

**SALES TAX SYSTEM IN
WEST BENGAL**

1. REVIEW OF TRENDS IN SALES TAX REVENUE AND UNDERLYING FACTORS

1. The Trends

In common with the other States of the Indian Union, West Bengal relies heavily on sales tax for revenue. According to the revised budget estimates for 1982-83, out of a total tax revenue of Rs 1073 crore, Rs 427 crore was derived from sales tax as against Rs 20 crore or so out of Rs 67 crore in 1960-61 (Table 1.1). The share of sales tax in the tax revenue of the State from its own sources (that is, excluding the share in the taxes collected by the Centre) has grown from a little over 40 per cent in 1960-61 to about 63 per cent in 1982-83 (Table 1.2). The proportion of sales tax in the States' own tax revenue is higher in West Bengal than the all-India average (59 per cent, as of 1982-83).

Taking 1970-71 as the base (100), the index of revenue from sales tax in West Bengal works out to 629 in 1982-83 while that of the State's own tax revenue stands at 529 (Table 1.3). With 1970-71 again as the base, the index of the State Domestic Product (SDP) of West Bengal at current prices comes to 348. Between 1960-61 and 1982-83, the revenue of the State from sales tax grew at the (compound) rate of 14.7 per cent annually while that from its own tax sources increased at the rate of 12.6 per cent, as against a growth rate of about 9.9 per cent in the SDP. That the growth of revenue from sales tax has outstripped that of the State's Domestic Product and its revenue from own tax sources can be seen from the graph presented in Chart 1.

The growth of sales tax revenue has been faster during the years 1971-72 to 1982-83 as compared to the decade of the sixties (1960-61 to 1970-71) as shown on page 8.

The faster growth of revenue from sales tax than that of the SDP of the State is also reflected in the higher-than-unity

Table 1.1
Revenue from Sales Tax and Total Tax Revenue of West Bengal
(1960-61 to 1982-83)

Year	Revenue from sales tax				Tax revenue			(Rs. lakh)
	General sales tax		Sales tax on motor spirit		Share of Central revenue	State's own tax revenue		
	(1)	(2)	(3)	(4)		(5)	(6)	
1960-61	1119	581	273	1973	1829	4906	6735	
1961-62	1285	606	254	2145	1621	5266	6887	
1962-63	1470	693	305	2468	1978	6079	8057	
1963-64	1814	1112	292	3218	2299	7158	9457	
1964-65	1907	1455	327	3689	2336	8243	10579	
1965-66	2468	1606	464	4538	2442	9381	11823	
1966-67	2676	1666	523	4865	3352	9890	13242	
1967-68	2729	1968	533	5230	3876	10529	14405	
1968-69	3086	2055	548	5689	4448	11201	15649	
1969-70	3528	2207	596	6331	5056	12494	17550	
1970-71	3577	2525	691	6793	6267	12897	19164	
1971-72	4533	2230	655	7418	7837	14498	22335	

1972-73	5615	2675	834	9124	8760	17238	25998
1973-74	6403	2507	1259	10169	9626	18922	28548
1974-75	7765	3637	1105	12507	10168	22429	32597
1975-76	9954	4681	1277	15912	13414	28097	41511
1976-77	11252	5402	1593	18247	14005	31421	45426
1977-78	13424	4867	1511	19802	14908	34464	49372
1978-79	15382	6477	1861	23720	16174	39682	55856
1979-80	17795	7966	2346	28107	27757	46776	74533
1980-81	20178	8539	1238	29955	30989	51408	82397
1981-82 (RE)	25571	10805	2349	38725	36998	62940	99938
1982-83 (BE)	27634	12367	2699	42700	39075	68236	107311

SOURCE: Reserve Bank of India, *Reserve Bank of India Bulletin*, relevant issues.

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Table
Role of Sales Tax in

States	1960-61			1970-71		
	States' own tax revenue	Total sales tax revenue	Sales tax as a per cent of own tax revenue	States' own tax revenue	Total sales tax revenue	Sales tax as a per cent of own tax revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	42.31	12.82	30.30	136.06	49.90	36.67
Assam	42.01	2.82	23.46	24.76	11.54	46.61
Bihar	32.09	10.54	32.85	81.57	38.14	46.76
Gujarat	20.78	10.53	50.67	108.08	63.83	59.04
Haryana	—	—	—	43.88	17.41	39.68
Himachal Pradesh	—	—	—	1.52	0.30	25.00
Jammu and Kashmir	1.71	0.22	12.87	7.10	2.49	35.07
Karnataka	24.42	8.13	33.29	101.74	48.87	48.03
Kerala	20.17	9.02	44.72	67.98	37.42	55.05
Madhya Pradesh	27.22	7.20	26.45	86.59	40.97	47.31
Maharashtra	64.34	32.15	49.97	255.56	160.02	62.62
Orissa	8.60	3.14	36.51	33.27	17.54	52.72
Punjab	—	—	—	86.02	37.28	43.34
Rajasthan	18.09	3.70	20.45	60.46	27.97	46.26
Tamil Nadu	41.86	19.12	45.68	148.85	81.85	54.99
Uttar Pradesh	56.94	16.42	28.83	152.86	62.27	40.74
West Bengal	49.06	19.73	40.22	128.97	67.93	52.67
Total for 17 States	419.61	155.54	37.07	1525.27	765.81	50.21

SOURCE: Reserve Bank of India, *Reserve Bank of India Bulletin*, relevant issues.

1.2

States' Own Tax Revenue

(Rs crore)

1980-81			1981-82 (RE)			1982-83 (BE)		
States' own tax revenue	Total sales tax revenue	Sales tax as a per cent of own tax revenue	States' own tax revenue	Total sales tax revenue	Sales tax as a per cent of own tax revenue	States' own tax revenue	Total sales tax revenue	Sales tax as a per cent of own tax revenue
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
582.08	282.26	48.49	717.96	350.95	50.00	802.26	410.75	51.20
65.78	31.49	47.87	90.27	53.26	59.00	100.87	66.16	65.59
276.54	193.76	70.07	344.77	224.02	64.98	388.07	259.50	66.87
531.02	353.85	66.64	621.13	433.63	69.81	732.70	481.18	65.67
233.91	106.00	45.32	302.77	143.00	47.23	349.14	161.00	46.11
33.93	13.36	39.96	40.11	16.00	39.89	47.42	19.10	40.28
37.80	17.88	47.30	41.78	19.02	45.52	45.36	21.07	45.43
474.68	237.36	50.00	595.98	307.00	51.51	644.16	330.00	51.23
336.54	203.94	60.60	369.54	245.72	66.22	441.49	288.40	65.31
385.88	200.00	51.83	436.80	228.95	52.42	489.59	258.55	52.81
1130.84	749.59	66.29	1362.72	913.26	67.02	1603.72	1065.32	66.43
132.08	76.63	58.02	161.08	90.00	59.87	186.68	109.25	58.52
348.84	155.93	44.70	433.17	203.76	47.04	495.17	246.80	49.84
230.23	147.31	63.98	297.51	190.00	63.86	352.22	209.00	59.34
639.11	459.63	71.92	846.31	555.73	65.67	975.32	623.65	63.94
645.19	350.85	54.38	756.03	400.92	53.03	789.90	416.42	52.72
514.08	299.55	58.27	629.40	387.25	61.53	682.36	427.00	62.58
6498.53	3879.59	59.70	8047.33	4770.49	59.28	9126.57	5393.15	59.09

CHART I
Indices of State Domestic Product, Own Tax Revenue and Sales Tax Revenue in West Bengal (1970-71 = 100)

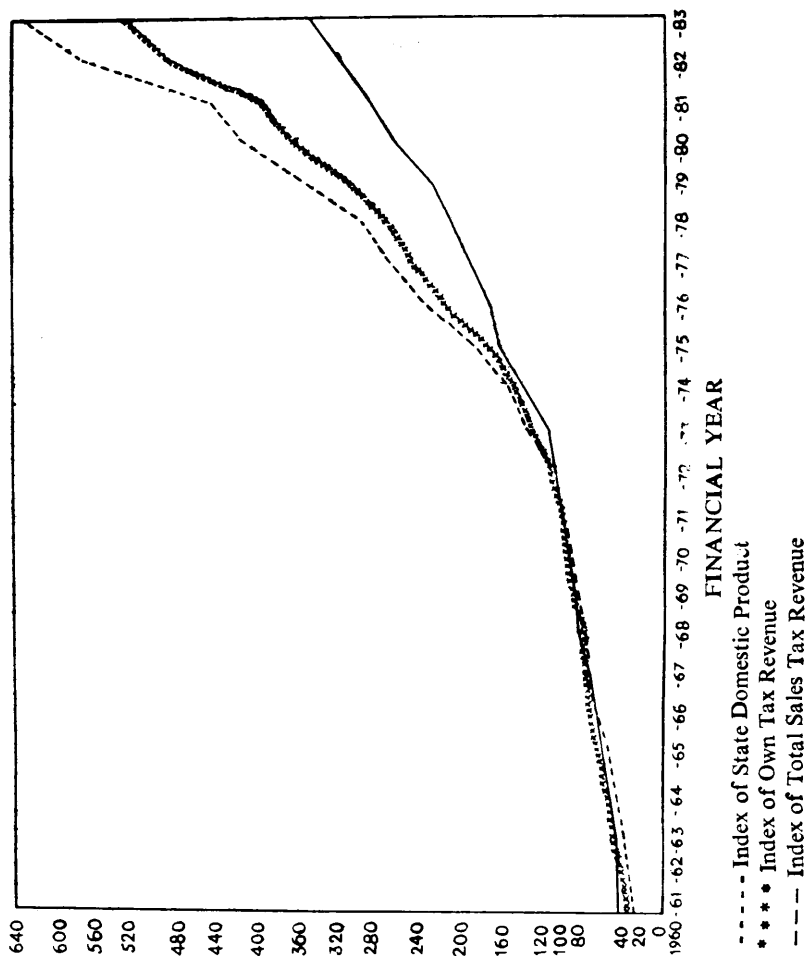


Table 1.3
*Indices of SDP, Own Tax Revenue and Sales Tax Revenue
 in West Bengal (1970-71=100)*

<i>Year</i>	<i>State domestic product (current)</i>	<i>State's own tax revenue</i>	<i>Total sales tax revenue</i>
	(1)	(2)	(3)
1960-61	41.82	38.04	29.04
1961-62	43.26	40.83	31.58
1962-63	45.24	47.14	36.33
1963-64	54.44	55.50	47.37
1964-65	60.22	63.92	54.30
1965-66	64.63	72.74	66.81
1966-67	72.67	76.69	71.62
1967-68	83.82	81.64	76.99
1968-69	85.65	86.85	83.75
1969-70	93.44	96.88	93.20
1970-71	100.00	100.00	100.00
1971-72	109.71	112.42	109.20
1972-73	112.47	133.66	134.31
1973-74	137.55	146.72	149.70
1974-75	161.78	173.91	184.12
1975-76	170.28	217.86	234.21
1976-77	188.34	243.63	268.61
1977-78	207.37	267.23	291.50
1978-79	229.53	307.69	349.18
1979-80	260.53	362.69	413.76
1980-81	286.82*	398.61	440.97
1981-82	315.76*	488.02	570.02
1982-83	347.62*	529.09	628.58

*NOTE: Projected by using compound growth rate observed during 1960-61 to 1979-80.

SOURCE OF BASIC DATA: Reserve Bank of India, *Reserve Bank of India Bulletin* (Monthly), relevant issues.

*Compound Growth Rates**(Per cent per annum)*

	<i>1960-61 to 1982-83</i>	<i>1960-61 to 1970-71</i>	<i>1971-72 to 1982-83</i>
Own Tax Revenue	12.56	10.59	15.21
Sales Tax Revenue	14.73	13.85	17.10
State Domestic Product (at current prices)	09.91*	09.79	—

*Between 1960-61 and 1981-82.

buoyancy of the sales tax (ST) revenue with respect to SDP. For the entire period 1960-61 to 1980-81 the buoyancy coefficient of the ST in West Bengal with respect to SDP turns out to be 1.41. It comes to 1.39 for the period 1960-61 to 1970-71 and 1.51 for 1970-71 to 1980-81.

Compared to other States of India, however, the performance of West Bengal in the matter of collection of revenue from ST seems to be rather disappointing. The growth rate of ST revenue in West Bengal during the period 1960-61 to 1982-83 was the lowest among the States barring only one (Assam). Taking the decades of the 60s and the 70s separately, growth rate of ST revenue in West Bengal is found to be the lowest in the 60s. The performance appears to have improved in the 70s. Even so, growth rate of West Bengal's ST revenue was lower than that of all other States barring Assam and Madhya Pradesh (Table 1.4).

For a proper comparison of revenue effort among different States it is necessary to look at the growth of revenue in each State against the growth of the base of which the most important single index is the SDP. Estimates of buoyancy of ST revenue of major States for the period 1960-61 to 1980-81 and also for the sub-periods 1960-61 to 1970-71 and 1970-71 to 1980-81 are given in Table 1.5. It will be seen that the buoyancy coefficient of ST revenue in West Bengal, though higher than unity, is one of the lowest among the States. This is true both of the entire period as also of the two sub-periods. In the elasticity of ST revenue also, West Bengal fares no better (see

column 5 of Table 1.5).

If the ratio of tax revenue to GDP is taken as an index of tax effort, again West Bengal does not compare too well with other States, whether one looks at the overall tax effort or at the effort towards collecting the ST alone. The average tax to GDP ratios of West Bengal and the major States over the years 1975-76 to 1979-80 are given in Table 1.6. Taking the all-States average as the norm (100), West Bengal's tax ratio turns out to be below normal, being only 78 per cent of the average.

Table 1.4
Compound Growth Rate of Sales Tax Revenue of Selected States

(Per cent per annum)

	Sales Tax Revenue		
	1960-61 to 1982-83	1960-61 to 1970-71	1971-72 to 1982-83
(1)	(2)	(3)	(4)
Andhra Pradesh	17.09	15.14	20.50
Assam	13.34	16.41	13.61
Bihar	15.44	15.41	18.14
Gujarat	18.65	19.41	18.89
Haryana	22.74 ¹	—	20.05
Himachal Pradesh	28.46 ¹	—	22.20
Jammu & Kashmir	21.91	26.99	21.84
Karnataka	18.42	20.02	18.70
Kerala	16.93	15.39	19.37
Madhya Pradesh	17.69	20.31	17.07
Maharashtra	17.11	17.36	18.33
Orissa	15.79	17.32	17.98
Punjab	17.25 ¹	—	17.79
Rajasthan	18.98	22.72	18.83
Tamil Nadu	17.21	16.35	17.83
Uttar Pradesh	16.93	14.97	17.80
West Bengal	14.73	13.85	17.10

NOTES: 1. Relates to 1966-67 to 1982-83.

2. Relates to 1970-71 to 1982-83.

Table 1.5
Elasticity and Buoyancy of Sales Tax of Selected States

State	Buoyancy coefficient			Elasticity coefficient
	1960-61	1960-61	1970-71	1960-61
	to	to	to	to
(1)	1980-81	1970-71	1980-81	1980-81
(1)	(2)	(3)	(4)	(5)
Andhra Pradesh	1.56684	1.48270	1.83030	1.54265
Assam	1.21413	1.55857	0.98314	1.12005
Bihar	1.50570 ³	1.58240	1.60109 ¹	1.38858 ³
Gujarat	1.55069	1.64727	1.45356	1.28806
Haryana	1.82800 ⁵	—	1.63270	1.70524 ⁵
Himachal Pradesh	—	—	2.76540	—
Jammu & Kashmir	1.74399	2.25711	1.56978	0.85033
Karnataka	1.71601	1.67196	1.79626	1.43058
Kerala	1.42430 ⁴	1.29760	1.57280 ³	1.13330 ⁴
Madhya Pradesh	1.62411	1.83768	1.57723	0.76240
Maharashtra	1.41119	1.66548	1.23160	1.30617
Orissa	1.53560 ³	1.46930	1.69630 ¹	1.25461 ³
Punjab	1.46180 ⁵	—	1.38304	1.33640 ⁵
Rajasthan	1.68594	1.92574	1.66500	1.32130
Tamil Nadu	1.70503	1.85850	1.64431	1.49439
Uttar Pradesh	1.64673	1.371 ³	1.65625	1.47001
West Bengal	1.41190	1.38762	1.50811	1.25899

NOTES: 1. Relates to 1970-71 to 1979-80.

2. Relates to 1970-71 to 1978-79.

3. Relates to 1960-61 to 1979-80.

4. Relates to 1960-61 to 1978-79.

5. Relates to 1966-67 to 1979-80.

Table 1.6
Index of Relative Tax Effort of Selected States in India
 (1975-76 to 1979-80)

<i>State</i>	<i>Ratio of States' own tax revenue</i>	<i>Relative tax effort index*</i>
(1)	(2)	(3)
Andhra Pradesh	0.0786	114.74
Bihar	0.0447	65.26
Gujarat	0.0735	107.30
Haryana	0.0781	114.01
Karnataka	0.0836	122.04
Kerala	0.0855	124.82
Madhya Pradesh	0.0656	95.77
Maharashtra	0.0785	114.60
Orissa	0.0457	66.72
Punjab	0.0789	115.18
Rajasthan	0.0579	84.53
Tamil Nadu	0.0819	119.56
Uttar Pradesh	0.0533	77.91
West Bengal	0.0534	77.96
Average	0.0685	100.00

NOTE: *As measured by the ratio of a given State (i.e., own tax revenue to GDP) to the all-States tax ratio average over the years 1975-76 to 1979-80.

In ST, for the years 1975-76 to 1979-80 the index of West Bengal's tax effort works out to 83 (taking the all-States average as 100) as compared to 126 of Gujarat, 111 of Karnataka, 131 of Kerala, 133 of Maharashtra and 145 of Tamil Nadu (Table 1.7). Table 1.7 gives the relative ST effort of the States for the sixties and the first half of the seventies also. It is to be noted that during 1960-61 to 1964-65 the index of West Bengal's ST effort was 106, which was higher than the all-States average of the period (column 3 of Table 1.7) though lower than that of Gujarat, Kerala, Maharashtra and Tamil Nadu. West Bengal's index showed an increase in the latter half of the sixties but went down steadily in the subsequent years. For the first half of the seventies the index read 89 and

Table 1.7
Index of Relative Sales Tax Effort of Selected States in India

State/Period	1960-61 to 1965-65		1965-66 to 1969-70		1970-71 to 1974-75		1975-76 to 1979-80	
	Average T/Y ratio	Index	Average T/Y ratio	Index	Average T/Y ratio	Index	Average T/Y ratio	Index
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	0.0140	88.61	0.0180	94.24	0.0200	77.52	0.0346	92.27
Bihar	0.0119	75.32	0.0161	84.29	0.0170	65.89	0.0263	70.13
Gujarat	0.0214	135.44	0.0271	141.88	0.0355	137.60	0.0471	125.60
Haryana	—	—	0.0152	79.58	0.0238	92.25	0.0355	94.67
Karnataka	0.0135	85.44	0.0196	102.62	0.0254	98.45	0.0415	110.67
Kerala	0.0245	155.06	1.0284	148.69	0.0345	133.72	0.0492	131.20
Madhya Pradesh	0.0109	68.99	0.0118	61.78	0.0203	78.68	0.0329	87.73
Maharashtra	0.0241	152.53	0.0328	171.73	0.0410	158.91	0.0500	133.33
Orissa	0.0111	70.25	0.0142	74.35	0.0159	61.63	0.0260	69.33
Punjab	—	—	0.0211	110.47	0.0270	104.65	0.0348	92.80
Rajasthan	0.0106	67.09	0.0188	98.43	0.0214	82.95	0.0331	88.27
Tamil Nadu	0.0208	131.65	0.0302	158.12	0.0405	156.98	0.0545	145.33
Uttar Pradesh	0.0102	64.56	0.0122	63.87	0.0163	63.18	0.0285	76.00
West Bengal	0.0168	106.33	0.0208	108.90	0.0230	89.15	0.0310	82.67
Total (All-State Average	0.0158	100.00	0.0191	100.00	0.0258	100.00	0.0375	100.00

NOTE: T stands for ST revenue and Y for State Domestic Product, both at current prices.

in the second half, as already noted, it went down further to 83.

2. Underlying Factors

(a) *Economic decline.* The decline in tax effort is in a way a reflection of the economic decline of West Bengal in the last twenty years.¹ In 1960-61, West Bengal's per capita income (at current prices) was higher than the all-India average (Rs 390 as against the all-India average of Rs 306). In 1981-82, the latest

Table 1.8
*Per Capita Net National Product and Net State Domestic
Product of West Bengal and Their Indices*
1960-61 to 1980-81
(At Current Prices)

(Rupees)

Year	India	West Bengal ¹	Indices; Base 1970-71 = 100	
			India	West Bengal
	(1)	(2)	(3)	(4)
1960-61	305.6	390.0	48.3	61.6
1965-66	425.5	532.0	67.2	84.1
1970-71	632.8	722.4	100.0	114.2
1971-72	660.2	779.4	104.3	123.2
1972-73	711.5	781.2	112.4	123.5
1973-74	870.9	935.3	137.6	147.8
1974-75	1005.9	1080.5	159.0	170.7
1975-76	1024.2	1108.5	161.9	175.2
1976-77	1076.7	1194.4	170.1	188.7
1977-78	1191.4	1265.7	188.3	200.0
1978-79	1251.9	1303.6	197.8	206.0
1979-80	1332.9	1412.6	210.6	223.2
1980-81	1571.4	1553.4	248.3	245.5
1981-82	1749.5	1594.7	276.5	252.0

SOURCES: 1. Government of India, *Economic Survey, 1983.*

2. Government of West Bengal, *Economic Review, 1982-83*
(Statistical Appendix).

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year for which estimates of national and State incomes are available, West Bengal's per capita income stood at Rs 1595 as compared to the national average of Rs 1750. In per capita income at current prices West Bengal started trailing behind the national average from 1975-76 (Table 1.8). Taking 1970-71 as the base, the index of West Bengal's per capita income moved from 54 in 1960-61 to 221 in 1981-82 while the index of the national average increased from 48 to 277. The index fell behind the all-India average around 1972-73.

In real terms, the per capita income of West Bengal has stagnated in the last twenty years. At 1960-61 prices, it was Rs 383 in 1960-61, Rs 375 in 1970-71 and Rs 396 in 1980-81 (Table 1.9). With 1960-61 as the base the index of per capita income in West Bengal stood at 98 in 1970-71 and 103 in 1980-81. During the same period the index of per capita income for India as a whole moved up to 113 in 1970-71 and 125 in 1980-81. During the twenty years 1960-61 to 1980-81 West Bengal has recorded the lowest growth rate of per capita income barring Madhya Pradesh and Rajasthan. In 1960-61 West Bengal's per capita income was the highest among the States next to Maharashtra. In 1980-81, the State's rank in terms of per capita income slid down to fifth place. According to quick estimates for 1981-82, the per capita income of West Bengal registered a decline as compared to the end of 1980-81.² In the case of some States like Kerala, the taxable capacity has been augmented substantially by remittances from outside and this in some cases compensated for low growth of the SDP. This does not seem to have occurred in West Bengal.

West Bengal's share in the GNP of India declined during the 70s from 8.62 per cent in 1970-71 to 8.11 per cent in 1980-81 and further to 7.96 per cent in 1981-82. The sector-wise distribution of the State's share in the country's GNP is given in Table 1.10.

Structurally, West Bengal's economy does not seem to have undergone the change noticeable for the country as a whole. The proportion of the secondary sector, that is, manufacturing in West Bengal which was about 22.6 per cent in 1970-71 stood at almost the same level in 1980-81. The share of the tertiary sector increased marginally while that of the primary sector

Table 1.9
*Per Capita SDP in Constant (1960-61) Prices in
 Major States*

(Rupees)

State	1960-61	1970-71	Index*	1980-81	Index*
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	273.24	306.95	112.34	341.33	124.92
Bihar	204.10	219.15	107.37	243.76	119.43
Gujarat	357.68	426.67	119.29	445.11	124.44
Haryana	327.00	435.39	133.15	523.68	160.15
Karnataka	236.92	308.88	130.37	287.77	121.46
Kerala	255.69	293.13	114.64	306.30	119.79
Madhya Pradesh	257.01	256.64	99.86	259.58	101.00
Maharashtra	403.86	422.38	104.59	530.06	131.25
Orissa	213.12	261.56	122.73	285.09	133.77
Punjab	366.00	465.32	127.14	594.31	162.38
Rajasthan	277.34	350.07	126.22	228.80	82.50
Tamil Nadu	330.09	339.33	102.80	360.97	109.36
Uttar Pradesh	249.88	267.03	106.86	282.54	113.07
West Bengal	383.38	375.29	97.89	395.76	103.23
All India	305.60	346.08	113.25	383.04	125.34

NOTE: *With 1960-61=100.

SOURCE: For SDP, *Indian Economic Statistics, (Public Finance)*; for National Income, *National Account Statistics*.

Table 1.10
West Bengal's Share in Gross National Product

(Per cent)

	1970-71	1980-81	1981-82
	(1)	(2)	(3)
1. Primary sector	8.03	8.71	7.84
2. Secondary sector	9.44	3.39	9.20
3. Tertiary sector	9.01	7.26	7.39
4. Total	8.62	8.11	7.96

SOURCE: Government of West Bengal, *Economic Review 1981-82* (Statistical Appendix).

registered a slight decrease. During the same period the share of the primary sector in the GDP for the nation as a whole has gone down from 48 per cent to 41 per cent while those of the secondary and tertiary sectors have increased from 20.6 per cent to 21.2 per cent and 30.9 per cent to 37 per cent (Table 1.11).

The proportion of persons below the poverty line in West Bengal happens to be one of the highest in the country. Ranked according to percentage of the poor, West Bengal stood fourth, next to Orissa, Tamil Nadu and Madhya Pradesh, in 1972-73 (Table 1.12). There has been a slight improvement during the 70s and according to recent estimates (1977-78), the proportion of the poor has come down a little (from 56.93 per cent to 52.54 per cent). Even so, the proportion is larger in West Bengal than in the country as a whole and it continues to be one of the five poorest States of the country in terms of the proportion of the poor (column 7, Table 1.12).

West Bengal's index of industrial production bears clear evidence of economic stagnation of the State. With 1970 as the base the index of industrial production in West Bengal stood at 120.4 in 1981 (Table 1.13) showing an annual increase of 1.7 per cent, while the all-India index was 164.5 (annual growth rate 4.6 per cent). With the same base, Maharashtra's index of industrial production crossed the 200 mark in 1977.³ With 1963 as the base, the index of industrial production in West Bengal was 101.4 in 1977⁴. During the years 1969 to 1975 the index went below 100. The ex-factory value of industrial output of West Bengal formed nearly 23 per cent of the industrial output of India in 1960-61; in 1978-79, the latest year for which comparable data are available, the proportion was less than 10 per cent. Between 1960 and 1981 the number of registered factories working in West Bengal increased from 4093 to 6548 showing an increase of 2.3 per cent per annum while average daily employment in these factories increased from 704,000 in 1960 to 895,000 in 1981 or by 1.1 per cent annually.⁵ Of the 2844 industrial licences issued in India from 1976 to 1981, only 206 or a little over 7 per cent were accounted for by West Bengal, whereas Maharashtra's share came to 726 or over 25 per cent (Table 1.14). Consumption of electricity in West

Table 1.11
Sector-wise Distribution of Gross National Product and State Domestic Product of West Bengal
(1970-71, 1975-76 and 1980-81)
(At 1970-71 Prices)
(Rs crore)

Year	Gross Domestic Product			State Domestic Product (West Bengal)				
	Primary sector	Secondary sector	Tertiary sector	Total	Primary sector	Secondary sector	Tertiary sector	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1970-71	17802 (48.46)	7594 (20.67)	11340 (30.87)	36736 (100.00)	1429 (45.11)	717 (22.63)	1022 (32.26)	3168 (100.00)
1975-76	19829 (46.48)	8732 (20.48)	14101 (33.05)	42662 (100.00)	1655 (45.26)	800 (21.88)	1202 (32.87)	3657 (100.00)
1980-81	20999 (41.43)	11055 (21.81)	18628 (36.75)	50682 (100.00)	1828 (44.49)	928 (22.59)	1352 (32.91)	4108 (100.00)

NOTE: Figures within parentheses denote percentages of total.

SOURCES: 1. For GDP figure, Central Statistical Organisation, *National Accounts Statistics*, various issues.
 2. For SDP figure, Government of West Bengal.

Table 1.12
Number and Percentage of Population below Poverty Line in Different States

State	1972-73			1977-78		
	Number (lakh)	Percentage	Rank*	Number (lakh)	Percentage	Rank*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	245.60	54.94	6	206.79	42.18	13
Assam	73.90	46.95	11	95.41	51.10	7
Bihar	317.10	54.54	7	371.38	57.49	4
Gujarat	113.50	41.08	13	121.32	39.04	14
Haryana	24.00	23.10	18	20.05	24.84	19
Himachal Pradesh	5.40	15.13	21	10.88	27.23	18
Jammu and Kashmir	18.80	39.00	15	18.92	34.06	15
Karnataka	153.30	50.54	9	162.72	48.34	9
Kerala	125.60	56.91	5	115.61	46.95	12
Madhya Pradesh	254.80	58.60	3	287.33	57.73	3
Maharashtra	248.20	47.72	10	275.41	47.71	11
Manipur	2.80	24.70	17	3.98	29.71	17
Meghalaya	2.00	19.05	20	5.87	48.03	10
Nagaland	Neg.	3.33	22	N.A.		—
Orissa	155.80	68.60	1	169.30	67.40	1
Punjab	29.90	21.51	19	23.08	15.13	21

Rajasthan	123.80	46.01	12	104.91	33.76	16
Tamil Nadu	251.30	59.66	2	237.06	52.12	5
Tripura	6.50	39.88	14	11.54	59.73	2
Uttar Pradesh	479.50	52.77	8	502.20	50.09	8
West Bengal	262.50	56.93	4	275.75	52.54	6
All Union Territories	21.20	30.24	16	17.59	21.69	20
All India (Weighted)	2915.50	51.49	—	3037.10	48.13	—

NOTE: * According to proportion of persons below the poverty line.

SOURCE: Government of India, Planning Commission.

Bengal increased from 2707 mkh in 1960 to 5700 mkh in 1980-81. Starting from about the same level as West Bengal in 1960, Maharashtra's electricity consumption crossed 10000 mkh in 1976-77 (Table 1.15).

Table 1.13
Index of Industrial Production
Base 1970=100

Year	West Bengal	India
	(1)	(2)
1974	104.3	113.2
1975	101.3	119.2
1976	120.1	133.7
1977	121.1	138.3
1978	117.2	147.7
1979	114.8	149.5
1980	117.4	150.6
1981	120.4	164.6

SOURCES: 1. For West Bengal: *Economic Review*, West Bengal, (Statistical Appendix 1981-82), p. 88 and 1981-82, p. 92.

2. For India: *Economic Survey*, 1982-83, pp. 94-95.

Table 1.14
Letters of Intent and Industrial Licences Issued—
West Bengal, Maharashtra, India
(1976-1981)

Year	West Bengal		Maharashtra		India	
	Intent	Licence issued	Intent	Licence issued	Intent	Licence issued
	(1)	(2)	(3)	(4)	(5)	(6)
1976	38	56	128	143	547	662
1977	41	40	135	150	533	518
1978	31	23	100	101	440	348
1979	28	30	105	111	550	365
1980	55	23	175	107	946	475
1981	43	34	144	114	916	476
Total	236	206	777	726	3932	2844

SOURCE: *Economic Review*, 1982-83, West Bengal, Statistical Appendix, p. 96.

Table 1.15
*Electricity Consumption in West Bengal
 and Maharashtra*

(mkh)

Year	West Bengal	Maharashtra
	(1)	(2)
1960-61	2,707.2*	2,720.0
1970-71	4,701.3*	7,650.0
1973-74	5,033.2	8,812.0
1974-75	5,045.0	9,372.0
1975-76	5,518.0*	9,490.0
1976-77	5,830.7*	10,810.0
1977-78	5,730.9*	—
1978-79	5,823.1*	—
1979-80	5,654.3*	—
1980-81	5,699.7*	—

NOTE: *Figures include 28.7, 2.1, 1.1, 1.3, 1.7, 2.1 and 3.2 mkh sold to outside the State.

- SOURCES: 1. For West Bengal: Statistical Abstract, W.B. 1976 and 1977 (Combined) p. 388, & *Economic Review*, W.B., 1982-83 Statistical Appendix, p. 136.
 2. For Maharashtra, *Economic Survey of Maharashtra*, 1977-78.

The number of bank cheques cleared at Bombay was 36,647 in 1970-71 as against Calcutta's 12,995. In 1981-82, the number for Bombay was 72,800 as compared to Calcutta's 22,800. The value of cheques cleared at Bombay was roughly 1.5 times that of Calcutta in 1970-71 (Rs 13,342 crore against Rs 8923 crore); in 1981-82, the value of Bombay's cheques was about 2.6 times that of Calcutta (Rs 68,311 crore against Rs 25,817 crore).⁶

In the fifties and early sixties West Bengal was a leading manufacturing State of the country and accounted for good proportion of the inter-State exportation of commodities. The State has lost its pre-eminence in India's internal trade in the last twenty years as may be seen from the decline in the share of the State in the total realisation from the Central Sales Tax (CST) between 1960 and 1981. In 1960-61, West Bengal accounted for about 27.5 per cent of the total revenue realised

all over India from the CST while sharing only about 12.7 per cent of the total sales tax collections in the country. West Bengal's share in the CST was then the highest among the States. In 1981-82, the share of West Bengal in the total revenue from the CST came down to 11.3 per cent (Table 1.16). From the position of a leading exporting State West Bengal is now depending increasingly on imports. States which have improved their position in inter-State trade during the last 20 years are Gujarat, Karnataka, Andhra Pradesh, Haryana and Punjab.

In sum, all available indicators point to economic stagnation and, in several respects, decline in West Bengal. The decline is evident in many areas of economic activity, especially industry and inter-State commerce and trade. Industrial stagnation is reflected also in the slow-down of structural transformation of the State's economy and of the pace of urbanisation as compared to some of the other States. Thus the potential for taxation in the State, especially ST, seems to have suffered to a greater extent than is perhaps suggested by the income index alone.

(b) *Administrative factors*. The decline in the relative tax effort of the State cannot however be attributed entirely to economic decline. Exercise carried out at the NIPFP shows that even allowing for other factors like degree of urbanisation, apart from per capita income, West Bengal does not compare too well with other States in tax effort (taking all taxes together and sales tax separately) in recent years and ranks below all major States of the Indian Union. Part of the decline in West Bengal's tax effort in ST relatively to other States must be attributed to administrative factors.

The most telling sign of the growing weakness of the ST administration of the State is the virtual collapse of the information system. Even the basic information required for any meaningful study of the sales tax system or for purposes of efficient management is not available. There is no reliable information on the number of dealers assessed to tax from year to year or about the aggregate volume of their turnover. Even the total number of dealers coming under the net of the ST every year is not known. There are figures of the number of dealers registered under the different legislations, e.g., under the

Table 1.16
State-wise Distribution of Aggregate Revenue from Sales Tax and from Central Sales Tax
(Rs crore)

State	Revenue from Central Sales Tax						Percentage share of each State in the total Central Sales Tax Collection				Percentage share of each State in the total Sales Tax Collection*								
	1960-61		1970-71		1981-82		1960-61		1970-71		1981-82		1960-61		1970-71		1981-82		
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
Andhra Pradesh	0.44	3.62	51.00	2.08	2.35	5.31	8.24	5.51	7.51	8.24	5.51	8.24	5.51	7.51	8.24	5.51	7.51	8.24	5.51
Assam	0.03	0.60	—	0.14	0.38	—	1.81	1.51	1.11	—	—	1.81	1.51	1.11	—	—	1.81	1.51	1.11
Bihar	2.68	9.98	64.00	12.67	6.48	6.67	6.78	4.98	4.69	6.67	6.67	6.78	4.98	4.69	6.67	6.67	6.78	4.98	4.69
Gujarat	0.88	12.90	109.49	4.16	8.38	10.70	6.77	8.33	9.07	8.38	10.70	6.77	8.33	9.07	8.38	10.70	6.77	8.33	9.07
Haryana	—	6.73	61.00	—	4.37	6.36	—	2.27	2.99	4.37	6.36	—	2.27	2.99	4.37	6.36	—	2.27	2.99
Himachal Pradesh	—	0.02	0.91	—	0.01	0.09	—	0.05	0.33	0.01	0.09	—	0.05	0.33	0.01	0.09	—	0.05	0.33
Jammu and Kashmir	—	—	—	—	—	—	0.14	0.32	0.40	—	—	0.14	0.32	0.40	—	—	0.14	0.32	0.40
Karnataka	0.63	5.71	50.00	2.98	3.84	5.21	5.23	6.38	6.42	3.84	5.21	5.23	6.38	6.42	3.84	5.21	5.23	6.38	6.42
Kerala	0.83	3.55	21.67	3.92	2.31	2.26	5.80	4.84	5.14	2.31	2.26	5.80	4.84	5.14	2.31	2.26	5.80	4.84	5.14
Madhya Pradesh	1.07	10.64	51.80	5.06	6.91	5.40	4.63	5.35	4.79	6.91	5.40	4.63	5.35	4.79	6.91	5.40	4.63	5.35	4.79
Maharashtra	4.87	37.43	214.61	23.02	24.32	22.36	20.67	20.33	19.10	24.32	22.36	20.67	20.33	19.10	24.32	22.36	20.67	20.33	19.10

Manipur	—	—	—	—	—	—	—	—	—	—	—	0.03	0.04
Meghalaya	—	—	—	—	—	—	—	—	—	—	—	—	0.04
Nagaland	—	—	—	—	—	—	—	—	—	—	—	—	0.04
Orissa	0.48	6.35	25.64	2.27	4.13	2.67	2.02	2.29	1.58	—	—	—	—
Punjab	—	8.82	54.91	—	5.73	5.72	—	4.87	4.26	—	—	—	—
Rajasthan	0.28	3.33	10.72	1.32	2.16	1.95	2.38	3.65	3.97	—	—	—	—
Sikkim	—	—	—	—	—	—	—	—	—	—	—	—	—
Tamil Nadu	2.28	13.79	95.84	10.78	2.96	9.99	12.29	10.58	11.63	—	—	—	—
Tripura	—	—	—	—	—	—	—	—	—	—	—	—	—
Uttar Pradesh	0.88	5.01	38.00	4.16	3.25	3.96	10.96	0.13	8.39	—	—	—	—
West Bengal	5.81	25.25	108.05	27.46	16.40	11.26	12.68	8.67	9.10	—	—	—	—

NOTE: * For the absolute figure of collection from ST, see Table 1.2.

SOURCE: Reserve Bank of India, *Reserve Bank of India Bulletin* (Monthly), relevant issues.

Bengal Finance (Sales Tax) Act, 1941, West Bengal Sales Tax Act, 1954, the Central Sales Tax Act, 1956 and so on. But the same dealer may obtain registration under all. Obviously the total of the number of registrations under each Act cannot provide any clue to the total number of dealers liable to pay the ST in the State. The total turnover of goods subjected to ST is not available either. It is thus not possible to analyse or investigate whether the tax base has grown commensurately with the number of dealers in the State or the volume of their business, much less identify the sources of leakage. No commodity-wise break-up of the turnover could be obtained for any year. A break-up of the revenue realised from commodities taxed at the first point (referred to as "notified commodities") was furnished but no such break-up is available for goods taxed at the last point. One wonders how the revenue effect of changes made in the sales tax rates or structure is estimated or the possible impact of alternative measures considered. In the absence of commodity-wise information no specific study of the extent of possible evasion could be undertaken. An attempt seems to have been made in 1975-76 to collect commodity-wise break-up of sales tax but it was a non-starter, while several other states have made great progress in this direction (e.g., Tamil Nadu).

A progress report is collected from the "charges" (i.e., the Commercial Tax Officers in the field) every month, containing valuable information on various aspects of sales tax assessment and collection. If collated regularly, these could provide a very useful source of information. There seems to be no arrangement at present to compile the information flowing in through the progress reports. An administrative report on the functioning of the ST Department used to be drawn up earlier every year as is done in many States. The practice was discontinued in West Bengal about seven or eight years ago. However, some information was available from the Report of the Study Committee on Sales Tax appointed by the Government of West Bengal in 1978. Some was obtained from the office of the Commissioner and also through a sample survey of assessments undertaken specially for the study. The picture that emerges from piecing together the information available from different sources is presented below.

The essential tasks of a tax administration are, as Prof. R.M.

Bird puts it, three-fold, viz., "to enumerate, evaluate and enforce."⁷ Enumeration in sales taxation consists of identifying all potential taxpayers while evaluation implies determination or assessment of the tax liability and enforcement means the timely realisation of the tax legally due and also bringing offenders to book.

Whether all dealers who are liable to pay the ST are actually registered with the ST authorities in West Bengal is difficult to make out since, as noted, the number of dealers paying ST in the State from year to year is not available. The Report of the Study Committee set up by the Government of West Bengal contains some information in this regard but only for the year 1978 and that too seems to be an approximation. It appears that as of that year there were some 59,714 dealers. Of them, only 8283 were manufacturers.⁸ According to the Economic Census of 1977, the total number of "establishments" in West Bengal was 217,895 of which 79,452 were located in the urban areas⁹ (68,111 in Calutta alone). Even assuming that two-thirds of the "establishments" were small, at least 25,000 manufacturers should have been on the register of the ST authorities in 1978 as against only 8238 found by the Study Committee.

Provisional results of the Economic Census of 1980 show that the total number of "enterprises" in the State in 1980 was a little over 17 lakh of which 6.3 lakh were engaged in non-agricultural activities in urban areas. As of March 31, 1982, the number of small-scale units registered with the Directorate of Cottage and Small Scale Industries was 1,58,680¹⁰. Figures of dealers registered for ST under the principal implementing legislations are set out in Table 1.17. There has been some increase in the number every year and the number of registered dealers has increased from 74,773 in 1970-71 to 1,36,553 in 1982-83. Even so, the number of dealers assessed to ST would appear to be no more than 75,000 in 1982-83.¹¹ While it is difficult to come to any definitive conclusion in this regard without more detailed time series data on the number of dealers paying ST, and also the break-up of the number of enterprises recorded in the Economic Census according to the size of their production or sale, *prima facie* it would appear that there is a wide gap between the number of dealers who should have been on the registers of the ST authorities and those actually registered. The

Table 1.17 (a)
Number of Registered Dealers under Different Acts in West Bengal
(1970-71 to 1982-83)

Year	Total*			B.F. (ST) Act, 1941		
	Number of registered dealers in the beginning of the year	New registration during the year	Total number of registered dealers at the end of the year	Number of registered dealers in the beginning of the year	New registration during the year	Total number of registered dealers at the end of the year
1970-71	74773	2906	77679	43109	1412	44521
1971-72	77679	2185	79864	44521	1161	45682
1972-73	79864	3757	83621	45682	2694	48376
1973-74	83621	4321	87942	48376	2618	50994
1974-75	87942	4688	92630	50994	3055	54049
1975-76	92630	6164	98794	54049	3528	57577
1976-77	98794	6988	105782	57577	3979	61556
1977-78	105782	7866	113648	61556	3173	64729
1978-79	113648	7787	121435	64729	3372	68101
1979-80	121435	6811	128246	68101	3318	71419
1980-81	128246	4110	132356	71419	1797	73216
1981-82	132356	4197	136553	73216	2029	75245
1982-83	136553	2601	139154	75245	2142	77387

NOTES: * Total of all Acts:

BF (ST) Act 1941, W.B.S.T. Act 1954, W.B.S.T. Act 1941, B.R.J. Act 1941, W.B.P.P. Act 1970,
 C.S.T. Act 1956.

Table 1.17 (b)
Number of Registered Dealers under Different Acts in West Bengal
(1970-71 to 1982-83)

Year	W.B.S.T. Act 1954			C.S.T. Act 1956		
	Number of registered dealers in the beginning of the year	New registration during the year	Total number of registered dealers at the end of the year	Number of registered dealers in the beginning of the year	New registration during the year	Total number of registered dealers at the end of the year
1970-71	2496	183	2679	27640	936	28576
1971-72	2679	65	2744	28576	886	29462
1972-73	2744	104	2848	29462	983	30445
1973-74	2848	53	2901	30445	1600	32045
1974-75	2901	137	3038	32045	1540	33585
1975-76	3038	344	3382	33585	2367	35952
1976-77	3382	249	3631	35952	2854	38806
1977-78	3631	2466	6097	38806	2343	41149
1978-79	6097	1707	7804	41149	2663	43812
1979-80	7804	1076	8880	43812	2499	36311
1980-81	8880	609	9489	46311	1729	48040
1981-82	9489	749	10238	48040	1677	49717
1982-83	10238	873	11111	49717	46	49763

SOURCE: Directorate of Commercial Taxes, Government of West Bengal.

increase in the registrations in the 70s also seems to be rather small especially in view of the fact that the exemption limit for registration in terms of gross turnover remained unchanged in West Bengal for many years and is even now quite low (Rs 20,000 for importers, Rs 50,000 for manufacturers and Rs 1,00,000 for others). The decline in the number of new registrations (net of cancellation) seems to be particularly marked since 1980-81. The increase in the exemption limit and more careful screening of registrations may have contributed to the slow-down in the number of new registrations. But these factors alone do not adequately explain the drop in the new registrations for the first-point tax (which is levied under the West Bengal Sales Tax Act, 1954) especially since a large number of items have been notified for first-point taxation in recent years. It seems not all dealers who ought to pay ST are on the register of the ST Department, and many apparently get away without being detected.

As regards assessments, the number of assessment cases pending at the beginning of the year, number initiated and the number disposed of annually since 1971-72 are given in Table 1.18. Although about 1,00,000 assessments are now completed every year, there has been a steady increase in pendency over the ten years ended 1981-82. The total number of cases pending for assessment which was a little over 1,10,800 at the beginning of the financial year 1971-72 went up to about 1,60,000 at the beginning of 1980-81. The pendency increased sharply to about 2,13,600 at the beginning of 1981-82. Only about 36-40 per cent of the cases pending for disposal in a year are completed in the year (column 6 of Table 1.18). Under the system prevailing in West Bengal, registered dealers are generally required to file returns every quarter and for notified commodities every month (annual returns are allowed to be filed only where the taxable turnover falls to less than 10 per cent of the gross turnover). Separate returns have to be filed for commodities taxable under the first-point and for those taxable at the last-point as well as for sales taxable under the Central Sales Tax, i.e., under each of the four legislations which are in force for implementing the ST in the State. Separate assessments are made for determining the tax payable under each Act. Thus, in many cases there is more than one file (each representing one assessment case) for every dealer on an average. This, together with the fact that assess-

Table 1.18
Pendency of Cases under the ST Acts and Assessments Completed
 (1971-72 to 1981-82)

Year	Number of assessment cases pending at the beginning of the year	Number of assessment cases initiated during the year	Total number of cases for disposal	Number of assessment cases completed during the year	Number of assessment cases pending at the end of the year	Disposal as per cent of cases for assessment [column (4) as per cent of column (3)]
	(1)	(2)	(3)	(4)	(5)	(6)
1971-72	110814	74929	185743	70066	115677	37.72
1972-73	115677	105896	221573	86357	135216	38.97
1973-74	135216	84954	220170	88015	132155	39.98
1974-75	132155	80535	212690	91425	121265	42.99
1975-76	121265	109604	230869	102711	128158	44.49
1976-77	128158	107412	235570	93902	141668	39.86
1977-78	141668	93001	234669	92429	142240	39.39
1978-79	142240	106237	248477	92861	155616	37.37
1979-80	155616	—	—	—	159964	—
1980-81*	159964	101533	261497	90444	171053	34.59
1981-82*	213559**	97725	311284	111259	200025	35.74

NOTES: *Provisional.

**This figure does not tally with the number of assessments pending at the end of 1980-81. The reasons for the discrepancy are not clear.

SOURCE: Government of West Bengal, Directorate of Commercial Taxes, *Monthly Progress Report*.

ment of less than 40 per cent of the pending cases is completed in a year has resulted in the steady accumulation of arrears over the years. Consequently the volume of backlog of assessment work has nearly doubled in the course of the ten years since 1971-72.

The sample survey of sales tax assessments carried out for this study revealed that at present sales tax assessments are made almost invariably after two years from the end of a given financial year (Table 1.19). It seems that the assessing staff are engaged mostly in completing the time-barring cases and cases are taken up long after the year to which the sales pertain has ended. It is, therefore, not surprising that the arrears of assessment have multiplied and go on mounting. Reasons underlying this unhappy situation are perhaps manifold and complex and are not gone into here. It hardly needs pointing out that such delay in assessments especially in sales tax is most undesirable as it jeopardises the possibility of detection of evaders or dealers trying to evade by producing false declarations from registered dealers. Whether the present practice of carrying out an elaborate assessment in every case and under every Act and that too only in the last year in which the case remains open is rewarding in terms of revenue is difficult to judge without a thorough investigation about the final outcome of the assessments where substantial additions are made to the return figures. From the number of appeals filed before the appellate authorities, it appears that on an average, around 10 per cent of the assessments are appealed against every year (Table 1.20). About 25-30 per cent of the appeals are also either rejected or confirmed (Table 1.21). But the amount of demand raised on assessments forms a small proportion of the total collection from sales tax. In 1980-81 out of a total collection of about Rs 300 crore only Rs 27 crore was collected out of demand raised in assessments, forming less than 10 per cent of the total collections (Table 1.22). The proportion of sales tax collection out of demand raised through assessments to the total sales tax collection was even smaller in the earlier years. The bulk of the revenue from the sales tax in the State thus accrues through payments made by dealers on their own. While this is not peculiar to West Bengal (the bulk of the income tax collection also comes from advance tax payments or tax deducted ta

Table 1.19
*Time-Lag in Sales Tax Assessments**

(Number)

<i>Dealer Group</i>	<i>Delay of ½-1 year</i>	<i>Delay of 1-2 years</i>	<i>Delay more than two years</i>	<i>Informa- tion not available</i>	<i>Total</i>
(1)	(2)	(3)	(4)	(5)	(6)
I. Big Dealers (Dealers paying Rs 10 lakh as ST in a year)	—	1	123	13	137
II. Medium Dealers (Dealers paying Rs 1-10 lakh as ST in a year)	3	7	105	19	134
III. Small Dealers (Dealers paying Rs 25,000 to 1 lakh in a year)	8	12	77	7	104
TOTAL	11	20	305	39	375

NOTE: *Under all the implementing Acts.

SOURCE: Sample Survey by NIPFP.

Table 1.20
*Proportion of Contested Assessments to Total Number
of Assessments Completed*

<i>Year</i>	<i>Number of assess- ment cases com- pleted during the year</i>	<i>Number of appeal cases started during the year</i>	<i>Column (2) as per cent of column (1)</i>
	(1)	(2)	(3)
1973-74	88015	9528	10.83
1974-75	91425	9485	10.37
1975-76	102711	10546	10.27
1976-77	93902	12367	13.17
1977-78	92429	10085	10.91
1978-79	92861	9671	10.41
1980-81	90444	9704	10.73

SOURCE: Government of West Bengal, Directorate of Commercial Taxes.

source), the growing volume of pending assessments and the large time-lag in the completion of the assessments bear clear evidence of growing weakness of the sales tax administration in the State in this matter of assessment.

The task of enforcement is shared by the assessing officers with a separate agency of the sales tax administration, namely, the Bureau of Investigation. The Bureau was created in 1973 under a special provision in the law and is staffed by officers drawn from the ST Department as also from the police. The Bureau collects intelligence and carries out raids to detect evasion. The number of cases detected and the concealed turnover along with estimated amount of tax thereon are shown in Table 1.23. On an average, the Bureau detects about 40-50 cases of evasion in a year. The tax involved per case on an average came to Rs 1.72 lakh in 1981-82 and Rs 1.38 lakh in 1982-83. Considering that the assessing officers do not have the time or resources to undertake intensive investigation, having to deal with a large number of cases, the Bureau seems to play an important role in checking evasion and enforcing the sales tax. Whether, at present, the scale of activity of the Bureau and its supporting staff are adequate and coordination with assessing officer and follow-up are satisfactory, however, call for careful examination and will be attempted in the final report. Suffice to note here that there is considerable scope for improvement especially in the matter of follow-up.

The position of arrears of tax again seems to be deteriorating. The amount of arrears of demands outstanding under all Acts has gone up from Rs 35 crore at the beginning of 1970-71 to Rs 163 crore in 1980-81 (Table 1.24). The total amount of tax collected in a year and the reductions allowed on appeals and revisions and the amount written off as a proportion of total amount due for collection forms only about 15 to 17 per cent in a year (column 8 of Table 1.24). Only in 2 out of the 10 years between 1970-71 and 1980-81 the proportion touched 20 per cent. Naturally the arrears outstanding go on mounting.

The cost of collection of sales tax in West Bengal is currently less than 1 per cent (Table 1.25). The collection cost of sales tax in West Bengal seems to be lower than that of most States (Table 1.26). However, the cost of collection has to be judged against the efficiency in the matter of assessment and enforce-

Table 1.21
Number of Cases for Appeals, Revisions and Review and Cases Disposed of
(1973-74 to 1980-81)

Year	Number of cases for disposal			Number of cases disposed of				Total	Balance
	Outstanding balance at the beginning of the year	Cases added during the year	Total [column (1) + column (2)]	Confirmed or rejected	Modified	Remanded	Others		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1973-74	5390	9528	14918	2581 (30.79)	3067 (36.59)	2735 (32.63)	—	8383 (100.00)	6535
1974-75	6535	9485	16020	2392 (33.81)	2675 (37.81)	2007 (28.37)	—	7074 (100.00)	8946
1975-76	8946	10546	19492	3219 (30.82)	4173 (39.96)	3051 (29.22)	—	10443 (100.00)	9049
1976-77	9049	12367	21416	1958 (28.57)	3044 (44.42)	1851 (27.01)	—	6853 (100.00)	14563
1977-78	14563	10086	24649	2468 (32.47)	2973 (39.12)	2159 (28.41)	—	7600 (100.00)	17049

1978-79	17049	9671	26720	1169 (23.19)	1696 (33.64)	1226 (24.32)	951 (18.56)	5042 (100.00)	21678
1979-80	21678	8488	30166	1484 (24.34)	1916 (31.42)	1475 (24.19)	1223 (20.26)	6098 (100.00)	24068
1981-82	24068	9704	33772	1838 (25.40)	2097 (28.97)	1696 (23.43)	1607 (22.20)	7238 (100.00)	26534

NOTE: Figures within parentheses denote percentages of the total.

SOURCE: Government of West Bengal, Directorate of Commercial Taxes.

Table 1.22
*Sales Tax Collections out of Demand Raised by Assessment
as Proportion of Total Sales Tax Collection*

Year	<i>Sales tax collection out of demand raised by assessment</i>	<i>Total sales tax collection</i>	<i>Column (1) as per cent of column (2)</i>
	(Rs lakh)	(Rs lakh)	
	(1)	(2)	(3)
1970-71	455	6793	6.70
1971-72	456	7418	6.15
1972-73	556	9124	6.09
1973-74	604	10169	5.94
1974-75	716	12507	5.72
1975-76	833	15912	5.24
1976-77	1113	18247	6.10
1977-78	1398	19802	7.06
1978-79	1283	23720	5.41
1979-80	2308	28107	8.21
1980-81	2734	29955	9.13

SOURCE; Government of West Bengal, Directorate of Commercial Taxes.

Table 1.23
*Evasion Cases Detected by Bureau of Investigation—Number,
Concealed Turnover and Estimated Tax*

('000)

Year	<i>Number of cases detected</i>	<i>Fictitious claims for exemption detected</i>	<i>Amount of concealed turnover detected</i>	<i>Tax involv- ed (total)</i>	<i>Tax involv- ed per case [Col. (4)÷ Col. (1)]</i>
	(1)	(2)	(3)	(4)	(5)
1972-76	251	103028	22612	7392	29.45
1976-77	154	8926	14061	1233	8.01
1977-78	50	1757	20436	1425	28.50
1978-79	25	1550	19954	1629	65.16
1979-80	35	7218	20036	1552	44.34
1980-81	30	86	29797	1311	43.70
1981-82	45	33151	34218	7735	171.89
1982-83	54	20146	38792	7462	138.19

SOURCE: Government of West Bengal, Bureau of Investigation, Department of Commercial Taxes.

Table 1.24
*Demand and Arrears of Sales Tax in West Bengal (1970-71 to 1980-81)**

Year	(Rs '000)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Outstanding demand for collection at the beginning of the year	Current demand raised during the year	Total demand for collection	Amount collected during the year	Amount reduced on appeal, revision, written off, etc.	Total of cols. (4) and (5)	Demand outstanding at the end of the year - column (3) - column (6)	Column (6) as per cent of column (3)
1970-71	353211	128153	481364	45473	51868	94341	384023	20.22
1971-72	384023	137910	521933	45597	33566	79163	442770	15.17
1972-73	442770	216300	659070	55626	53927	109553	549517	16.62
1973-74	549517	265132	814649	60447	75442	135889	678760	16.68
1974-75	678760	255706	934466	71593	67808	139401	795065	14.92
1975-76	795065	279478	1074543	83300	57691	140991	933552	13.12
1976-77	933552	245335	1178887	111324	54139	165463	1013424	14.04
1977-78	1013424	313740	1327164	139845	95990	235835	1091329	17.77
1978-79	1091329	292030	1483359	128261	86335	214596	1268763	14.47
1979-80	1268763	481080	1749843	230838	120830	351660	1398183	20.09
1980-81	1398183	556836	1955019	273443	151253	324686	1630333	16.61

NOTE: *Under all the implementing legislations.

SOURCE: Government of West Bengal, Directorate of Commercial Taxes.

Table 1.25
Cost of Collection of Sales Tax in West Bengal

(Rs lakh)

<i>Year</i>	<i>Total sales tax collection</i>	<i>Cost of collection of ST</i>	<i>Cost of collection as per cent of tax collection</i>
	(1)	(2)	(3)
1970-71	6793	70.26	1.03
1971-72	7418	91.38	1.23
1972-73	9124	86.45	0.95
1973-74	10169	95.06	9.93
1974-75	12507	112.68	0.90
1975-76	15912	118.81	0.75
1976-77	18247	136.84	0.75
1977-78	19802	159.46	0.80
1978-79	23720	193.28	0.81
1979-80	28107	209.91	0.74
1980-81	29995	263.92	0.88
1981-82 (RE)	38725	320.36	0.82
1982-83 (RE)	42700	415.10	0.97

SOURCES: 1. For collection figures, *Reserve Bank of India Bulletin*.

2. For cost of collection figures—Government of West Bengal, Directorate of Commercial Taxes.

Table 1.26
Inter-State Comparison of Cost of Collection of Sales Tax (1980-81)

(Per cent)

<i>State/U.T.</i>	<i>Ratio of expenditure to revenue</i>
Andhra Pradesh	2.37
Assam	3.12
Bihar	1.53
Delhi	0.90
Goa, Daman & Diu	0.89
Gujarat	1.24
Haryana	2.06
Himachal Pradesh	0.13
Karnataka	1.41

Kerala*	1.74
Madhya Pradesh	1.99
Maharashtra	1.01
Orissa	2.46
Pondicherry	2.22
Punjab	1.49
Rajasthan	1.93
Tamil Nadu	1.46
Uttar Pradesh	2.37
West Bengal	0.88

NOTES: 1. *For the year 1979-80.

2. In 1981-82, the ratio for Delhi was 0.80.

SOURCES: Calculation based on data obtained from:

- (1) State Government budgets,
- (2) Commissioner of Sales Tax, Delhi.

ment of the tax. The review of assessment and arrear position and the progress of registrations presented here does not bring out a very comfortable picture. All available indicators point to a decline in the tax effort of the State in sales tax as also a steady deterioration in administration. This may be due partly to complications in the system of taxation, that is, the structure of the tax, (character of the base, point of levy, etc.) and the procedure of assessment and partly to deficiencies or inadequacies of the administrative organisation. An attempt is made to identify the areas of weakness and source of complexity in the structure of the tax, and also deficiencies of the procedural law in the following chapter.

NOTES AND REFERENCES

1. It may be argued that tax effort comparison based on the tax-income ratio allows for variations in taxable capacity as evidence by differences in the income levels of respective States. This is based on the assumption that taxable capacity is determined by income alone and varies proportionately with income. Both these assumptions are questionable. It is therefore necessary to look at other indicators which also may have a significant bearing on a State's taxable capacity but cannot be easily quantified.
2. At 1970-71 prices, West Bengal's per capita income in 1981-82 is estimated at Rs 720 as against Rs 761 in 1980-81 (Ministry of

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- Finance, Government of India, *Economic Statistics, Public Finance, 1983*).
3. Government of Maharashtra, *Economic Survey of Maharashtra, 1977-78*.
 4. Government of West Bengal, *Bureau of Applied Economic & Statistics, Statistical Abstract 1976 and 1977, Table 17.9*.
 5. Government of West Bengal, *Economic Review 1982-83* (Statistical Appendix).
 6. *Ibid.*
 7. "Income tax Reform in Developing Countries: The Administrative Dimension" by R.M. Bird (Paper presented at the International Conference on Taxation and Development at Paris in September, 1982).
 8. Report of the Sales Tax Study Committee, West Bengal 1979, Table 1, p. 69.
 9. An "establishment" was defined as a unit or household engaged in non-agricultural enterprise with the assistance of at least one hired worker on a fairly regular basis.
 10. Government of West Bengal, *Economic Review 1982-83, Statistical Appendix, Table 6.21*.
 11. This figure is derived as follows:
The total number of dealers registered under the different ST Acts in 1982-83 was 1,39,154. In 1977-78, the figure was 1,13,748. The actual number of dealers subjected to sales tax in 1978 as reported by the Study Committee, was 59,714. This formed 52.5 per cent of the number of registered dealers as of 1977-78. Applying the same proportion to the number of registrations, the number of dealers in 1982-83 comes to 73,056.