

# **TWO HUNDRED AND TWENTY-SEVENTH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE (1984-85)**

**(SEVENTH LOK SABHA)**

**RECEIPTS OF THE ADMINISTRATION OF THE  
UNION TERRITORY OF DELHI - SALES TAX -  
SURVEY, REGISTRATION AND  
DECLARATION FORMS**

**MINISTRY OF HOME AFFAIRS**



*Presented in Lok Sabha on 24 August, 1984*

*Laid in Rajya Sabha on 24 August, 1984*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 1984/Sravana, 1906 (Saka)*

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## **\*PART II**

**Minutes of the Sitzings of the Committee held on 27.10.1983 (AN)  
and 16.8.1984 AN)**

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**\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).**

**PUBLIC ACCOUNTS COMMITTEE  
(1984-85)**

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## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Two Hundred and Twenty-Seventh Report on Para 3.04 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil), Revenue Receipts, Vol. I—Indirect Taxes relating to Receipts of the Administration of the Union Territory of Delhi—Sales Tax—Surveys, Registration and Declaration Forms.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil), Revenue Receipts, Vol.—Indirect Taxes was laid on the Table of the House on 3rd April, 1983.

3. As per Section 50 (1) (b) of the Delhi Sales Tax Act, 1975, a dealer is liable to pay tax if his annual gross turn over exceeds a prescribed figure which is currently Rs. 1 lakh in the case of a trader, Rs. 30,000 in the case of a manufacturer and Rs. 75,000 in the case of a halwai. A dealer carrying on business without registering himself is liable to prosecution and in case of conviction, is punishable with vigorous imprisonment for a term which may extend to six months or with fine or with both. Under Section 23 (6), the dealer is liable to pay, by way of penalty, in addition to the amount of tax so assessed, a sum not exceeding twice that amount. The Committee have expressed surprise that although between 1979-80 and 1981-82, as many as 5,317 dealers were found carrying on business without registration, action for prosecution under Section 50 (1) (b) was not taken even in a single case. Pointing out that a powerful instrument for forcing dealers to register themselves is the fear of prosecution, the Committee have recommended that prosecution under Section 50 should invariably be launched in cases where it is found that the dealer has been evading registration deliberately for a number of years.

4. Although survey work is basic for detection of dealers evading registration and payment of sales tax, there is no inbuilt arrangement in the Sales Tax Department to conduct surveys on a regular basis. There is no separate staff specially earmarked for surveys and these are being conducted by Inspectors who are already charged with multifarious other activities. As a result, there has been appreciable fall in the detection of dealers evading registration. While during 1975-76 and 1976-77, the number of unregistered

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dealers detected was 1,966 and 3,179 respectively, it came down to 735 and 630 in 1981-82 and 1982-83 respectively. The Committee have recommended that the Sales Tax Department should make institutional arrangements to conduct market surveys on a regular basis so as to ensure that no dealer who is required to be registered, escapes registration.

5. In order to claim exemption in respect of sales to registered purchasers, a registered dealer has to enter them in declaration forms and get them duly signed by such purchasers. Blank declaration forms duly numbered are issued and controlled by the department. On examination of the three cases brought out in the audit paragraph, the Committee have found that there is hardly any watch over the issue of declaration forms and their accountal, leaving ample scope for tax-evasion. The Committee have recommended that urgent measures should be taken for streamlining the existing procedure for issue and accountal of declaration forms, and in particular for matching of declaration forms with the returns of the purchasing dealers, at least in cases involving heavy amounts.

6. The Committee have also noted that the assessment work in the Sales Tax Department is heavily in arrears and in 1983-84, the department was doing assessment for 1979-80. As on 1.4.83 as many as 2,89,430 assessments relating to local sales tax and 2,65,688 assessments relating to Central Tax were pending and out of these nearly 1/5th related to the year 1979-80. Pointing out that delay in finalisation of the assessments not only results in undue hardship and harassment of dealers but also provides ample scope for unscrupulous practices, manipulations and dis-honest deals, the Committee have recommended that the statutory limit for completion of assessments may be reduced from four years to two years.

7. The Public Accounts Committee (1983-84) examined Audit Paragraph 3.04 at their sitting held on 27 October, 1983. The Committee (1984-85) considered and finalised the Report at their sitting held on 16 August, 1984. Minutes of the sitting form Part II\* of the Report.

8. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

9. The Committee place on record their appreciation of the commend-

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\*Not appended.

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able work done by the Public Accounts Committee (1983-84) in taking evidence and obtaining information for the Report.

10. The Committee would like to express their thanks to the Ministry of Home Affairs and Delhi Administration for the cooperation extended by them in giving information to the Committee.

11. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the C & AG of India.

NEW DELHI  
August 21, 1984  
Sravana 30, 1906 (S)

SUNIL MAITRA  
*Chairman,*  
*Public Accounts Committee.*

## **REPORT**

The Audit Para on Sales Tax-Survey registration and declaration forms as appearing in the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) Revenue Receipts, Vol. I, Indirect Taxes, is reproduced as Appendix to the Report.

2. As per the Delhi Sales Tax Act, 1975, a dealer is liable to pay tax, if his gross turnover exceeds a prescribed figure (currently Rs. 1 lakh in the case of a trader, Rs. 20,000 in the case of a manufacturer and Rs. 75,000 in the case of a halwai) and he must get himself registered specifying the class of goods he deals in. Under the Central Sales Tax Act 1956, he has to get himself registered as soon as he makes an inter-State sale or purchase. A dealer, carrying on business without registering himself, is liable to prosecution, if detected, during surveys conducted by the department or otherwise.

3. It was noticed (1982) in audit that in 10 out of 50 wards, only 22 out of the 262 dealers detected through surveys conducted in the three years 1979-80 to 1981-82 were brought on the register. The reasons for non-registration of the others were not on record. The annual rate of detection has, if anything, gone down as compared to the rate in 1971-72 or even 1972-73.

4. The Committee enquired about the number of prosecutions launched during the years 1979-80 to 1981-82 of dealers found to be carrying on business without registering themselves even though required under the Act. In reply, the Ministry of Home Affairs have stated in a note :—

“No prosecution was launched by the Sales Tax Department during the years 1979-80 to 1981-82 against any dealer, who, though liable for registration did not get himself registered with the department.

If any dealer, who has been liable to pay tax under the Act, fails to get himself registered with the department action to assess under Section 23 (6) of the Act is taken against him and there is an inbuilt provision in this section for imposition of penalty. Once he has been assessed under section (23)(6) and the penalty is also imposed upon him, no further action for prosecution can be legally taken against him in view of the first proviso to section 50 of the Act. It shall not be out of place to mention here that the inbuilt provision for imposition of penalty is invariably invoked in all such cases.”

5. The representative of the Ministry of Home Affairs added during evidence :—

“If a penalty is imposed on a dealer, he cannot be prosecuted under Section 50 (1) (b). Therefore, in most of the cases, the taxman’s approach is always that he should be able to get his money. Therefore, if they have assessed and imposed a penalty, they would like to have the money instead of prosecuting that person. In that aspect, apart from the penalty, the law does not permit the parallel action of prosecution.”

6. When asked simultaneous action under Section 50(1)(b), and Section 23 (6) was not taken, the witness replied :—

“We can certainly go into this question and if it means some changes have to be made in the law, we would like to look into the matter. But as the law stands at present it is not possible.”

7. In a subsequent note, the Ministry of Home Affairs have stated :—

“The provisions relating to penalty and prosecution are mutually exclusive..... The assessing authorities, therefore, impose penalty under the aforesaid provision, which is considered to be a much quicker and efficacious remedy for realisation of tax from the defaulting dealers.”

8. It has been stated in another note that “Sales Tax Department has now been instructed to launch criminal prosecution in selected cases under Section 50 (1) (b) as an exemplary measure.”

9. The Committee wanted to know the number of cases in which penalty was levied under Section 23(6) in each of the last 5 years from 1979-80 to 1982-83. In reply, the Ministry have stated as follows :—

“The information in respect of the years 1979-80 to 1981-82 is as follows :—

<i>Years</i>	<i>Total No. of cases</i>	<i>Penalty imposed</i>
1979-80	1642	130796.00
1980-81	1760	121610.00
1981-82	1915	315792.00

The figures for the remaining period are being collected and compiled.”



### *Surveys and registration*

10. The audit para has pointed out that the number of dealers evading registration who were detected in surveys had gone down considerably in the last three years as compared to the number of detections during the year 1971-72 or even 1972-73. Further, survey of registered dealers had been carried out in a routine manner and little benefit had been derived from routine surveys of dealers already registered.

11. The Committee enquired about the expenditure incurred per head on survey staff, addition to revenue granted per head and incentive to survey staff to detect cases. In reply, the Ministry of Home Affairs have stated in a note :—

“There is no staff in the Sales Tax Department specially earmarked for surveys. Surveys are conducted by the Inspector, who are charged with multifarious duties like inquiries in the case of registration, amendment, securities, pursuing the cases of defaulters, investigation into complaints etc. Hence, it is not possible to work out the figures of expenditure incurred and additional revenue generated per head exclusively for the survey staff.

There is no provision in the Act or the Rules framed thereunder to provide special incentives to the staff for detection of cases of unregistered dealers. However, for detection of cases yielding sizeable revenue note is taken at the time of writing of the CRs of the concerned officials.”

12. When asked about the additional tax demand created because of survey and the average number of staff engaged in survey duty during the years 1978-79 to 1982-83, the Ministry have replied in a note :

“No separate record is maintained in respect of the additional tax demand created as a result of survey of registered/unregistered dealers. Since no special staff has been earmarked exclusively for the survey work, it is not possible to give any statistics regarding the average number of staff engaged in survey duties.”

13. It has been stated in Audit Para that in 10 out of 50 wards, only 22 out of the 262 dealers detected during surveys conducted in the three years 1979-80 to 1981-82 were brought on the register. It has also been stated that

the annual rate of detection has, if anything, gone down as compared to the rate in 1971-72 or even 1972-73.

14. As regard the reasons for the fact that only 22 out of 262 unregistered dealers detected were brought on to the register, the Ministry of Home Affairs have stated in a note as follows :

“For the purpose of Computation of taxable quantum under sub-section (7) of section 3, the turnover of *all the sales* effected by a dealer are taken into account irrespective of whether such sales are taxable under the Act or not. Thus, a dealer dealing mostly in tax-free commodities like cereals, pulses, foodgrains, sugar, cloth etc. may be found liable to registration because he had sold some taxable commodities like Bardana, packing material, pattis etc. the sales of which are occasional and nominal. Such dealers often prefer not to get themselves (registered) with the department even though, they have been assessed and also penalised under section 23(6) of the Act. Apart from this there could be cases where dealers after detection/assessment of their cases stop business and, therefore, do not seek registration. There are other cases in which the dealers who apply for registration, are unable to comply with the legal requirements of furnishing security prescribed by the assessing authorities. The applications of such dealers are rejected, but proceedings u/s 23(6) are simultaneously initiated. Further in some cases after the examination of the evidence produced by the dealer, the assessing authority may come to the conclusion that the dealer is not liable to pay tax, in such cases the dealer need not apply for registration”.

15. The representative of the Ministry of Home Affairs stated during evidence :

“Actually the number of dealers detected, according to our figures, have been as follows :

<i>Year</i>	<i>No. of dealers detected</i>
1978-79	511
1979-80	598
1980-81	598
1981-82	735
1982-83	630”

16. The Committee desired to know the number of surveys conducted between the years 1972-73 and 1978-79 and the number of dealers detected carrying out business without registration even though so required under the Act. In reply, the Ministry of Home Affairs have stated in a note :

“The consolidated figures of the number of surveys conducted between the years 1975-76 and 1978-79 alongwith the number of dealers detected carrying on business without registration are as follows :

<i>Year</i>	<i>Total surveys conducted</i>	<i>Unregistered dealers detected</i>
1975-76	25,943	1,966
1976-77	34,630	3,179
1977-78	44,988	705
1978-79	31,822	511

The figures prior to 1975-76 are not available as the retention period of such records is seven years”.

17. When asked to give details of action taken in each case, the Ministry have replied in a note :

“In such cases, proceedings under section 23(6) are initiated. It is however, not possible to give details of action taken in each case without going through the relevant files pertaining to all those years. The compilation of the required information in respect of all these cases requires lot of time which may be difficult to spare at the present juncture as the staff is busy with disposal of time-barring cases”.

18. The Committee desired to know the reasons for decrease in the number of detections when the quantum of business is on the increase, the representative of the Ministry of Home Affairs replied as follows :

“I would put for your consideration and for the reconsideration of this Committee certain aspects of the matter. One is that earlier the Bengal Act was applicable to Delhi. Subsequently, an independent Act has been made in which certain changes have been made. Now it is unattractive not to be registered. There are certain inter-dealer sales where you do not have to pay sales-tax if you have got the forms, etc. So, there is a definite financial advantage in being registered. The Sales-tax Depart-

ment of Delhi Administration has also been carrying out, with the help of the traders' associations, etc., certain amount of education and propaganda in regard to the benefits involved. In fact, I would put it that the Sales-tax Department is more worried about cases in which some sort of bogus dealers tend to get themselves registered to take certain advantages of the Sales-tax law".

19. The Committee wanted to know since when the limit for registration of dealers was raised from Rs. 30,000 to Rs. 1 lakh and the number of dealers who got themselves registered in each year. The Committee also wanted to know the number of dealers who got themselves de-registered due to increase in this limit. In reply, the Ministry of Home Affairs have stated as follows :

"The Delhi Sales Tax Act, 1975 was enforced in Delhi with effect from 21/10/75 when the existing limit of Rs. 30,000 prescribed for traders under the repealed Bengal Finance (Sales Tax) Act, 1941 was raised to Rs. 1 lakh. Number of dealers who were registered during the year 1975-76 to 1982-83 :

<i>Year</i>	<i>Local</i>	<i>Central</i>	<i>Total</i>
1975-76	7338	6805	14143
1976-77	5125	4883	10008
1977-78	4973	4664	9637
1978-79	5360	5185	10545
1979-80	5955	5803	11758
1980-81	6685	6543	13228
1981-82	7503	7295	14793
1982-83	6173	5715	11888

No separate data relating to the number of dealers, who got themselves de-registered due to increase of the taxable quantum, has been maintained by the Department. Compilation of this information will require scanning of scores of old files which will be time consuming and the effort will not be commensurate with the time and labour involved".

20. The Committee desired to know the rationale for limiting surveys

to the existing registered dealers instead of street to street survey of all dealers. In reply, the Ministry of Home Affairs in a note stated :

“Surveys are not restricted only to the existing registered dealers. In fact, the object of surveys is not only to keep a watch over the activities of registered dealers but also to unearth cases of dealers, who while being liable to pay tax, do not get themselves registered. At times, apart from general surveys special surveys are also undertaken of important localities/market to the extent feasible and depending upon the availability of the staff”.

21. The Sales Tax Commissioner stated in his evidence before the Committee :

“We do not undertake the market survey in a very methodical manner but now and then we certainly send our teams to markets”.

22. In a subsequent note, the Ministry of Home Affairs have stated as follows :

“The Department conducted a special survey of Connaught Place area including Palika Bazar, Shankar Market, Mohan Singh Place and Janpath and Khan Market. The number of dealers, who were not registered under the Sales Tax Act and were found to be liable for registration was 206. Necessary action under Section 23(6) of Delhi Sales Tax Act, 1975 is being taken. The following is the break-up of cases area-wise.

(i) Palika Bazar	120
(ii) Shankar Market	34
(iii) Mohan Singh Place	21
(iv) Janpath	19
(v) Khan Market	12
	<hr/>
	206”
	<hr/>

23. When asked about the penalty usually imposed on a dealer who is evading registration and is subsequently detected, the representative of the Ministry of Home Affairs stated in evidence :

“Earlier in the Bengal Act, it was only  $1\frac{1}{2}$  times of the tax assessed. Now it is twice the tax payable. Then he can be even prosecuted. The offence is cognisable..... The number of registered dealers for local

sales tax has gone up from 49,463 in 1974-75 to 82, 986 in 1982-83 just over nine years. It is about 60% increase”.

24. When asked if it was not a fact that the Department still come across cases where the dealers had not registered themselves, the witness replied :

“That is absolutely correct but our earnest efforts continue and these surveys are conducted every time for that very purpose”.

25. The Sales Tax Commissioner added :

“There is a certain shortcoming on our side and at the same time there is also a kind of inhibitive attitude on the part of certain traders specially those who tend to be unscrupulous. But I would say that we have been making our efforts. I do not say that our efforts have been adequate. I make bold to say that even now these efforts are not adequate. Looking at the number of dealers who should have registered and who have not been registered, our efforts have not been commensurate with the problem that exists.”

26. When asked how the dealers who come under the ambit of registration have escaped registration, the witness stated :

“Such dealers cannot exist unless there is collusion between unscrupulous dealers and our unscrupulous staff”.

27. The Committee enquired about the steps taken by the Sales Tax Department to create a climate of confidence whereby dealers come forward voluntarily to get themselves registered. In reply, the Sales Tax Commissioner stated before the Committee :

“We maintain a list of the various associations of the trading community functioning in various areas in Delhi and they are on our mailing list. Whatever actions we are taking we keep on informing them regularly. In addition to this, we also hold a series of meetings with them. We have a personal kind of discussions with the various trade associations, we call them to our office or if necessary, go to their places and then discuss various problems of mutual interest. Our idea is to project to them a kind of image of the Department where they should not feel that we are out to take their blood, but we want to treat them as responsible citizens of the country where they feel it is their duty to pay the tax. We are working not merely as tax collecting authorities, but as citizens and once we have a citizen-to-citizen rapport with the people, then certainly the mutual understanding increases. I have addressed a couple

of meetings. However, during the last six months I have already met more than 20 such associations, I am sure that by the end of this year we might succeed in covering 75 per cent of these Associations”.

28. Asked about the results of these efforts, the witness stated : “It is too early to say about the results”.

29. When asked why registration was considered necessary, and if the registration was done away with, would it adversely effect the collection, the witness replied “Certainly.....We lose control over the system of tax collection”.

30. The representative of the Ministry of Home Affairs stated :

“Registration becomes necessary for a better and efficient tax administration. The conferment of benefit that the inter-dealer transaction will not be taxed is what comes out of a legislative policy”.

31. When asked why the tax was not being imposed at the first point, instead of at the last point, the representative of the Ministry of Home Affairs stated :

“You have a very good suggestion. In fact our effort has been that as many commodities as possible, we can tax at the first point itself. It is not that there is no consciousness about it. But all commodities do not admit of taxation at the first point. Here there are 23 items where we can tax at the first point.....This is a point to consider whether more things can not be included on the first point. That is again a part of the Act”.

#### *Issue of declaration forms to registered dealers*

32. In respect of his sales to registered purchasers, a registered dealer has to enter them in declaration forms and get them duly signed by such purchasers, in order to claim exemption from tax in respect of such sales. Blank declaration forms duly numbered are issued and controlled by the department. If there is concealment of sales, the assessing authority is empowered to withhold issue of blank declaration forms to the dealer. Prior to 1 February, 1978, there was a monetary limit on sales to be entered in one form; and thereafter, control over issue of blank forms was relaxed along with the monetary limit. With effect from 10 November 1981 any number of transactions occurring in a financial year was allowed to be entered in a form subject to a limit of Rs. 30,000 per form. Fresh forms were to be issued to a dealer only after he had rendered account of the forms issued to him earlier.

33. The Audit para has brought out 3 cases where proper account of declaration forms was not rendered. In the first case, a dealer (M/S Sunil Traders, Inderpuri, New Delhi) registered both under the local and the central acts, with effect from 27 June, 1981 did not file the return for the quarter ending 30 June, 1981 and filed three differing returns in respect of the quarter ending 30 September, 1981. He was issued in all 146 declaration forms but he furnished account for only 76 forms. Purchases valuing more than Rs. 10 lakhs were made by the dealer between December, 1981 and January, 1982 and on the assessing authority issuing notices in February, 1982 to produce his records in order to settle discrepancies in his returns, the dealer surrendered his registration certificate in February, 1982 and requested for its cancellation. His assessment had not been completed till December, 1982.

34. In this connection, the Ministry of Home Affairs have stated in a note as follows :—

“The objection relates to M/s Sunil Traders, Inderpuri, New Delhi, a registered dealer of Ward-18. He was issued in all 125 ST-1 Forms and not 146 as wrongly mentioned in the paragraph. Also, the dealer has furnished account of utilisation of 96 forms and not 76 as brought out in the paragraph. The particulars of forms issued to him are as under :—

<i>Date of Issue</i>	<i>No. of forms issued</i>	<i>Remarks</i>
29.7.1981	20	This is first issue
5.12.1981	40	Account of 15 forms issued on 29.7.1981 was rendered and 5 forms were surrendered unused as the same had become obsolete.
26.12.1981	40	Complete account rendered of 40 forms issued on 5.12.1981.
16.1.1982	25	Account of 36 forms rendered out of 40 issued on 21.12.1981.

In this connection it may be mentioned that according to the prevailing practice, a dealer is entitled to ask for further issue of forms



even when 10% of the forms earlier issued remained with him un-utilized. Because of the closure of business, the R.C. of the dealer has been cancelled with effect from 11.2.1982. Action is in progress to assess the dealer upto-date."

35. The Committee enquired how the dealer was permitted to file as many as three returns for the same period and did it not arouse suspicion of the Department. In reply, the Sales Tax Commissioner stated in evidence ;

"Under Section 21(4) of the Act, an assessee can file the return for a particular quarter more than once, that is to say, he can also file a revised return. He can do that before the return of the next quarter is due..... It is absolutely correct that a case like this, in the normal circumstances, should arise the suspicion of the assessing authority."

36. When asked if in this case, suspicion was aroused, the witness stated :—

"It has not been aroused, so he has committed a lapse. If somebody files a revised return, where he is changing the figures, not only in thousands but in lakhs, certainly a vigilant sales-tax officer should try to find out why he is filing the revised returns, even though under the law it may be permissible for him to do so."

37. The Committee enquired if the dealer was since traceable and if the Department could recover tax from him now even if he was assessed to tax. In reply, the Ministry of Home Affairs have stated in a note: —

"The dealer is not traceable. However, all possible efforts are being made to trace him.....Efforts to recover the dues from him shall be made as and when he is traced. Efforts are also being made to collect information regarding his assets to facilitate recovery."

38. When asked if the forms were given immediately after registration, the Sales Tax Commissioner stated :

"Yes. As soon as they register, they can ask for the forms. As regards those who have recently registered, we have to exercise this with some caution."

39. To a query if it was not a pre-condition that after registration, the dealer had to submit a return of sales and then get the form, the witness replied ;

"He will do this when a return is to be filed."

40. In the second case brought out in the Audit Para, a dealer viz. M/s. Cross Enterprises, Mayapuri registered with effect from 10 August, 1979 was issued 175 declaration forms by the Department during the months of September, 1979 to May 1980 even though the dealer had not filed a single quarterly return. In July 1980, on survey he was not traceable.

41. In their reply, the Ministry of Home Affairs have stated in a note :

"This objection relates to M/s Cross Enterprises, Mayapuri, New Delhi a registered dealer of Ward 47. It is stated that, though the dealer did not file any return, yet 185 declaration forms were issued to him. Scrutiny of the record has, however, revealed that the dealer had filed all the returns till the first quarter of the year 1980-81 and had also paid tax in respect thereof. The Registration Certificate of the firm was cancelled *suo-moto* under Section 20(3) of the Act on 18.8.1980. No statutory forms were issued to him after 25.5.1980."

42. The office of the Director of Receipt Audit has, however, commented as follows :—

"On verification of records in Audit it has again been seen that no returns are available in the case file of the dealer. None of the returns were traceable by the Sales Tax Officer but he did have the diary numbers under which the returns were supposed to have been received on 4 October, 1979, 14 February, 1980 and 15 May, 1980. However, two challan counterfoils for Rs. 37 (being tax paid for second quarter of 1979-80) and Rs. 175 (being tax paid for fourth quarter of 1979-80) were available in the Ward.....Further the assessment of the dealer for the years 1979-80 and 1980-81 were done on 18 August, 1983 on best judgement. There is therefore unlikely to be any justification for issue of any forms since assessment on best judgement confirms that nothing which could be really called a return was ever received".

43. When asked about the break-down of the forms issued to the party, the Sales Tax Commissioner stated before the Committee :

"With regard to this case of Cross Enterprises, the details of the issue of the forms are that 10 forms were issued on 20.9.1979, 33 forms were issued on 6.10.1979, 15 forms were issued on 11.1.1980, 5 forms were issued on 5.4.80, another 35 forms were issued on 24.5.1980, then he was also issued 10 C forms on 6.10.1970."

44. The witness further stated :

“Actually this gentleman was a Kabadi. As soon as this fact was reported to us by our Inspector, we took *suo moto* action of the cancellation of the registration w.e.f. 18.8. 1980.”

45. When asked about the date of registration, the witness stated :

“10 August, 1979. The assessment was completed for both the years and we created a demand of Rs. 45,289. The assessment was *ex-parte*.”

46. The Committee desired to know if the dealer was assessed during this period. The Sales Tax Commissioner replied in the negative. When asked if the assessment was due, the witness stated :

“Because of shortage of staff we are doing and were doing even at that time only time barring cases which means that this year we are doing assessment for the year 1979-80 whereas we should be doing assessment for the year 1982-83.”

47. He added :

“These things will continue to be there till such time we are able to come upto date in assessment.”

48. The Committee enquired as to why the party was assessed *ex-parte*, when he had submitted his returns. In reply, the Sales Tax Commissioner stated :

“I cannot comment on this because I have not gone through this case.”

49. The representative of the Ministry of Home Affairs stated :

“I have casually gone through this. I can only say that he has somewhat argued while he has done this. I cannot vouchsafe whether the argument is right or not.”

50. The Committee desired to know the number of cases of assessment pending for the years 1979-80 to 1982-83 together with amount involved yearwise and reasons for delay. In reply, the Ministry of Home Affairs have stated in a note :

“Number of cases of assessments pending pertaining to the years 1979-80 to 1982-83 as on 1.4.83 was as follows :—

<i>Year</i>	<i>Total Local</i>	<i>Central</i>
1979-80	59916	54792
1980-81	69642	63696
1981-82	76603	70541
1982-83	83269	76659
	<hr/> 289430*	<hr/> 265688*
	<hr/> (Tentative)	<hr/> (Tentative)

\*Out of these 33144 local and 29689 Central assessments have been completed till 31.10.83.

The pendency in respect of assessments is due to actue shortage of staff which was sanctioned as far back as in 1975 on the basis of the S.I.U. study when the number of registered dealers was in the proximity of 50,000. A proposal for augmentation of the staff strenth is under consideration of the Government of India.

It is difficult to quantify the amount involved in the cases pending for assessments for the years 1979-80 to 1982-83. Such amount is quantified only on completion of assessment proceedings and after examining the account books, claims for deductions/concessions of the dealers. All possible steps are taken to ensure the expeditious disposal of all the time-barring cases within the stipulated period. It will be possible to reduce the pendency after the requisite staff is positioned."

51. In another case mentioned in the audit para, it has been pointed out that sale of watches valuing Rs. 18,24,858 made by one registered dealer to another was exempted from tax on the strength of declaration in form bearing No. G. 807148 relating to the quarter ending 30 June, 1979. The purchasing dealer who had been filing 'nil' sale returns had closed his business prior to December, 1980 and was untraceable in June, 1981. However, he had been issued 25 declaration forms on 6 August, 1979 which included the said form bearing number G. 807148. On the sale of watches in question, loss of sales tax amounted to Rs. 1,82,485, notwithstanding the routine survey which had not covered the said dealer. The Vigilance and Enforcement Branch which had started investigation on 27 June, 1981 had not remedied the loss of revenue amounting to Rs. 1,82,485 in any way.

52. In this connection, the Ministry of Home Affairs have stated in a note as follows :

“The objection relates to M/s Oxford Traders, Rajouri Garden, New Delhi, a dealer registered in Ward-37. In this connection, it may be stated that the notional loss pointed out by the and it for Rs. 1,82,485/ is not acceptable in this case. The claim for deduction on the sales to Registered dealers who allowed on furnishing a valid declaration in form (ST-I) duly signed by the purchasing dealer, who was authorised to purchase watches. According to various judgements of High Courts no claim for deduction can be disallowed unless it is established that there was no sale transaction between the purchasing and selling dealer and two were colluding to evade sales tax. There is, however, nothing on record to indicate existence of such a collusion in this case. It may also be added that the transaction in question has already been taken into consideration while framing assessment of the purchasing dealer.”

53. Regarding the observations in the Audit para that the exercise of checks through the instrument of control over declaration forms has not served the purpose, the Ministry of Home Affairs have, in a note, stated as follows :

“It is not correct to say that the exercise of checks through the instrument of control over declaration forms has not served the purpose. By and large the checks being exercised have been effective. On the contrary there have been a number of representations from various trade associations and individual dealers against the stringent measures/checks adopted by the Sales Tax Department in the issue of declaration forms. Instances of some lapses observed by the audit in this regard cannot be indicative of the ineffectiveness of the system. These checks have been further tightened by the issue of instructions to the assessing authorities vide circular No. 18 dated 6.10.1982 and they were cautioned not to issue more than 2-3 forms initially to newly registered dealers.”

54. When asked how it was ensured that Sales Tax Officers traced every filled-in declaration form received with returns of selling dealers into the assessment file of purchasing dealer, the Ministry of Home Affairs have stated in a note as follows :—

“Under Rule 7 (2) of Delhi Sales Tax Rules, 1975, the filled in declarations forms are received from the selling dealers for claiming deductions from the payment of tax at the time of assessment only. A large number of declaration forms are received from the selling dealers at the time of assessment. The sheer volume of transaction, and

the number of declaration forms running into crores make it difficult for the Department to trace each declaration form to the appropriate purchasing dealer.

However, in doubtful cases where transactions reflected in the S.T.—I forms involve heavy amount, verifications are got made through the Vigilance and Enforcement Branch.”

55. In another note, the Ministry of Home Affairs have stated :

“The number of declaration forms furnished at the time of assessment varies according to the volume and nature of business of a dealer. No statistical data is compiled in respect of the number of filled in declaration forms received at the time of assessment. However, at the time of assessment, the assessing authorities make a mention of the forms received on the other sheet..... The Delhi Administration is exploring the possibility of evolving a procedure by which declaration forms involving transaction beyond a certain value, could be traced to the purchasing dealers with the help of Electronic Data Processing System.”

#### *Ineffective cancellation of registrations*

56. The Sales Tax law provides for cancellation of the dealer's registration certificates if he :

- (a) discontinues or transfer his business
- (b) defaults in payment of tax or
- (c) ceases to be liable to pay tax
- (d) furnishes or accepts false declaration with a view to obtaining tax exemption
- (e) fails to furnish a security demanded.
- (f) is convicted under the Sales Tax Act.

57. The threat of cancellation of registration carrying with it the threat of the dealer being unable to do business thereafter, should normally be a powerful administrative instrument. However, the cases given in audit para indicate that in practice, it has not been so.

58. In the first case given in the audit para, it is noticed that from a dealer registered in September, no security was obtained. He failed to file quarterly returns and on 21 December, 1973, the department asked him to furnish security of Rs. 5,000, but he did not comply. On 3 June, 1975, the

department ordered the dealer to furnish two sureties of Rs. 25,000 each under the local and Central Acts since he had not filed returns nor filed them in time during the years 1963-64 to 1970-71, 1972-73 and 1973-74 and as he had not deposited the assessed tax during the years 1971-72 and 1972-73. Sureties not being furnished, the registration certificate was cancelled but only in September, 1979 and that too retrospectively from December 1978, when the firm had gone into liquidation. On his assessment to tax made upto the year 1977-78, demands amounting to Rs. 2,66,437 were still due for recovery from him.

59. In this connection, the Ministry of Home Affairs have stated in a note :

“The objection relates to M/s Anand Electrical, Lajpat Rai Market, Delhi, a registered dealer of Ward-35. The dealer was carrying on regular business in electrical goods from the Whole-sale Market in Bhagirath Palace. There were outstanding demands against him. He has been asking for instalments from time to time and also making payment thereof. Keeping in view the various defaults in filing the prescribed returns, proceedings were initiated to impose adequate securities as a condition to the continuance in effect of his Registration certificate. On his failure to comply with this requirement, notices were also issued asking him to show-cause as to why the Registration Certificate should not be cancelled. But keeping in view the fact that the dealer had started paying instalments coupled with the fact that he shifted his business premises resulting in the change in jurisdiction of Ward from 1 to 35, the matter regarding cancellation was, it appears, not pursued with the required promptitude.”

60. The Committee enquired why the registration of Anand Electricals was not cancelled *suo-motu* soon after June, 1975 when the dealer started defaulting on tax payment and before the dealer could dispose of his goods. In reply, the Ministry of Home Affairs have stated in a note :

“On finding that the dealer has started defaulting in filing the returns and making payment of the tax therewith the Assessing Authority issued a notice to the dealer asking him to show cause as to why security/surety to the extent of Rs. 25,000 each under Local and Central Act should not be demanded from him as a condition to the continuance in effect of his Registration Certificates. Before the contemplated action could be finalised the wards were bifurcated as a result of which the dealer's file was transferred to the jurisdiction of Ward-35. As stated

earlier the matter was lost sight of and could not, therefore, be pursued with the required promptness.

The cancellation of the Registration Certificates could have deprived the dealer of his right to obtain declaration forms and make tax free purchases against them but it could not prevent him from disposing off the stocks in hand.

The dealer had been making payments of the dues in instalments till 1977. In the year 1978, he had stopped making payments of the instalments. The Department thereupon initiated recovery proceedings and attached whatever movable property and assets were available and after completing legal formalities auctioned the movables as a result of which a sum of Rs. 2404/- was recovered from him. In the same year certain creditors had, in the meanwhile, moved an insolvency petition against the dealer as a result of which he was adjudged an insolvent in January, 1980. The recovery could not, therefore, be pursued against him thereafter."

61. In the second case cited in the audit report, a registered dealer did not file return for the quarter ending September, 1978 nor subsequent quarters. The show-cause notice issued to him for default in filing returns was not acknowledged. In August, 1979, the dealer was not traceable at his business address. In November, 1981, the dealer informed the assessing authority that he had closed down his business and asked for cancellation of his registration certificate which was cancelled on 17 November, 1981. On his assessments upto 31 March, 1978, tax amounting to Rs. 6,87,509 is still to be recovered from the dealer.

62. Regarding this case, the Ministry of Home Affairs have stated in a note as follows :

"This objection pertains to M/s Tara Chand and Sons, Shahdara a registered dealer of Ward-41. The prescribed returns were furnished upto 30.6.78. For the default of furnishing the returns for the subsequent quarter ending 30.9.78, a show cause notice was issued on 7.8.1979 and a consolidated penalty of Rs. 100/- was imposed at the time of assessment for such defaults. For the subsequent year also a notice in form ST-31 was issued for the default of non-submission of returns for the first three quarters, but the action could not be finalised as the notice was returned undelivered by the postal authorities. In this regard, attention is invited to the provision of Section 55 of the



Delhi Sales Tax Act, 1975 according to which the penalty to the extent of twice the amount of tax due can be imposed upon such defaulters. Since in this case the returns were not furnished and the business premises were found closed, the amount of tax payable could not be quantified and hence it was not feasible to complete the penalty proceedings. The Registration Certificate of the dealer has since been cancelled w.e.f. 17.11.1981 and assessment proceedings are in progress. Proceedings for recovery has since been initiated and all possible efforts are being made to trace the dealer. Action is also being taken to forfeit the cash/security furnished at the time of registration in the form of deposit at call."

63. The Committee enquired about the Sales turnover of M/s Tara Chand & Sons for the period after March, 1978 and reasons for cancellation of registration in November, 1981 without effecting recovery from him when he surfaced and asked for cancellation of registration. The Committee also desired to know why the dealer was allowed a whole year 1978-79 to dispose off his goods without paying tax of Rs. 6.87 lakhs due upto March, 1978. In reply, the Ministry of Home Affairs have stated :

"The dealer has filed only one quarterly return after March, 1978, i.e. from 1.4.78 to 30.6.78 showing gross turnover as Rs. 13,59,179.66. The application for cancellation of Registration Certificate was received in the Office on 16.11.81 in dak. His R.C. was cancelled with effect from 17.11.81 to 22.3.82. The dealer has not come to office in person for the purpose. Since the assessments in his case had not been made, his tax liability had also not been determined till then. No recovery action could therefore, have been initiated against him at that time. The assessment of the dealer for the period 15.7.77 to 31.3.78 was completed on 22.3.1982. Till then his tax liability had not been determined and, therefore, no action could be taken to proceed against the assets of the dealer to effect recovery."

64. It has been stated in the audit para that the provisions of the Sales Tax Law for cancellation of registration certificates were never used in time against defaulting traders and it remained merely a formality rather than a powerful administrative instrument designed to aid revenue."

65. When asked if the Ministry agree with the above conclusion, the Ministry of Home Affairs have stated in a note :

"It is not a fact that the provisions regarding cancellation of registration certificate were never used in time against the defaulting traders.

Some stray cases of belated action to cancel Registration Certificates do not establish that the provisions relating to cancellation remained merely a formality rather than a powerful administrative instrument against the defaulters. With the enforcement of the Delhi Sales Tax Act from 21st October, 1975, the Registration Certificate has lost much of its earlier significance because by itself it would not enable any dealer to make tax free purchases. For this purpose, he has to obtain declaration in forms ST-I from the appropriate assessing authority, the issue of which is stopped as soon as any adverse material is brought on record suggesting any concealment of sales or purchases or of furnishing inaccurate particulars of his sales in the returns. Thus, even if action to cancel Registration Certificate in some cases has been taken somewhat late, it does not, in any way, materially affect our revenue.”

66. The Committee enquired about the number of registrations cancelled in each year during the last five years and break-up of these cancellations on request from the dealers, at the initiative of the department, on default in payment of tax and on closing down of business by the dealer. In reply, the Ministry of Home Affairs have stated in a note :

“No. of Registration cancelled during last 5 years i.e. 1978-79 to 1982-83 is as follows :

<i>Year</i>	<i>Local</i>	<i>Central</i>	<i>Total</i>
1978-79	2861	1915	4776
1979-80	2137	1865	4002
1980-81	1155	972	2127
1981-82	932	807	1739
1982-83	864	794	1658

The category wise break-up as required has never been collected and compiled.”

67. To a query as to in what way the cancellation of registration was a punishment for the dealer, the Sales Tax Commissioner replied :

“He would not be entitled to do tax-free transactions with Sales Tax. At the same time, it does not debar us from taking further action against him.”

He further stated :

“We do not resort to cancellation of registration certificate just as a matter of routine. First of all, we would try to recover maximum of Sales Tax out of him. We also explore the possibility of prosecuting him. Cancellation means that he would not be able to indulge any more in evasion of tax by misuse of Sales Tax forms.”

68. The representative of the Ministry of Home Affairs stated :

“I would go along with you to a certain extent that indiscriminate use of cancellation provision would really go against the very purpose of the tax laws, but this power is to be used sparingly. But even if you cancel the registration, the liability to tax continues. But it should have been perhaps legislatively a provision for suspending registration, so that he does not immediately cease to get the benefit of a registered dealer, which the law provides him.”

69. The Committee enquired whether in view of the fact that many dealers who were granted registration subsequently become untraceable, would it not be better to exercise greater vigilance while granting registration. The Sales Tax Commissioner replied “It is a good suggestion.”

70. The Committee enquired about the steps taken to streamline the sales tax structure in Delhi. In reply, the representative of the Ministry of Home Affairs stated before the Committee :

“We are also equally exercised on this matter. For indepth study of the structure of Sales Tax, National Institute of Public Finance has been engaged.”

71. In a subsequent note furnished to the Committee, the Ministry of Home Affairs have stated :

“The Administration had entrusted the National Institute of Public Finance and Policy to undertake in depth study of the structure and assessment of sales tax in September, 1982. The terms of reference are as given below. No time-limit was given to the Committee to submit its report. The Committee has not yet submitted its report”.

The terms of reference of the Committee :

#### **A—SALES TAX**

1. To examine the structure of Sales Tax in Delhi with particular reference to the distribution of items between the first point and last point,

- levy of tax and the considerations which should govern the selection of items for levy at the first point;
2. To examine the factors which should be taken into account in determining the rate structure of sales tax in Delhi and to consider whether any changes are needed in the existing rate structure;
  3. To examine the implementation of the sales tax with particular reference to assessments and the introduction of a viable system of summary assessment as envisaged in section 23(1) of the Delhi Sales Tax Act;
  4. To consider the yardsticks for staffing the department taking into account reasonable cost of collection and desirable norms of work of assessing and other authorities including internal audit, recovery and other branches;
  5. To examine the working of the Enforcement Branch of the Sales Tax Department, its desirable strength, methods and procedures of operation and the optimum selection of Enforcement activities;
  6. To examine the structure of trade in Delhi and to undertake commodity flow surveys in regard to a few selected commodities;
  7. To examine the adequacy of the existing system of collecting and compiling statistical data with particular reference to the Collection of commodity wise and other information of use in the formulation of policy; and
  8. To make recommendations on all the above topics, wherever needed, and any other matter which in the view of the Institute may have a significant bearing on the effective administration of the sales tax in Delhi.

72. As per the Delhi Sales Tax Act, 1975, a dealer is liable to pay tax if his annual gross turnover exceeds a prescribed figure which is currently Rs. 1 lakh in the case of a trader, Rs. 30,000 in the case of a manufacturer and Rs. 75,000 in the case of a halwai. A dealer carrying on business without registering himself is liable to prosecution under Section 50(1) (b), and in case of conviction, is punishable with rigorous imprisonment for a term which may extend to six months or with fine or with both. Under Section 23(6), the dealer is liable to pay, by way of penalty, in addition to the amount of tax so assessed, a sum not exceeding twice that amount.

73. The Committee are surprised to find that although between 1979-80 and 1981-82, as many as 5,317 dealers were found carrying on business without

registration, all of them were proceeded against under Section 23 (6) and action for prosecution under Section 50 (1) (b) was not taken even in a single case. The argument advanced by the Ministry for not launching prosecution even in a single case is that "if a penalty is imposed on a dealer, he cannot be prosecuted under Section 50 (1) (b) and they would like to have the money instead of prosecuting the person". The Committee need hardly point out that a powerful instrument for forcing dealers to register themselves is the fear of prosecution. If a dealer has been evading tax for years but not registering himself, which is quite common, the penalty under Section 23 (b) would hardly be a sufficient deterrent. The Committee, therefore, feel that prosecution under Section 50 should invariably be launched in cases where it is found that the dealer has been evading registration deliberately for a number of years.

74. The Committee have been informed that "Sales Tax Department has now been instructed to launch criminal prosecution in selected cases under Section 50 (1) as an exemplary measure". The Committee would like to be informed of the number of cases in which such prosecution proceedings have been launched since the issue of the instructions, together with the outcome thereof.

75. It is surprising that although survey work is basic for detection of dealers evading registration and payment of sales Tax, there is no inbuilt arrangement in the Sales Tax Department to conduct surveys on a regular basis. There is no separate staff specially earmarked for surveys and these are being conducted by Inspectors who are already charged with multifarious other duties. The Sales Tax Commissioner admitted before the Committee that "we do not undertake the market survey in a very methodical manner". No wonder there has been an appreciable fall in the detection of dealers evading registration. Thus, while during 1975-76 and 1976-77, the number of unregistered dealers detected was 1,966 and 3,179 respectively, it came down to 735 and 630 in 1981-82 and 1982-83 respectively. The argument put forth by the Ministry that it is now unattractive for a dealer not to register himself is not convincing. The Sales Tax Commissioner was frank enough to admit before the Committee "Looking on the number of dealers who should have registered and who have not registered, our efforts have not been commensurate with the problem that exist" and that "such dealers cannot exist unless there is collusion between unscrupulous dealers and our unscrupulous staff." This, to say the least, is very unsatisfactory state of affairs. The Committee, therefore, recommend that the Sales Tax Department should make adequate institutional arrangement to conduct market surveys on a regular basis so as to ensure that no dealer who is required to be registered, escapes registration. However, the Committee would like to caution that adequate steps should be taken to ensure that these surveys are not allowed to become means for harassing innocent dealers.

76. The Committee feel that there is an urgent need for creating a climate of confidence among the traders in Delhi about the working of the Sales Tax Department. It needs to be investigated as to why, in spite of the fact that registration confers a number of benefits on the traders such as free intra-State transactions, a large number of traders avoid registration and tax free purchases locally. In particular it needs to be enquired whether it is because these traders have to face needless constraint, procedural or otherwise or they are apprehensive of harassment by the officers of the Department. In this connection, the Committee note that the Sales Tax Department have started holding series of meetings and discussions with the trade associations on problems of mutual interest. The Committee feel that, though belated, this is a step in the right direction. The Committee recommend that such meetings should be held regularly and necessary follow-up action take to remove the difficulties and grievances of traders brought out during discussions.

77. The Committee note that at present Sales Tax is largely being levied at the last point, which is leading to a lot of complication and tax evasion. When asked why the tax could not be levied at the first point, the representative of the Ministry stated 'you have a very good suggestion. In fact our effort has been that as many commodities as possible we can tax at the first point itself. But all commodities do not admit of taxation at the first point. This is a point to consider whether more things cannot be included in the first point.' The Committee recommend that the matter of bringing as many commodities as possible to tax at first point be examined expeditiously and if necessary, changes in legislation introduced.

78. In respect of sales to registered purchasers, a registered dealer has to enter them in declaration forms and get them duly signed by such purchasers, in order to claim exemption in respect of such sales. Blank declaration forms duly numbered are issued and controlled by the department. The Audit para has brought out three cases which show that there is a hardly any watch over the issue of declaration forms and their accountal, leaving ample scope for tax evasion. [ In one case, a trader (M/s Sunil Traders, Inderpuri) was issued 125 declaration forms but he furnished account for 96 forms only. The Sales Tax Department continued to issue these forms in spite of the fact that proper accounts in respect of forms issued earlier had not been rendered. The dealer made purchases valuing more than Rs. 10 lakhs between December, 1981 and January, 1982 but on the assessing authority issuing notices in February, 1982 to produce his records in order to settle discrepancies in his returns, he surrendered his registration certificate with a request for its cancellation. The dealer has since disappeared and is not traceable and the dues from him have not yet been realised.

79. In the same case the dealer filed three separate returns for the same period showing huge discrepancies but the suspicion of the Department was not aroused. This is indeed disquieting. When questioned in evidence, the Sales Tax Commissioner admitted the lapse in the following words "if somebody files a revised return, when he is changing figures, not only in thousands, but in lakhs, certainly a vigilant Sales-Tax Officer should try to find out why he is filing the revised returns even though under the law it may be permissible for him to do so". The Committee would like to be informed what action has been taken against the officer responsible for the lapse and whether suitable instructions to the officers to obviate such lapses have since been issued.

80. In another case, a dealer (M/s. Cross Enterprises, Mayapuri) was issued 175 declaration forms during September, 1979 and May, 1980. The dealer has disappeared without rendering account of declaration forms issued to him and without paying anything against the demand for Rs. 45,289.

81. From the above cases, the Committee are led to the irresistible conclusion that the instrument of control over dealers through declaration forms has been ineffective and has therefore not served the underlying purpose. The cases given in the audit para are symbolic of the growing phenomenon of traders themselves registered, obtaining declaration forms, using these forms and then disappearing from the scene without rendering any account of the forms or discharging their tax liability and reappearing at a later stage under other names. It is really pathetic that the Sales Tax Department has failed to take any action against such unscrupulous dealers who admittedly in collusion with unscrupulous staff of the Sales Tax Department are depriving the public exchequer of considerable tax revenue. The Committee cannot but express their deep concern at this. The Committee recommend that urgent measures should be taken for streamlining the existing procedure for issue and accountal of declaration forms, and in particular for matching of declaration forms with the returns of the purchasing dealers, at least in cases involving heavy amounts.

82. The Committee are concerned to note that the assessment work in the Sales Tax Department is heavily in arrears and in 1983-84, the Department was doing assessment for 1979-80. The seriousness of the position can be seen from the fact that as on 1.4.1983 as many as 2,89,430 assessments relating to local sales tax and 2,65,688 assessments relating to Central Tax were pending and out of these nearly one-fifth related to the year 1979-80. The Sales Tax Commissioner was frank enough to admit before the Committee that "these things will continue to be there till such time we are able to come upto date in assessment". The Ministry have explained that the pendency is due to acute shortage of staff which was sanctioned as far back as in 1975 when the number of registered

dealers was far less and that the proposal for augmentation of the staff strength is under consideration of Government. The Committee need hardly point out that delay in finalisation of assessments not only results in undue hardship and harassment of dealers but also provides ample scope for unscrupulous practices, manipulations and dishonest deals. The Committee would recommend that the statutory time allowed for completion of assessment may be reduced from four years to two years. Presently all returns are being taken up for assessment only after three and a half years by which time the unscrupulous dealers manage to disappear or dispose of their assets.

83. The registration of a dealer can be cancelled, if among other things, he furnishes or accepts false declaration with a view to obtaining tax exemption or fails to furnish security demanded or is convicted under the Sales Tax Act. However, the cases given in the audit para show that the threat of cancellation of registration has proved to be ineffective and has not produced the desired results.

84. In the first case given in the audit para, a dealer (M/s. Anand Electricals, Lajpat Rai Market, Delhi) did not file his returns nor did he pay his tax regularly for a long time. In June 1975, he was asked to furnish two sureties of Rs. 25,000 each under the local and Central Sales Tax Acts. He did not furnish sureties but the registration certificate was cancelled only in September, 1979 retrospectively. The firm has since been declared insolvent. Tax demand of Rs. 2,66,437 is still due for recovery. When asked about the reasons for belated action for cancellation, the Department has tried to explain that because of bifurcation of the Ward, the matter was lost sight of. This, in the view of the Committee, is a sad commentary on the working of the Sales Tax Department.

85. In the second case cited in the audit para, a registered dealer (M/s. Tara Chand and Sons, Shahdara) did not file his return for the quarter ended September, 1978, nor for subsequent quarters. In August, 1979 the dealer was not reportedly traceable at his business address. However, in November 1981 the dealer informed\* the assessing authority that he had closed down his business and asked for cancellation of registration certificate, which was cancelled on 17 November, 1981. On assessments upto 31.3.1978, which were finalised only in 1982, tax amounting to Rs. 6,87,509 is still to be recovered. However, in the meantime the dealer has already disposed of his goods and nothing can be recovered from him.

86. The cases cited above clearly show that the provisions of the sales tax law for cancellation of registration certificates are not used in time against

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\*By post.



the defaulting traders. The Committee have reasons to believe that these are not isolated cases and that the failure is widespread indicating malafide negligence on the part of Departmental officers. These cases, therefore, call for investigation with a view to fixing responsibility.

87. The representative of the Ministry of Home Affairs suggested that there should be legislative provisions providing for immediate suspension of registration, pending cancellation. The Committee desire Government to give a serious thought to the proposal. The Committee further desire that the matter should be examined in depth to find out the reasons for so much delay in the department in taking action against the defaulting traders and the failure of the instrument of cancellation of registration to serve as a deterrent against the defaulters as also the corrective measures that may be taken to ensure timely recovery of tax. It may also be examined as to how far the lapses pointed out in the preceeding paragraphs were due to the negligence/collusion on the part of the departmental staff.

88. The Committee note that the National Institute of Public Finance and Policy who had been entrusted in September, 1982 with the task of undertaking an indepth study of the structure and assessment of sales tax in Delhi has not yet submitted its report. The Committee desire that this should be expedited so that the sales tax structure as well as working of the Sales Tax Department in Delhi can be streamlined and toned up at the earliest.

89. The examination of the audit para has left an impression in the mind of the Committee that the Sales Tax Department in Delhi suffers from a number of shortcomings leading to considerable teakage of revenue. There is no regular system to conduct surveys to find out dealers evading registration and even though there is a provision in the Act for the prosecution of such dealers, the provision has never been enforced. The work of assessment in the department is heavily in arrears and the returns pending assessment run into several lakhs. The two administrative instruments available with the department to serve as deterrent against mal-practices viz., control over declaration forms and cancellation of registration have not been effectively enforced. Such a litation cannot be allowed to continue. The Committee hope that the Ministry of Home Affairs will take necessary steps to tone up the sales tax administration in the capital.

NEW DELHI ;  
August 21, 1984  

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Sravana 30, 1906(S).

SUNIL MAITRA,  
Chairman,  
Public Accounts Committee.

## APPENDIX I

### *Sales Tax*

#### *Audit Paragraph*

#### *Survey, registration and declaration forms*

##### (i) General

As per the Delhi Sales Tax Act, 1975 a dealer is liable to pay tax if his gross turnover exceeds a prescribed figure (currently Rs. 1 lakh in the case of a trader, Rs. 30,000 in the case of a manufacturer and Rs. 75,000 in the case of a halwai) and he must get himself registered specifying the class of goods he deals in. Under the Central Sales Tax Act, 1956, he has to get himself registered, as soon as he makes an inter-State sale or purchase. A dealer, carrying on business without registering himself is liable to prosecution, if detected, during surveys conducted by the department or otherwise.

##### (ii) Number of registered dealers in Delhi

The number of dealers who were on the registers under the Delhi and the Central Sales Tax Acts, during the last three years is given below :

Year	Under the enactment	Number of dealers registered as at the beginning of the year	Number of dealers registered during the year	Number of dealers registered whose registrations were cancelled during the year	Number of dealers as at the end of the year
1	2	3	4	5	6
1979-80	Delhi Sales Tax Act, 1975	61,742	5,955	2,137	65,560
	Central Sales Tax Act, 1956	55,426	5,803	1,865	59,364
	Delhi Sales Tax Act, 1975	65,560	6,685	1,155	71,090

1	2	3	4	5	6
	Central Sales Tax Act, 1956	59,354	6,543	972	64,935
1981-82	Delhi Sales Tax Act 1975	71,090	7,503	932	77,661
	Central Sales Tax Act, 1956	64,995	7,295	807	71,483

The dealers are assessed in about 50 wards. Considerable number of dealers stand registered under both the Acts and their assessments under both the Acts are done simultaneously. Though the above figures indicate an increasing trend in the number of registered dealers, the following steady and downward trends were also noticed :

	As on 31 March, 1980		As on 31 March, 1981		As on 31 March 1982	
	Local Central		Local Central		Local Central	
Number of registered dealers with annual turnover between Rs. 1 lakh and Rs. 3 lakhs	20,230	18,172	19,310	17,672	19,831	18,154
Number of registered dealers with annual turnover less than Rs. 1 lakh	13,634	12,472	15,613	13,730	14,849	13,581

### (iii) Detection of dealers evading registration

In paragraph 5.8 of their 116th Report (1973-74), the Public Accounts Committee (fifth Lok Sabha) observed as under :

“The number of cases of unregistered dealers detected during 1971-72 was 1,730 which came down to 764 during the year 1972-73 despite instructions issued to the Ward Officers for a thorough survey of their areas. The Commi-

ttee have, however, been informed that in pursuance of the recommendations contained in paragraph 1.14 of their 74th Report, steps have been taken to streamline the survey programme in such a way that the entire area is exhaustively combed once a year so as to ensure that no unregistered dealer, who is otherwise liable for registration, escapes notice. The Committee suggested that surprise checks should also be conducted frequently."

It was noticed (1982) in audit that in 10 out of 50 wards, only 22 out of the 262 dealers detected through surveys conducted in the three years 1979-80 to 1981-82 were brought on the register. The reasons for non-registration of the others were not on record. The annual rate of detection has, if anything, gone down as compared to the rate in 1971-72 or even 1972-73.

(iv) Non-functional survey

The Commissioner, Sales Tax, issued instructions in October, 1979, that routine surveys be carried out of all registered dealers once a year and the surveys be supervised to the extent of 10 and 20 per cent by Sales Tax Officers and Assistant Sales Tax Officers respectively.

In ten out of fifty wards checked in audit (1982) during the three years 1971-80 to 1981-82, the numbers of dealers registered were 12,303, 13,058 and 14,214 respectively. In all, 13,273 dealers were surveyed in the three years, duly supervised to the extent of 1 to 6 per cent. In all the fifty wards, against 77,661 dealers registered, 55,749 dealers were surveyed during the three years. No evaluation of any significant benefits accruing to revenue from such surveys of dealers, already registered with the department was available on record.

(v) Issue of declaration forms to registered dealers

In respect of his sales to registered purchasers, a registered dealer has to enter them in declaration forms and get them duly signed by such purchasers, in order to claim exemption from tax in respect of such sales. Blank declaration forms duly numbered are issued and controlled by the department. If there is concealment of sales the assessing authority is empowered to withhold issue of blank declaration forms to the dealers. Prior to 1 February 1978, there was a monetary limit on sales to be entered in one form; and thereafter, control over issue of blank forms was relaxed along with the monetary limit. With effect from 10 November, 1981 any number of transactions occurring in a financial year was allowed to be entered in a form subject to a limit of Rs. 30,000 per form. Fresh forms were to be issued to a dealer only after he had rendered account of the forms issued to him earlier.

(a) A dealer registered, both under the Central acts, with effect from 27 June 1981 did not file the return for the quarter ending 30 June 1981 and filled

three differing returns in respect of the quarter ending 30 September 1981. He was issued declaration forms numbering 20, 40 and 40 on 29 July 1981 and, 5 December, 1981 and 21 December, 1981 respectively. The check underlying the system of issue of forms to a dealer only after he had rendered accounts of the forms (with limit of Rs. 30,000 per form) introduced from 10 November, 1981, was not exercised. In all, 146 forms were issued to the dealer who furnished account for only 76 forms. Purchases valuing more than Rs. 10 lakhs 1982 and on the assessing authority issuing notice (February 1982) to produce his records in order to settle discrepancies in his returns, the dealer surrendered his registration certificate (February 1982) and requested for its cancellation. His assessment has not so far been completed (December, 1982).

(b) A dealer registered with effect from 10 August, 1979 was issued 175 declaration forms by the Department during the month of September 1979 to May, 1980, even though the dealer had not filed a single quarterly return. In July 1980, on survey he was not traceable.

(c) Sale of watches valuing Rs. 18,24,858 made by one registered dealer to another was exempted from tax on the strength of declaration in form bearing No. G 807148, relating to the quarter ending 30 June, 1979. The purchasing dealer who had been filing 'nil' sale returns, had closed his business prior to December 1980 and was untraceable in June 1981. However, he had been issued 25 declaration forms (bearing Nos. G80712 to 807150) on 6 August 1979, which included the said form bearing number G 807148. On the sale of watches in question, loss of sales tax revenue amounted to Rs. 1,82,485 notwithstanding the routine surveys which had not covered the purchasing dealer. The Vigilance and Enforcement branch which started investigation on 27 June 1981 had not remedied the loss of revenue amounting to Rs. 1,82,485 in any way.

(vi) Ineffective cancellation of registrations

The sales tax law provides for cancellation of the dealer's registration certificate if he :

- (a) discontinues or transfers his business or
- (b) defaults in payment of tax or
- (c) ceases to be liable to pay tax or
- (d) furnishes or accepts false declaration with a view to obtaining tax exemptions or
- (e) fails to furnish a security demanded or
- (f) is convicted under the Sales Tax Act.

The threat of cancellation of registration, carrying with it the threat of the dealer being unable to do business thereafter, should normally be a powerful administrative instrument. However, the following cases, noticed in audit, indicate that in practice, it was a hollow threat.

(a) From a dealer registered in September 1961 no security was obtained. He failed to file quarterly returns and on 21 December, 1973 the department asked him to furnish security of Rs. 5,000 but he did not comply. On 3 June 1975, the department ordered the dealer to furnish two sureties of Rs. 25,000 each under the local and Central Acts since he had not filed returns nor filed them in time during the years 1963-64 to 1970-71, 1972-73 and 1973-74 and also as he had not deposited the assessed tax during the years 1971-72 and 1972-73. Sureties not being furnished, the registration certificate was cancelled but only in September, 1979 and that too, retrospectively from December 1978, when the firm had gone into liquidation. On his assessments to tax made upto the year 1977-78, demands amounting to Rs. 2,66,437 were still due for recovery from him.

(b) A registered dealer did not file return for the quarter ending September, 1978 nor for subsequent quarters. The show cause notice issued to him for default in filing returns was not acknowledged. In August, 1979 the dealer was not traceable at his business address. In November 1981, the dealer informed the assessing authority that he had closed down his business and asked for cancellation of his registration certificate which was cancelled on 17 November 1981. On his assessments upto 31 March 1978, tax amounting to Rs. 6,87,509 is still to be recovered from the dealer (December 1982).

(vii) Summing up

The nature and extent of survey, cancellation of registration and control exercised through issue of blank declaration forms to registered dealers revealed the following :

- (a) The number of dealers evading registration who were detected in surveys had gone down considerably in the last three years as compared to the number of detections during the year 1971-72 or even 1972-73.
- (b) Survey of registered dealers had not been carried out with a view to detecting unregistered dealers and little benefit had been derived from routine surveys of dealers already registered.

- (c) The exercise of checks through the instrument of control over declaration forms has not served the purpose.
- (d) The provisions in the Sales Tax law for cancellation of the registration certificates were never used in time against defaulting traders and it remained merely a formality rather than a powerful administrative instrument designed to aid revenue.

[Audit Paragraph 3'04 of the Report of C & AG of India for the year 1981-82 Union Government (Civil)—Revenue Receipts Volume I—Indirect Taxes]

## APPENDIX II

### *Conclusions/Recommendations*

S. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	72	M/o Home Affairs	As per the Delhi Sales Tax Act, 1975, a dealer is liable to pay tax if his annual gross turnover exceeds a prescribed figure which is currently Rs. 1 lakhs in the case of a trader, Rs. 30,000 in the case of a manufacturer and Rs. 75,000 in the case of a halwai. A dealer carrying on business without registering himself is liable to prosecution under Section 50(1)(b), and in case of conviction, is punishable with rigorous imprisonment for a term which may extend to six months or with fine or with both. Under section 23(6), the dealer is liable to pay, by way of penalty, in addition to the amount of tax so assessed, a sum not exceeding twice that amount.
2	73	-Do-	The Committee are surprised to find that although between 1979-80 and 1981-82, as many as 5,317 dealers were found carrying on business without registration, all of them were proceeded against under Section 23(6) and action for prosecution under Section 50(1)(b) was not taken even in a single case. The argument advanced by the Ministry for not launching prosecution even in a single case is that "if a penalty is imposed on a dealer, he cannot be prosecuted under Section (50)(1) (b) and they would like to have the money



1	2	3	4
			<p>out that a powerful instrument for forcing dealers register themselves is the fear of prosecution. If a dealer has been evading tax for years but not registering himself, which is quite common, the penalty under Section 23(6) would hardly be a sufficient deterrent. The Committee, therefore, feel that prosecution under Section 50 should invariably be launched in cases where it is found that the dealer has been evading registration deliberately for a number of years.</p>
3	74	M/o Home Affairs	<p>The Committee have been informed that "Sales Tax Department has now been instructed to launch criminal prosecution in selected cases under Section 50(1) as an exemplary measure". The Committee would like to be informed of the number of cases in which such prosecution proceedings have been launched since the issue of the instructions, together with the out come thereof.</p>
4	75	M/o Home Affairs	<p>It is surprising that although survey work is basic for detection of dealers evading registration and payment of sales tax, there is no in-built arrangement in the Sales Tax Department to conduct surveys on a regular basis. There is no separate staff specially earmarked for surveys and these are being conducted by Inspectors who are already charged with multifarious other duties. The Sales Tax Commissioner admitted before the Committee that "we do not undertake the market survey in a very methodical manner". No wonder there has been an appreciable fall in the detection of dealers evading registration. Thus, while during 1975-76 and 1976-77,</p>

1	2	3	4
			<p>the number of unregistered dealers detected was 1,966 and 3,179 respectively, it came down to 735 and 630 in 1981-82 and 1982-83 respectively. The argument put forth by the Ministry that it is now unattractive for a dealer not to register himself is not convincing. The Sales Tax Commissioner was frank enough to admit before the Committee "Looking on the number of dealers who should have registered and who have not registered, our efforts have not been commensurate with the problems that exist" and that "such dealers cannot exist unless there is collusion between unscrupulous dealers and our unscrupulous staff". This, to say the least, is very unsatisfactory state of affairs. The Committee, therefore, recommend that the Sales Tax Department should make adequate institutional arrangements to conduct market surveys on a regular basis so as to ensure that no dealer who is required to be registered, escapes registration. However, the Committee would like to caution that adequate steps should be taken to ensure that these surveys are not allowed to become means for harassing innocent dealers.</p>
5	76	M/o Home Affairs	<p>The Committee feel that there is an urgent need for creating a climate of confidence among the traders in Delhi about the working of the Sales Tax Department. It needs to be investigated as to why, in spite of the fact that registration confers a number of benefits on the traders such as free intra-State transactions, a large number of traders avoid registration and tax free purchases locally. In particular it needs to be enquired whether it is because these traders have to face needless constraints, procedural or otherwise or they are</p>

1	2	3	4
			<p>apprehensive of harassment by the officers of the Department. In this connection, the Committee note that the Sales Tax Department have started holding series of meetings and discussions with the trade associations on problems of mutual interest. The Committee feel that, though belated, this is a step in the right direction. The Committee recommend that such meetings should be held regularly and necessary follow-up action taken to remove the difficulties and grievances of traders brought out during discussions.</p>
6	77	M/o Home Affairs	<p>The Committee note that at present Sales Tax is largely being levied at the last point, which is leading to a lot of complications and tax evasion. When asked why the tax could not be levied at the first point, the representative of the Ministry stated "you have a very good suggestion. In fact our effort has been that as many commodities as possible we can tax at the first point itself. But all commodities do not admit of taxation at the first point. This is a point to consider whether more things cannot be included in the first point." The Committee recommend that the matter of bringing as many commodities as possible to tax at first point be examined expeditiously and if necessary, changes in legislation introduced.</p>
7	78	M/o Home Affairs	<p>In respect of sales to registered purchasers, a registered dealer has to enter them in declaration forms and get them duly signed by such purchasers, in order to claim exemption in respect of such sales. Blank declaration forms duly numbered are issued and controlled by the department. The Audit para has brought out three cases which show that there is a hardly any watch over the issue of declaration</p>

1	2	3	4
			forms and their accountal, leaving ample scope for tax evasion. In one case, a trader (M/s Sunil Traders, Inderpuri) was issued 125 declaration forms but he furnished account for 96 forms only. The Sales Tax Department continued to issue these forms in spite of the fact that proper accounts in respect of forms issued earlier had not been rendered. The dealer made purchases valuing more than Rs. 10 lakhs between December, 1981 and January, 1982 but on the assessing authority issuing notices in February, 1982 to produce his records in order to settle discrepancies in his returns, he surrendered his registration certificate with a request for its concellation. The dealer has since disappeared and is not traceble and the dues from him have not yet been realised.
8	79	M/o Home Affairs	In the same case the dealer filed three separate returns for the same period showing huge discrepancies but the suspicion of the Department was not aroused. This is indeed disquieting. When questioned in evidence, the Sales Tax Commissioner admitted the lapse in the following words "if somebody files a revised return, when he is changing figures, not only in thousands, but in lakhs, certainly a vigilant Sales-tax Officer should try to find out why he is filing the revised returns even though under the law it may be permissible for him to do so". The Committee would like to be informed what action has been taken against the officer responsible for the lapse and whether suitable instructions to the officers to obviate such lapses have since been issued.
9	80	M/o Home Affairs	In another case, a dealer (M/s Cross Enterprises, Mayapuri) was issued 175 declaration forms

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			during September, 1979 and May, 1980. The dealer has disappeared without rendering account of declaration forms issued to him and without paying anything against the demand for Rs. 45,289.
10	81	M/o Home Affairs	<p>From the above causes, the Committee are led to the irresistible conclusion that the instrument of control over dealers through declaration forms has been ineffective and has therefore not served the underlying purpose. The cases given in the audit para are symbolic of the growing phenomenon of traders getting themselves registered, obtaining declaration forms, using these forms and then disappearing from the scene without rendering any account of the forms or discharging their tax liability and reappearing at a later stage under other names. It is really pathetic that the Sales Tax Department has failed to take any action against such unscrupulous dealers who in admittedly collusion with unscrupulous staff of the Sales Tax Department are depriving the public exchequer of considerable tax revenue. The Committee cannot but express their deep concern at this. The Committee recommend that urgent measures should be taken for streamlining the existing procedure for issue and accountal of declaration forms, and in particular for matching of declaration forms with the returns of the purchasing dealers, at least in cases involving heavy amounts.</p>
11	82	M/o Home Affairs	<p>The Committee are concerned to note that the assessment work in the Sales Tax Department is heavily in arrears and in 1983-84, the Department was doing assessment for 1979-80. The seriousness of the position can be seen</p>

1	2	3	4
			<p>from the fact that as on 1.4.1983 as many as 2,89,430 assessments relating to local sales tax and 2,65,688 assessments relating to Central Tax were pending and out of these nearly one-fifth related to the year 1979-80. The Sales Tax Commissioner was frank enough to admit before the Committee that "these things will continue to be there till such time we are able to come upto date in assessment". The Ministry have explained that the pendency is due to acute shortage of staff which was sanctioned as far back as in 1975 when the number of registered dealers was far less and that the proposal for augmentation of the staff strength is under consideration of Government. The Committee need hardly point out that delay in finalisation of assessments not only results in undue hardship and harassment of dealers but also provides ample scope for unscrupulous practices, manipulations and dishonest deals. The Committee would recommend that the statutory time allowed for completion of assessment may be reduced from four years to two years. Presently all returns are being taken up for assessment only after three and a half years by which time the unscrupulous dealers manage to disappear or dispose of their assets.</p>
12	83	M/o Home Affairs	<p>The registration of a dealer can be cancelled, if among other things, he furnishes or accepts false declaration with a view to obtaining tax exemption or fails to furnish security demanded or is convicted under the Sales Tax Act. However, the cases given in the audit para show that the threat of cancellation of registration has proved to be ineffective and has not produced the desired results.</p>
13	84	M/o Home Affairs	<p>In the first case given in the audit para, a dealer (M/s. Anand Electricals, Lajpat Rai</p>

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			<p>Market, Delhi) did not file his returns nor did he pay his tax regularly for a long time. In June 1975, he was asked to furnish two sureties of Rs. 25,000 each under the local and Central Sales Tax Acts. He did not furnish sureties but the registration certificate was cancelled only in September, 1979 retrospectively. The firm has since been declared insolvent. Tax demand of Rs. 2,66,437 is still due for recovery. When asked about the reasons for belated action for cancellation, the Department has tried to explain that because of bifurcation of the ward, the matter was lost sight of. This, in the view of the Committee, is a sad commentary on the working of the Sales Tax Department.</p>
14	85	M/o Home Affairs	<p>In the second case cited in the audit para, a registered dealer (M/s. Tara Chand and Sons, Shahdara) did not file his return for the quarter ended September, 1978, nor for subsequent quarters. In August 1979 the dealer was not reportedly traceable at his business address. However, in November 1981 the dealer informed* the assessing authority that he had closed down his business and asked for cancellation of registration certificate, which was cancelled on 17 November, 1981. On assessments upto 31.3.1978, which were finalised only in 1982, tax amounting to Rs. 6,87,509 is still to be recovered. However, in the meantime the dealer has already disposed of his goods and nothing can be recovered from him.</p>
15	86	M/o Home Affairs	<p>The cases cited above clearly show that the provisions of the sales tax law cancellation of registration certificates are not used in time against the defaulting traders. The Committee have reasons to believe that these are not isola-</p>

\*by post.

1	2	3	4
			ted cases and that the failure is widespread indicating malafide negligence on the part of Departmental officers. These cases, therefore, call for investigation with a view to fixing responsibility.
16	87	M/o Home Affairs	The representative of the Ministry of Home Affairs suggested that there should be legislative provisions providing for immediate suspension of registration, pending cancellation. The Committee desire Government to give a serious thought to the proposal. The Committee further desire that the matter should be examined in depth to find out the reasons for so much delay in the department in taking action against the defaulting traders and the failure of the instrument of cancellation of registration to serve as a deterrent against the defaulters as also the corrective measures that may be taken to ensure timely recovery of tax. It may also be examined as to how far the lapses pointed out in the preceding paragraphs were due to the negligence/collusion on the part of the departmental staff.
17	88	M/o Home Affairs	The Committee note that the National Institute of Public Finance and Policy who had been entrusted in September, 1982 with the task of undertaking an indepth study of the structure and assessment of sales tax in Delhi has not yet submitted its report. The Committee desire that this should be expedited so that the sales tax structure as well as the working of the Sales Tax Department in Delhi can be streamlined and toned up at the earliest.
18	89	M/o Home Affairs	The examination of the audit para has left an impression in the mind of the Committee that



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the Sales Tax Department in Delhi suffers from a number of shortcomings leading to considerable leakage of revenue. There is no regular system to conduct surveys to find out dealers evading registration and even though there is a provision in the Act for the prosecution of such dealers, the provision has never been enforced. The work of assessment in the department is heavily in arrears and the returns pending assessment run into several lakhs. The two administrative instruments available with the department to serve as deterrent against mal-practices *viz.*, control over declaration forms and cancellation of registration have not been effectively enforced. Such a situation cannot be allowed to continue. The Committee hope that the Ministry of Home Affairs will take necessary steps to tone up the sales tax administration in the Capital.

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2.	The New Order Book Company, Ellis Bridge, Ahmedabad-6	11.	Law Publishers, Sardar Patel Marg, P. B. No. 77, Allahabad, U.P.
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		20.	Venus Enterprises, B-2/85, Phase-II, Ashok Vihar, Delhi.

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