

Memoranda

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Date: 23-05-2006

**Dr. Ashim Dasgupta
Hon'ble Minister for Finance
Govt. of West Bengal
Writers' Buildings
Kolkata - 700 001**

PRE-BUDGET MEMORANDUM FOR WEST BENGAL: 2006-07

Respected Sir,

On behalf of Calcutta Chamber of Commerce, we have pleasure in forwarding for your kind consideration a Memorandum giving our suggestions and comments on various fiscal & financial issues, which may be of help in the preparation of the State Budget 2006-07.

Thanking you,

Yours faithfully,

**MANOJ MOHANKA
PRESIDENT**

Encl. As above.

CALCUTTA CHAMBER OF COMMERCE

MEMORANDUM ON STATE BUDGET : 2006-07

The Calcutta Chamber of Commerce is pleased to submit a Memorandum on State Budget 2006-07 highlighting the points and suggestions for your kind consideration.

1. VALUE ADDED TAX – RATES OF TAX

- i) General rate of tax has been fixed at 12.5% which includes commodities, which were taxed under WB Sales Tax 1994 Act at rates between 6% & 10%. While introducing the VAT Law for the first time the 12.5% rate was fixed to save the interest of revenue. Current year revenue collection has shown increase compared to revenue under earlier Act. Therefore, the business, trade and industry community would welcome if the rate is brought down from 12.5% to 10%.
- ii) In West Bengal, the rates of sales tax are the highest for Petroleum Products. It should be noted that LPG, Kerosene are mass consumption items and hence sales tax rates should be low. All the petroleum products are excluded from the VAT.

2. WAY BILL :

Under the new VAT regime all the registered dealers have a unique Registration No. on all India basis. As per the law, the registered dealers are required to mention the ST Registration No. on invoice. Transaction of a particular invoice can be tracked down through the help of computer as to under whose jurisdiction the same dealer is being assessed.

Under these circumstances, it is suggested that the requirement of Way Bill at the entry point of every State may not be required, as no transaction backed by invoice of registered dealer will be untraceable. Moreover, inter-state sales transaction is being computerized on all India basis whereby all inter-state movement of goods would be under control and the purpose of way bill would be achieved by this computerization itself.

3. WIDE DISPARITY OF TAX RATES :

Wide disparity of tax rates between different states under the VAT Law are found which is in the knowledge of government. It is strongly suggested that there should be uniform rate of tax of all commodities through out India. For this purpose, the forum of Empowered Committee should be utilised and all State Governments should be pursued for maintenance of uniform rate of tax.

The Return Form under VAT Law runs into several pages. On the other hand, the Return Forms under Income Tax Law and Service Tax Law are very simple and consist of only one page.

It is therefore suggested that a very simple single page return form like SARAL under IT Law Act should be introduced under VAT. However, different types annexures may be prescribed for different condition where only few of them will be applicable to a particular dealer. This measure will simplify the compliance part as well as its administrative part.

5. **OPTIONAL ELECTRONIC FILING SYSTEM :**

It is suggested that optional electronic filing system should be introduced for submission and filing of return like system followed presently under excise, customs, service tax and income tax laws.

6. **EXPORT TRADE :**

The WB VAT Act had provided for claiming refund of Sales Tax paid on inputs/purchased by the exporters. We strongly suggest that in line with provisions under Central Excise Law of furnishing the bond by the exporter, under the VAT law all purchases by the exporters should be exempted on execution of a bond by the exporter before the appropriate authority and such exporter shall furnish a certificate against their purchasing invoice to the selling dealers as may be prescribed by the government. If the particulars of bonds executed and the purchase invoice match with certificate (as proposed herein before), no tax should be charged from the exporter dealer and there would be no cause of concern for such exporter dealers that their working capital will be blocked for payment of input VAT tax and claiming of refund.

It is further suggested that just as EOUs and SEZs units have been placed under zero rated tax category (Schedule AA) 100% exporter dealers other than EOUs and SEZs should also be placed under the same category on fulfillment of aforesaid suggested condition.

7. **NEED FOR RATIONALIZATION :**

Definition of sale price under VAT Act include delivery, freight, installation and insurance charge. These were not included in the term sale price under earlier act, i.e. W.B.S.T. 1994. All this charges are presently suffering levy of service tax. Thus, there is a double taxation on such charges - (i) under Service Tax and other (ii) under VAT Law.

8. **WORKS CONTRACT :**

Works Contract are executed by small dealers. Often they cannot maintain regular books of accounts. Rate of tax prescribed is very high for small dealers up to a prescribed limit of total turnover during the year, should be in the range of 1 – 4%.

9. **OTHER LOCAL LEVIES :**

It was proposed in the White Paper that on introduction of VAT, other local levies will be withdrawn, but at the present moment luxury tax and consumption tax are still continuing. It is, therefore, suggested that levy should be abolished.

10. **PENAL PROVISIONS :**

It was suggested in the White Paper that penal provision under VAT Act should not be more stringent than the existing State Sales Tax Act.

But the provision under VAT Act for levy of penalty as included the term for imprisonment have been included which is much more stringent than the provision under W.B.S.T. Act, 1994. Although our Chamber does not support any tax evader, it definitely would like to ensure proper justice to all the dealers in terms that the promises made by the Empowered Committee to Indian citizens through White Paper.

Therefore, it is strongly suggested that the provision for imprisonment, (Sec. 93 etc) should be deleted from offences like maintenance of accounts, (Sec.63), reversal of input tax credit (Sec.22). Non payment of security (Sec.26), Payment of tax & interest, way bill provisions (73) apart from seizure & levy of penalty), and from so on and it should contain only payment of fine to a prescribed sum.

11. **GRIEVANCES :**

It is suggested that a Grievance Cell should operate in the office of the Commissioner of Commercial Taxes to be headed by a separate officer for redressal of any grievance of dealers like Grievance Cell operating at Income Tax Department.

12. **CENTRAL SALES TAX (CST) :**

(i) While the White Paper on state level VAT has accepted in principle the need of phasing out of CST. But on implementation part, it is silent for one or other reasons. At the same time the Government is citing examples of different countries where VAT has been successfully implemented, but on the point of implementation of VAT, we are dividing the whole concept into different parts. Some of the vital parts are left out and CST is one such vital part.

It is suggested that CST should be reduced to 2% in the year of implementation and should be reduced to nil in the very next year against declaration forms as the same was proposed by the earlier Union Finance Minister.

(ii) On introduction of VAT and non-allowance of input credit under State VAT in respect of inter State purchase of goods, it was mentioned in the white paper on State Level Value Added Tax presented by the Empowered Committee of State Finance Ministers that levy of Central Sales Tax be @ 4% to 2% and to 0%. It is, therefore, strongly suggested that the rate of 4% CST must be brought down to 2%, if not to nil with effect from 1st April, 2006 in respect of inter State sales by a registered dealer to another registered dealer.

(iii) A recent amendment vide the CST (Registration and Turnover) 3rd Amendment Rules, 2005 (Notification dated 16th September, 2005) erstwhile practice of furnishing of one single declaration form for all transactions which took place in one financial year between the two same dealers has been changed to all transactions took place in one quarter of a financial year. It means it would the work load four times and what results would be achieved by the State Financial Ministry at four time's administrative burden and cost of the dealer is not known to the members of Chamber. It is strongly objected that the present rule of one declaration form and production of such declaration form at the time of assessment should continue, as the amendment sought through 3rd Amendment Rules are draconian in nature and leads to additional administrative paper work and burden on the shoulder of Sales Tax Dealers