

**Foundation for Public Economics and Policy Research
New Delhi-110052**

Annual Report of the Year 2013-14

During the year 2013-14, the Institute has undertaken research studies, contributed to policy-making through its research and publications on VAT and goods and services tax (GST). These are listed below:

A. Research Studies Completed

Reorganizing Tax Department for VAT Administration: A Study of North-Eastern States

The introduction of state-VAT has been one of the most remarkable achievements in the arena of States' tax reforms. This has helped the States to rationalize the then existing sales taxes in the States. In spite of this landmark switchover to VAT, the organizational and procedural reforms of State taxes have not kept pace with the new VAT set up. More remains to be done. More importantly, the organizational set up for tax administration and operations of VAT have not been rationalized with respect to administrative costs of the Department as well as the costs of collection for the taxpayers. There is scope for improvement in transparency in procedures and delivery of client services. Deficiency in the VAT administration is primarily due to the fact that presently the set up of the Department is focused on the basis of case specialization rather than functional specialization. It is accordingly divided into divisions and circles which are primarily activity units. Also, the individual officer is responsible for all activities related to a dealer. Hence, there is a one-to-one linkage between the officer and the dealer in the system. This study presents a scheme for the re-engineering of the Tax Department on the basis of functions. The overall coverage of the study is confined to two of the North-Eastern States, viz. Assam and Meghalaya - Assam represents a better off State among the other States in the region; and Meghalaya represents a typical North-Eastern State. The study has been sponsored by the Planning Commission.

Revamping State Excise Duty: Issues in Policy and Governance

As a revenue source, State Excise Duty (SED) is the second most important levy after State-VAT. It is levied by the States on production and consumption of spirituous beverages of which alcoholic liquor constitutes an important component. The system of auction or licensing regulates the sale and consumption of alcohol within a stipulated framework. The tax base of SED has narrowed down over the years. Keeping this in view, this study aims at analyzing the revenue productivity, structure rationality and administrative expediency of the tax. Also, it presents policy imperatives for reforms. With a view to analyzing the issues in governance of this tax

under a broader framework, this study covers a sample of two States, viz. Maharashtra and Rajasthan. Maharashtra is selected as one among the few States showing a better performance in terms of introducing reforms in tax policies and administration. Rajasthan is drawn from the group of States that need to carry out further reforms. The study is sponsored by the ICSSR.

Preparation of the Fourteenth Finance Commission Memorandum for the Government of Meghalaya

This study is an attempt to bring together all the aspects of public finance in the State of Meghalaya. It was undertaken to prepare a State Memorandum on behalf of the Government of Meghalaya for onward submission to the Fourteenth Finance Commission. It included all aspects of tax and non-tax revenue, State expenditure, public debt etc. for the past, current and projected period. The overall work was submitted in five different volumes, viz. Memorandum to the Fourteenth Finance Commission; Financial Position of the State (State Formats); Subsidiary Points (Notes on Topics- State); Memorandum and Subsidiary Points on Local Bodies; and Up-gradation Grant, Special Problems and Specific Needs of the State. The study was sponsored by the Government of Meghalaya.

B. Publications and Articles by the Staff Members of FPEPR

In addition to various lectures, radio talks etc. given by the faculty of FPEPR, the following publications have been brought out in the year 2013-14:

Dr. Mahesh C Purohit, Director, FPEPR.

Articles

“TIP for Checking Evasion under GST”, *the Financial Express*, March 10, 2014

“Taxing Petrol Efficiently”, *the Financial Express*, February 21, 2014

“Getting GST off the Ground”, *the Financial Express*, December 5, 2013

“GST Back on the Right Track”, *the Financial Express*, May 29, 2013

“Optional GST Model Has No Merit”, *the Financial Express*, April 18, 2013

Inaugural Address, Seminars etc.

Inaugural address entitled “Tax Reforms in India with Reference to Introduction of Goods and Services Tax (GST)” given at ECOVERVE’14- the Annual Festival of Students, Moti Lal Nehru College, University of Delhi, on 25th February 2014.

Participated in the meeting held by the Chairman of the Empowered Committee of State Finance Ministers with the representatives of National level Federations/Chambers of Commerce and Industry, and some leading Consulting firms at Delhi Secretariat, New Delhi, on 7th June 2013.

Presented paper on “Issues Relating to Value Added Tax/Goods and Services Tax” at the *Conference on Taxation Policies and Development: Challenges and Emerging Opportunity* organized by the Centre for Budget and Governance

Accountability (CBGA) at India Habitat Centre, Lodhi Road, New Delhi, on 25th November 2013.

Participated in the National Seminar on Service Tax organized by ASSOCHAM at Hotel Lalit, New Delhi, on 18th July 2013.

Lectures

Two Lectures delivered on “General Concept of Public Finance Management” for e-Governance training for Vietnamese Officers (sponsored by the Government of Vietnam) at the Indian Institute of Public Administration, New Delhi, on 24th December 2013.

Lecture on “Issues in Design and Implementation of GST” at the Advanced Professional Programme in Public Administration (APPPA) held at the Indian Institute of Public Administration, New Delhi, on 2nd December 2013.

Participation as a Member of Committees etc.

Worked during the year as a member of the following Committees/ Boards:

1. Governing Board of the Institute of Development Studies, Rajasthan, Jaipur;
2. Indirect Taxation Committee, PHD Chamber of Commerce and Industry, New Delhi;
3. Research Advisory Committee of the School of Social Sciences, Jaipur National University, Jaipur;
4. GST Implementation Committee, Government of Bihar, Patna;
5. Member, Governing Body, Gulati Institute of Finance and Taxation, Thiruvananthapuram, Kerala

Dr. KBL Mathur, Honorary Professor, FPEPR

Apart from activities and meetings attended as member Board of Governance, ACCMAN Management Institute, Gr. Noida, and Member, Finance Committee, GGS IP University, Dwarka, New Delhi, the following are some of the academic activities during the year:

1. Lecture at IBS Management Institute Gurgaon, on ‘Management Of Indian Economy: Some Macroeconomic Challenges’, on Nov,13,2013.
2. Lecture cum presentation , in APPPA course at IIPA for the Middle level Civil Service Officers, on ‘Macroeconomic Issues in Fiscal Management’, on Jan,3, 2014.
3. Key Note address at a Conference held on Jan,24,2014, on ‘Corporate Landscape’ organized by the Group of Senior CAs and CEOs, on ‘Indian Economy: Macroeconomic Issues and Challenges’.

4. Review of a book on “Before and After Global Crisis” by Prof . T T Ram Mohan, Prof .of Finance at the IIM Ahmedabad, published in ‘Vikalpa’, Jan-March, 2014 issue, a quarterly magazine of IIM Ahmedabad.

Dr Gautam Naresh, Honorary Professor, FPEPR

In addition to lectures addressed at various places, Dr Gautam Naresh’s contributions during the year are as follows:

1. Worked as a part-time consultant - Revenue Administration Expert (Property Tax) – for the Project on “ADB TA 8203-IND: West Bengal Development Finance Program (WBDFP)-I” during 2013-14;
2. Worked as a Member of the Project Advisory Committee (PAC) for Guiding and Monitoring the State/Agency for the “Study to Assess the Actual Status of Devolution to PRIs”, the Ministry of Panchayati Raj, Government of India, May - July, 2013;
3. Contributed a chapter on “International Practices in Organization and Procedures” in the Study on “Reorganizing Tax Department for VAT Administration: A Study of North Eastern States” carried out by the FPEPR. The study was sponsored by the Planning Commission of India (2013);
4. Contributed to the preparation of “The Memorandum of the Government of Meghalaya for Submission to the Fourteenth Finance Commission” - an assignment taken by the FPEPR.

Dr. D. N Rao, Honorary Professor, FPEPR

Served as Member, Editorial Committee, International Journal of Education, Economics and Development (IJEED), Inderscience.

Visit www.inderscience.com/ijeed

Dr. (Mrs) Vishnu Kanta Purohit, Additional Director, FPEPR

Prepared chapters on Value Added Tax, Goods and Services Tax, and State Taxes for the students in Post-Graduate Courses as content writer under the scheme known as “e-PG Pathshala: e-Content Creation for PG Course in Economics”. This is a Project of the UGC on e-Content Development for PG Courses, Ministry of Human Resource Development, Govt. of India, New Delhi.

Mr. M. Shanmugam, Research Associate, FPEPR

Presented a paper on “Estimating a Fiscal Response Function: The case of Debt Sustainability in India” at the *International Conference on Public Finance, Public Economics and Public Policy* organized by the Centre for Training and Research in Public Finance and Policy, Calcutta, held on December 5-6, 2013.

Dr. Reena Gupta, Research Associate, FPEPR

Presented a paper on “Urban Co-operative Banks and Data Envelopment Analysis with Special Reference to Western Uttar Pradesh” at *50th Annual Conference of The Indian Econometric Society* organized by Indira Gandhi Institute of Development Research, Mumbai, held on December 22-24, 2013.

Ms. Reena Kumari, Research Associate at FPEPR

Presented a paper on “Economic and Social Disparity in Bihar-A Comparison with Other Regions in India” at the *Annual conference of Indian Association for Research in National Income and Wealth* organized by the Central Statistical Organization (CSO), at Mahatma Gandhi Labour Institute, Ahmedabad, on 6th and 7th March, 2014.

C. Projects at Hand

FPEPR is currently engaged in conducting research on the following studies:

1. ICT, Economic Development and Poverty Alleviation

The study presents an analysis of the role of ICT in economic development and poverty alleviation. It refers to an earlier work done - the study of E-commerce and Economic Development – which was sponsored by the South Asia Network of Economic Research Institutes (SANEI), and encompasses the role of ICT in areas such as agriculture, rural development, industry, health, governance, digital divide etc. in addition to e-commerce. The study aims at presenting case studies in areas exhibiting variations in economic development in India. The study is sponsored by the FPEPR, New Delhi.

2. VAT and GST in India

Value Added Tax (VAT) has emerged as one of the most important fiscal innovation of the present century. More than 164 countries have already introduced this tax. India has also adopted CenVAT at the federal level and StateVAT at the sub-national level. However, owing to dichotomy in division of tax powers, India has not been able to introduce Europe-style VAT. With a view to introducing a comprehensive VAT after removing the dichotomy of tax powers etc, efforts are now being made to introduce Goods and Services Tax (GST).

In this context, this study is an attempt at presenting evolution of VAT and GST in India. It aims at analysing the rationale of GST and the efforts of the Empowered Committee and Central Government in designing the structure of GST and preparing infrastructure for the smooth operation of GST in India in the times to come. It also includes an analysis of revenue implications of introduction of GST and the procedures for the implementation of GST at both the Centre and at the State Level. The study recommends policy imperatives for having a rational structure and cost effective operations of GST.

C. Projects in the Pipeline

The following studies are in pipeline:

1. Rationalizing Tobacco Taxation under GST Regime

Today, smoking has become a very common habit all over the world. The annual deaths attributable to tobacco will rise from about 5 million in 2010 to more than 10 million within a few decades. India's tobacco use pattern is unique and reflects the existence of ancient cultural practices. Further, quitting smoking is still uncommon and less than 2% of adults identify themselves as ex-smokers. It is estimated that in 2010, India had about 120 million smokers over the age of 15. Of these, 100 million were men. Approximately 10% of the world's tobacco smokers live in India and they form the second largest group of smokers in the world after China. In addition, about 170 million adults (of which 27 million are female) chew tobacco. Keeping this in view, the proposed study aims at analyzing the fiscal significance of revenue from cigarette, *bidi*, and other tobacco products both in the Central and State budgets; analyzing the trend in tobacco consumption; presenting in details the proposed design of GST with reference to tobacco taxation under different scenarios; and recommending the design of tobacco tax under GST along with its revenue implications. This study is likely to be sponsored by an international organization known as *Campaign for Tobacco-Free Kids*, based in Washington D.C. (USA).

D. Future Programme

Training Programmes on GST Policy and Administration

Honorable members were informed during the last meeting that the zeal for the introduction of GST has dampened down considerably during recent months. Hence, it is proposed to drop the training programme on GST for a while. Hence, no training programme was planned this year. However, the decision to hold the programme would be reviewed soon depending upon the progress on the GST front.

Publication Plans

The FPEPR proposes to bring out the following publications during the year subject to the availability of resources and time:

- a. *Road User Taxes in India: Issues in Policy and Governance* - The FPEPR has received the consent for publishing the study from the Planning

Commission.

- b. One of the studies of the FPEPR entitled *Tax Reforms in India*, completed in 2010, is likely to be released by Oxford University Press, New Delhi, in June 2014 as *Oxford Handbook of Tax System in India: An Analysis of Tax Policy and Governance*.