore, special emphasis has been laid by this Government on development of roads, construction of new roads linking the production centres with market hubs, better transport facilities and facilities for storage of goods. All these initiatives will no doubt involve substantial cost to the Government exchequer.

Honourable Members, in order to meet up such cost for facilitating trade and industry in the State, I propose to introduce a new bill for levy of tax on entry of goods into local areas of the State and thereby creating a Compensatory Entry Tax Fund.

3.31 Honourable Members, considering the plight of the common citizen by the substantial hike in price of domestic LPG, we have already exempted domestic LPG from VAT in the year 2011, thus foregoing significant revenue on this count. Now I propose to exempt empty domestic liquefied petroleum gas (LPG) cylinders as also balloons from payment of VAT. I also propose to reduce the rate of tax from 13.5 percent to 4 percent on paneer. Now wooden boxes are not covered in packing materials and so I propose to reduce their tax rate from 13.5 percent to 4 percent. For the benefit of the cottage and small units manufacturing kites, I propose to reduce the rate of tax from 13.5 percent to 4 percent on sales of kite sticks.

Honourable Members, I propose to levy a higher rate of tax in respect of a few high-value luxury goods. The rate of tax on motor car priced above Rs. 10 lakh, television with the maximum retail price exceeding Rs. 25,000, mobile phones with the maximum retail price exceeding Rs. 20,000, watches with maximum retail price exceeding Rs. 15,000, and air conditioners with capacity above 1 ton is proposed to be increased from 13.5 percent to 14.5 percent.

3.32 Honourable Members, for meeting the plan commitments for 2012-13, I propose to provide for the total State Plan Outlay of Rs. 23,371.44 crore, which is 11.56 percent more than that of last year. Moreover, for the introduction of new schemes as detailed in the foregoing paragraphs, I propose to allocate an additional amount of Rs. 200 crore. The additional resource would be generated through the tax proposals which have been outlined above. The total deficit for the next year is estimated at Rs. 9 crore. I now seek your kind indulgence to conclude the proposals of this Budget.

Honourable Speaker Sir, I salute the Ma-Mati-Manush of Bengal and thank our Honourable Chief Minister, Mamata Banerjee, for giving me this unique opportunity to present this budget before this august House. We hope that this represents a vision of the people, by the people and for the people of this great State.

I began with the emotional words of Kavi Guru Rabindranath Tagore and would like to conclude with the inspiring words of Swami Vivekananda—

প্রবল বিশ্বাসই বড় বড় কার্যের জনক।
এগিয়ে যাও, এগিয়ে যাও। দরিদ্র ও
পদদলিতদের আমরণ সহানুভূতি ও
সহায়তা করিতে হইবে—ইহাই আমাদের
মূলমন্ত্র। এগিয়ে যাও, বীরহৃদয় যুবকবৃন্দ !