

Foundation for Public Economics and Policy Research

New Delhi – 110052

Annual Report of the Year-2014-15

During the year 2014-15, the Institute has undertaken research studies, and contributed to policy making through its lectures, research publications and other activities, given below:

A. Research Studies Completed

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

A final Report after incorporating comments from the referee was submitted. 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 was sponsored by the Planning Commission.

B. Projects at Hand

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

Measuring Performance of State-VAT: Lessons for the Governance of State-GST:

This is a follow-up of the sample study attempted in the past by the FPEPR to measure performance of state VAT. The present study covers 17 major States from non-special category States. The States are classified into high income, middle income and low income States for a detailed analysis of performance of State-VAT to draw lessons for the administration of the proposed GST. In drawing lessons for the administration of GST, this study selects five states (*viz.* Karnataka, Maharashtra, Bihar, Madhya Pradesh and Uttar Pradesh). Karnataka and Maharashtra are taken as the States that factor for good performance, way ahead of other States and has made some reforms in policies and administration of the tax. Bihar, Madhya Pradesh and Uttar Pradesh are drawn from the group of States that need to carry out further reforms in administration of this tax. This is an experimental study of performance of

VAT based on certain data on its operation. However, the variables selected for the study are constrained by the availability of data. This study is sponsored by the FPEPR.

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.

VAT and GST in India

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 study is in pipeline:

Stamp Duty and Registration Fee in Indian States: *Case for Reforms in Policy and Administration*

Stamp duty and registration fee (SD&RF) are two components of a tax on regulation of transactions of instruments related to property. Under Article 268 of the Indian Constitution, the power to levy SD is distributed between the Union and the State Governments but the revenue is collected and retained by the States.

The Union Government is empowered to legislate rate of SD on most of the documents that are normally executed in the course of transactions in banking, industry, trade and commerce and the States have the exclusive powers to fix rates

of SD for all other documents, viz. conveyance deed, gift, exchange, mortgage, lease, bond, award, settlement, trust, partition etc.

Administrative powers of SD have been vested in both the Centre and State Governments but Parliament has overriding powers to bring consistency and uniformity in the administrative provisions of the Stamp Act.

In this context, this study aims at having an in-depth study of the revenue productivity, rationality in structure, and administrative expediency. Finally the study aims at suggesting measures to achieve an efficient and neutral tax system.

Publications and Articles by the Staff Members of FPEPR

In addition to various lectures, radio talk's etc.given by the faculty of FPEPR, the following publications have been brought out in the year-2014-15:

Dr. Mahesh C Purohit, Director, FPEPR.

Books

- ◆ *Oxford Handbook of Tax System in India: An Analysis of Tax Policy and Governance*, Oxford University Press, New Delhi; 2014 (Joint author).

Articles

“Taxation of Wheat and Wheat Products : The Issues for GST”, *The Asian Economic Review*, Septemeber2014 Vol.No56 pp97-106

“FM pushes the envelope but execution holds key”, *The Financial Express*, March 1, 2015

“Is there a case for states carrying on with entry tax”, *The Financial Express*, January29, 2015

“Tax Reforms and GST: Challenges for Future Reforms”, *The Yojana*, April 2014 pp 36-39

“Strong administrative structure must precede GST implementation”, *The Financial Express*, January 1, 2015

“The new GST: A halfway house”, *The Financial Express*, December 24, 2014

“27% rate of GST untenable”, *The Financial Express*, November 25, 2014

“Goods and Services Tax and State Revenue: Case Study of Uttar Pradesh”, *The Artha Vijnana*, December2013 volume LV, No.4, pp.353-365.

“Will GST compensation for producing states work?”.*The Financial Express*, September18, 2014

“GST and States’ autonomy”, *The Financial Express*, August 8, 2014

“Not budgeting for GST”, *The Indian Express*, July 16, 2014

“Putting GST back on Track”, *The Financial Express*, June 25, 2014

“Corruption in VAT is the most taxing issue”, *The Business Standard*, May 29, 2014

Lectures

Lecture delivered on “*Taxation on wheat and wheat Products-Economic Implication*” held at the India International Centre, Multi Purpose Hall, Lodi Road, New Delhi for Seminar on Productivity issues and Futures Needs in Flour Milling Industry in India, on 22nd April, 2014.

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:

Lectures, panel discussions, and a book review.

1. Panel discussion at IBS Management Institute Gurgaon, on Corporate Developments in Indian Economy: Some Challenges’, on December 4, 2014.

Dr.Gautam Naresh, Honorary Professor, FPEPR

Contributions of Dr Gautam Naresh, Honorary Professor, FPEPR

1. Delivered two lectures on:

- (1) *The Government Activity, Public Finance and Fiscal Policy*, and
- (2) *System of Inter-governmental Transfers in India*

Chairman for sessions on:

- (1) *Trends and Issues of Public Expenditure in India with Special Reference of Madhya Pradesh* and
- (2) *Fiscal Federalism in India*

in the Two-day Workshop on Public Finance organized for the District-level Officers jointly by the Economics Department, Faculty of Social Sciences, Indira Gandhi National Tribal University (Central University), Amarkantak (MP) and the District Administration, Anuppur (MP) on August 23-24, 2014 at Anuppur (MP). Also, I helped the organiser of the course in designing the course.

2. Delivered Invited Lecture on *Issues, Scope and Options for Reforms in Property Taxation* on April 21, 2014 at the Economics Department, Swami Shraddha Nand College, Delhi University (Delhi).
3. Contributed Chapter 10, *Impact of Hindu Rituals, Festivals and Pilgrimages*, in The Handbook of Hindu Economics and Business, published and edited by Dr. Hrishikesh D. Vinod, Tenafly, NJ 07670, USA. Pages 225 to 270, 2014.
4. Rendered short-term consultancy to M/S PricewaterhouseCoopers (Pvt) Ltd India on the ADB-funded project entitled *ADB TA 8203-IND: West Bengal Development Finance Programme (WBDFP)-I: Support for the WBDFP* in West Bengal as Property Tax Expert.
5. On-going short-term consultancy to M/S Ernst & Young on preparation of *SwarnAndhra Vision 2029* document of Government of Andhra Pradesh as Public Financial Management Expert.
6. On-going consultancy to M/S PricewaterhouseCoopers (Pvt) Ltd India on Department for International Development (DFID)-Funded project entitled: *PO 6735: Service Provider to Manage Odisha Modernizing Economy, Governance and Administration (OMEGA) Programme – Technical Assistance Support Team (TAST)* for Government of Odisha as Output Lead for Revenue and Expenditure Management.

Dr. Vishnu Kanta Purohit, Additional Director and Honorary Professor, FPEPR

Books

- ◆ *Oxford Handbook of Tax System in India: An Analysis of Tax Policy and Governance* Oxford University Press, New Delhi; 2014 (Joint author).

Articles

“Goods and Services Tax and State Revenue: Case Study of Uttar Pradesh”, *The Artha Vijnana*, December 2013 volume LV, No.4, pp.353-365.

Contribution to e-PG Pathshala

Prepared eight chapters on different topics such as 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. Vikas Singh, Research Associate at FPEPR

Presented a paper on “Generating Income and Employment in the Regime of SHGs and Panchayat Raj: A study of Varanasi District” at the Annual conference of Centre for Research in Rural and Industrial Development, Chandigarh, on 27th and 28th November, 2014.

F. 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*.