

Chapter – V

Analysis

and

Observations

Chapter-V

Analysis and Observations

Importance of Organizational Structure

The implantation of GST requires policy related decision making body to make decision on tax rate, taxability etc. It also requires a tax administration to implement the policy taken by the decision making body. The Constitutional Amendment Bill, 2015 envisages creation of Goods and Service Tax Council, an apex body of policy decision relating to GST. Further, the Parliament and State Legislature retain their authority but convention is likely to force both Parliament and State Legislatures to honor the recommendation of the Council. The tax administration would also provide support system to GST Council, Parliament and State Legislatures. The term "tax administration" means:

- a. the administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws or related statutes (or equivalent laws and statutes of a State) and tax conventions to which the United States is a party; and
- b. the development and formulation of Federal tax policy relating to existing or proposed internal revenue laws, related statutes, and tax conventions.

Tax administration includes assessment, collection, enforcement, litigation, publication, and statistical gathering functions under such laws, statutes, or conventions.1 (26 USCS)

The term —tax administration1 refers to a wide meaning. Unlike many disciplines of study, like Science, economics or social sciences, the tax ad- ministration lacks a coherent body of literature, well espoused theory or set of principles showing a particular intellectual position. Tax administration is in fact a loosely spread area covering law, public administration, economics,

psychology and sociology (Mansfield, 1988). Even though, there is no available systematic study available on tax administration, there is a wide spread agreement that organizational structure can have a profound impact on efficiency and strategy of the organization. The organizational structure directly affects the strategic decision-making process (Bourgeois & Astley, 1979) (Burgelman, 1983). Organizations with different dominant structure are likely to use a very different process to make decisions. The difference in structures is also associated with different levels of performance in different contexts (Biums & Stalker, 1961) (Khandwalla, 1977).

The organization structure not only affects the efficiency and decision making process, it also influences the ethical behavior through three distinct, but related aspects of organizational structure. These aspects are:

1. The structure of monetary and non- monetary rewards.
2. The performance-evaluation, monitoring, and control processes for individuals and business units.
3. The systems of partitioning and assigning decision-making rights and responsibilities to workers, including job design and the level of empowerment.

These three elements affect ethical decision making. For instance, if an organization's compensation system is designed to reward ethical behavior, it will promote ethical behavior but if the organization does not effectively monitor worker behavior or if workers are not empowered to make ethical decisions when they feel pressures to behave unethically, then an ethically sensitive reward system will be ineffective at fully promoting ethical behavior. If all the three elements complement and support ethical objectives, only then it would support ethical behavior. If even one feature is inconsistent with the ethical objective, then the employees will have incentive to behave unethically. (James, 2000)

Definition of Organization and Organizational Structure

The Cambridge dictionary defines organization as a group of people who work together in an organized way for a shared purpose. The businessdictionary.com defines an organization as a social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems--they affect and are affected by their environment. From these definitions, it is apparent that organization is created for a purpose which is collective in nature and is composed of people. There are five major component in the definition of an organization (GALBRAITH, 1977):

- I. Organizations are composed of individuals and groups of people
- II. Seeking the achievement of shared objectives,
- III. Through division of labor,
- IV. Integrated by information-bound decision processes,
- V. Continuously through time.

The development of organizations evolves around two concept: a complex task can be subdivided into simpler components and these simpler components can be performed by of division of labor. Thus, the design of a structure to attain the organizational goals requires addressing two primary issues: how to perform this division of labor, and how to coordinate the resulting tasks. (Hax & Majluf, 1981). The characteristics of an organization lies in its structure, as an organization is not a sum total of capabilities of individuals in an organization. The organizational structure has been defined by Jackson and Morgan as "the relatively enduring allocation of work roles and administrative mechanisms that creates a pattern of interrelated work activities, and allows the organization to conduct, coordinate, and control its work

activities" (Jackson & Morgan, 1978) . Thus, the structure is more than a hierarchical allocation of authorities and responsibilities. It covers all the business processes that concur in the realization of the tasks undertaken by the organization. It may include the strategic and operational planning systems, the communication and information system, the motivation and reward system, and the management control system.

Organizational Structure Types

The organizational structure can be of four types: Bureaucratic Structures, Functional Structure, Divisional Structure and Matrix Structure.

Bureaucratic Structures

Bureaucratic structures are characterized by strict hierarchies in people management. These structures rely on certain degree of standardization and structures have numerous layers of management . Due to the many layers of management, decision-making authority has to pass through a larger number of layers than with flatter organizations. In a bureaucratic organizational structure, authority is generally centered at the top, and information generally flows from the top down. This usually encourages a company culture focused on rules and standards, where operational processes are rigidly controlled with best-practices methodologies and close supervision. It has advantages and disadvantages, which make it more suitable for certain purposes than other.

It is ideal for a command and control style organization. The top-level managers exercise a lot of control over organizational strategy decisions, while the bottom level are rarely included in decision making processes. Thus, strategic decision-making can be shorter as less individuals are involved in the process. Standardization and best-practices can be enforced ensuring that work is consistently completed efficiently and effectively. However, bureaucratic structures does not encourage creativity and innovation in the organization. As a result, it is less agile and lack

ideas to deal with changing circumstances. The employees at bottom receive less satisfaction from their jobs in a rigidly bureaucratic organization.

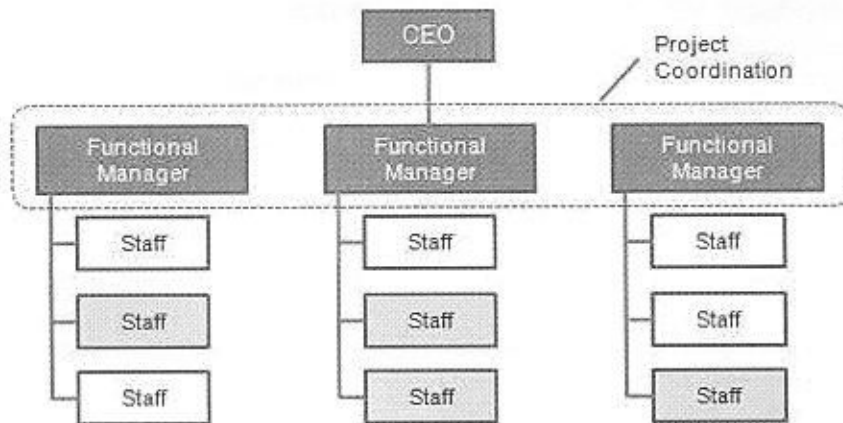
Even though, it may appear that bureaucratic organizational structures may be less desirable than flatter structures, but this is not necessarily so. Some industries, such as software development, may benefit from a more autonomous structure, but others such as fast food benefit from tight controls and tall hierarchies.

Functional Structure

The functional form is structured around the inputs required to perform the tasks of the organization . In this form the organization is divided into separate units based on role. The functional structure has a number of potential advantages as well as disadvantages. The structure offers specialization, efficiency and productivity but lacks team work and has difficult management control. Each unit operates as a type of self-contained mini-organization carrying out its specific role. Employees develop specialized knowledge as they move up within the hierarchy. They become experts within their functional area, and the organization benefits from their expertise and experience over time. The employee, who is an expert in his functional area can perform tasks with a high level of speed and efficiency, which enhances productivity. As the career paths within the functional unit are clear, the employees may be highly motivated to advance their careers by reaching the next rung on the ladder, which may also make them more productive.

The specialized units within the functional structure often perform with a high level of efficiency, they are confined to only one functional area and may have difficulty working with other units. If a task calls for several units to work together, units may be unwilling to cooperate with each other. In essence, each unit may act in what it perceives to be its own best interests instead of those of the organization as a whole. Infighting may cause loss of focus. Further, the

organization can pose a challenge for top management to maintain control as the organization expands. As organizations get larger and top management needs to delegate more decision making responsibilities to each functional area, the degree of autonomy may also increase, making coordination of activities more difficult.



Divisional Structure

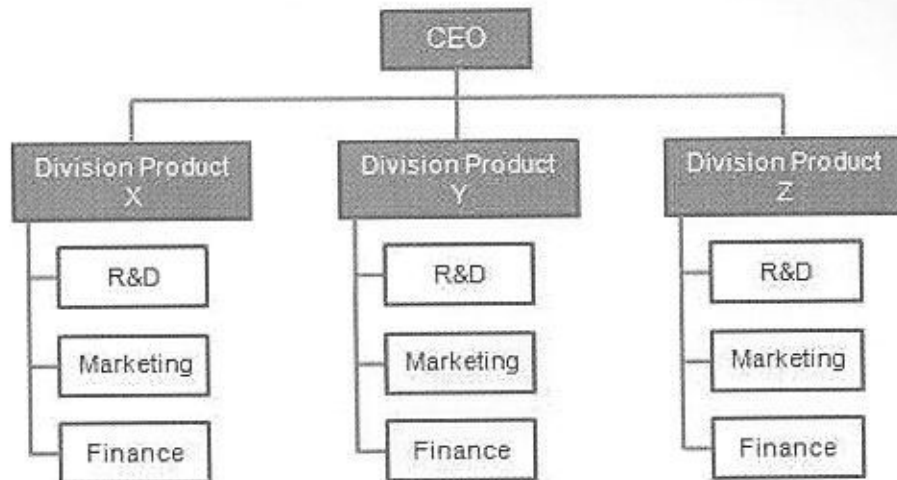
There can be many bases to define divisions. Divisions can be defined based on the geographical basis, products/services basis, or any other measurement. Each division perform a number of functions to meet their specific role.

A divisional organizational structure gives a larger organization the ability to segregate large sections of the operations into semi-autonomous groups. These groups are mostly self-managed and focused upon a narrow aspect of the organizational task.. A divisional organizational structure usually consists of several parallel teams focusing on the specified objective. The divisions are autonomous to a large extent, each with its own head and responsible for its success or failure. The divisional structures have both strengths and weaknesses

Divisions work well because they allow a team to focus upon a single objective, with a leadership structure that supports its major strategic objectives. A division's focus allows it to

build a common culture and esprit de corps that contributes both to higher morale and a better knowledge of the division's portfolio.

A divisional structure also has weaknesses. An organization comprised of competing divisions may allow office politics instead of sound strategic thinking to affect its view on such matters as allocation of resources and larger goal of the organization. One division may sometimes act to undermine another.

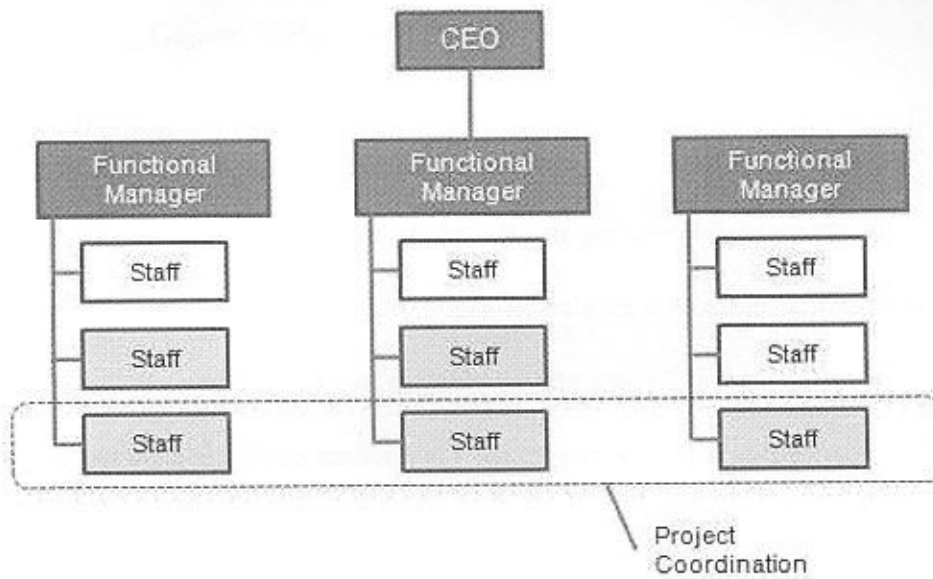


Matrix Structure

The matrix structure gives the best of the both worlds of functional and divisional structures. The matrix organizational structure is atypical because it brings together employees and managers from different departments to work toward accomplishing a goal. The matrix structure can lead to an efficient exchange of information. Various units work closely together and communicate with each other frequently to solve issues. Efficient lines of communication enhance productivity and allow for quick decision-making. The matrix structure encourages a democratic leadership style. This style incorporates the input of team members before managers make decisions. The ability to contribute valuable information before decisions are made leads to employee satisfaction and increased motivation. In a matrix structure, each employee brings his

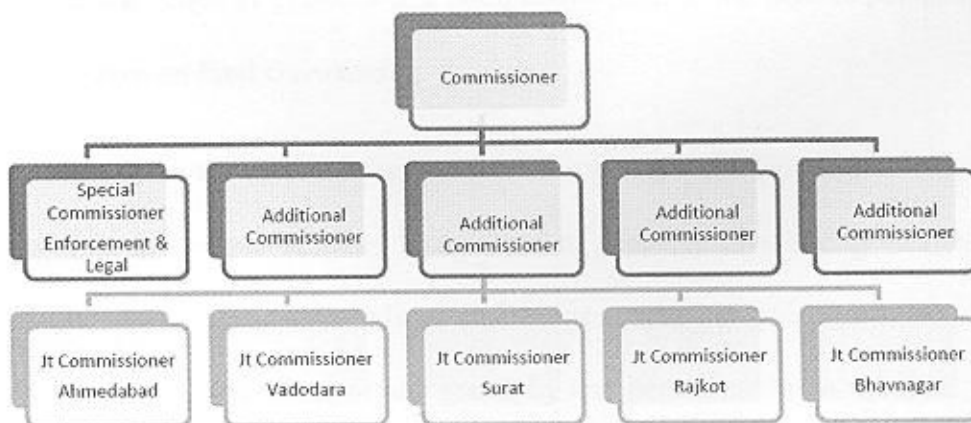
expertise to the table. Managers are involved in the day-to-day operations, which allows them to make decisions through the viewpoint of employees.

A disadvantage of the matrix structure is that it can result in internal complexity. Miscommunication and ineffective managing can result in employee dissatisfaction and low morale. Further, this type of organization is expensive to maintain.



Study of organisations in States (Gujarat and Andhra Pradesh) and Centre (CBEC) are described in the following paras.

Organizational Structure in Gujarat:



Gujarat Introduced VAT through Gujarat Value Added Tax 2003 which received the assent of President on 17.1.2005. The enforcement of the charging provisions and machinery provisions came finally into the effect from 1.4.2006. This led to increase in efficiency, revenue and effective administration of indirect taxes in Gujarat.

Gujarat VAT is administered by the Directorate of Commercial Tax, Government of Gujarat. Alongwith this it also administers other indirect taxes like Entry Tax, Professional Tax, Central Sales Tax, Gujarat Motor Spirit Tax Act.

Meaning of VAT

Value added tax is a new system for levy of tax on sales or purchases of goods. VAT also called —output tax is levied at every stage of sale of a taxable commodity with a facility of deducting from the —output tax so payable on the sale of taxable goods the —input tax credit of an amount on tax paid. Thus under VAT system of sales tax seller is required to pay only a net amount of tax equal to output tax on sales of taxable goods minus —input tax paid on purchases. Input tax credit means availability of the credit of tax paid on purchases of taxable goods. This tax credit is available at the point of purchase itself. Input tax credit is to be adjusted against the tax liability incurred by a dealer on his sales of any taxable goods. This is the major tax reforms which was introduced through VAT. This reduced the cascading effects and compounding of taxes. It minimized the scope of evasions and compliance costs to the taxable persons. It overall reduces burden of taxes on final consumers.

VAT is payable on the sale and purchase of —taxable goods. Goods are defined to mean all kinds movable property and includes every kind of property involved in the execution of works contract and all intangible commodities and things attached to or forming part of the land. As per the Act, Any sale or purchase of any goods by any person could be subjected to levy of

VAT. However, VAT is not levied on all sales or purchases but is levied only on sales and purchases by a dealer. Dealer is a person who carries on, in the course of his business, activity to buy, to manufacture, to sell, to supply, or to distribute goods for consideration in case or by way of deferred payment or commission, remunerating or otherwise. It includes Governments, any local or statutory authority, a company, a partnership firm, a HUF or any other society, like a club, an association or body of persons which carries on business.

The rate of tax and exemptions from the tax is as per the schedules. Broadly there are three major rates of tax i.e. 1 %, 4% and 14.5%. Rate of tax is higher on petroleum products which is not included in the GST. A dealer whose total turnover in any year subsequent to previous year exceeds Rs. 5 lakhs becomes liable to pay Value Added Tax. In the present GST mechanism, the threshold limit may be Rs. 25 lakhs which has to be decided by both the Central Government and the State Government. 12

Procedures

The basic procedures to be followed by a tax payer are

- (a) registration of dealer, when he is liable to pay tax.
- (b) tax is required to be paid monthly for the large tax payers and quarterly for medium and small tax payers.
- (c) Every registered dealers is required to file the returns alongwith information of the sales and purchases.
- (d) Every registered dealer is required to file the e-return, periodically (monthly, quarterly and yearly) depending on the class of dealers.

- (e) Provisions exists for scrutiny of returns, provisional assessment, self assessment (given by the dealers) and audit assessment (if department is not satisfied, an order for audit assessment within three years of filing of returns).

Organizational Structure

Gujarat follows pyramid and functional organizational structure. There is one commissioner, who takes policy as well as administrative decisions. There are different functional verticals who report to the commissioner through special commissioners or additional commissioners. The role of the commissioner includes maintenance of coordination amongst all verticals.

The present structure has certain advantages and disadvantages. These are as follows:

Advantages of structure of Gujarat VAT:

- i. The structure is Pyramidal and because of this structure there is better administrative control.
- ii. Enforcement wing is independent from the other formations of the organization and it is headed by Special Commissioner rank officer. This is most suitable for investigation work
- iii. This structure is having officer oriented system, which is requirement of today's tax administration. Every officer is independent assessing officer

Disadvantages:

- I. Gujarat VAT structure is not developed and robust structure like present Excise and Service Tax structure. Gujarat VAT structure is in no position to take the challenges new

GST regime, which involves monitoring of Returns on IT infrastructure, Appellate mechanism and legal matters.

- II. Gujarat VAT structure does not have Division/ Range based control like Central Excise, where the officer can directly deal with the assessee.
- III. Gujarat VAT structure has not yet developed independent audit mechanism like Central Excise for conducting regular audit of their assesses.

CBEC - Central Ex. & Service Tax

Overview:

Levy and collection of Central Excise duty is governed by the Central Excise Act' 1944, the Central Excise tariff Act' 1944 and rules framed there under. Levy and collection of Service tax is governed by the Indian Finance Act' 1994 and Rules framed there under. Aforesaid laws are administered by Central Board of Excise & Customs ("CBEC"), Department of Revenue, Ministry of Finance which is responsible for formulation of policy relating to levy and collection of Central Excise duty and Service tax. It also exercises overall supervision over Central Excise and Service Tax field formations located across the country. The standard rate of Central Excise duty is 14%. The standard rate of Service Tax is 14.5%. Input tax credit is allowed to be taken.

Table 4: Summary of India's Indirect Tax System

Type	Base	Number of Rates (%) 2/		Base (%)		Collections (%)		Average rate (%)		Description of Commodities 3c/			Threshold 3/	Exemptions Number 4/ value	
		Rates 1/	Standard	Lower	Standard	Lower	Standard	Lower	Base-weighted	Collection-weighted	Exempted	Lower rate			High rate
Goods 5/															
Centre (Excise)	manufacturing	8	12.0	6.0	59.2	39.6	84.9	11.1	8.4	11.7	Food	Teniles, mobile phones, fertilizers, some intermediates	Tobacco, petroleum products, automobiles, aerated water	1.5 crore	300
States (VAT)	up to retail	3*	12.5-14.5	4-5.5	28.5	67	32.8	54.8	7.5	9.6	Food, goods of local importance	Intermediates; capital goods; gold & precious metals	Alcohol, petroleum, tobacco	5-10 lakh	90
Services															
Centre	negative list	11	12.4	4.1	65.2	34.8	86.2	13.8	9.4	11.2	Education, health, public services	construction, work contract, recreation, transport, life insurance	10 lakh		
States 7/		None	None												

1/ Number of ad valorem rates. There are also minimum specific rates on goods charged by the centre. For services, there is one standard rate and 10 statements.
 2/ At the centre, there are 2 lower rates, which are akin to a turnover tax; the states levy a lower rate of 1 percent on gold, the center levies higher rates on luxury cars and aerated drinks.
 3/ Does not apply to exports and exempted goods for goods at the centre.
 4/ Approximate, precise amounts vary by state. Exemption lists are not identical across states.
 5/ Other excises on goods include octroi, cess on mining, and special additional duties. (in the Centre) and octroi (in the States).
 6/ Incomplete provision of input tax crediting for goods, incomplete cross-crediting between goods and services.
 7/ Authority to tax services rests with the Centre but states tax services de facto, e.g. restaurants.
 8c/ Negative list of services includes health care services, veterinary clinic, charitable activities (under section 12AA of the Income tax Act, 1961) and others.
 (a) From tax expenditure statement.
 (b) Estimated by the committee.
 (*) based only on Gujarat data.

Source: Report on the Revenue Neutral Rate and Structure of Rates for GST

Organizational Structure:

The Organizational structure consists of CBEC as the apex body. There are 23 zones of Central Excise and Customs and 4 zones of Service Tax headed by Principal Chief Commissioner or Chief Commissioner. There are 119 Central Excise 86 Customs Commissionerates performing executive functions predominantly concerning collection of central excise duty. Some of these Commissionerates also deal with customs and anti-smuggling work. In addition there are 22 Service Tax Commissionerates, 45 Audit Commissionerates and 60 Appeals Commissionerates apart from 5 Large Tax Payer Units.

Appeal:

Appeal against the Orders passed by an officer below the rank of Commissioner of C. Ex lies with Commissioner of C. Ex. (Appeals). Appeal against the order of the executive Commissioner of C. Ex as well as Commissioner of C. Ex. (Appeals) lies with Central Excise, Customs &, Service Tax Appellate Tribunal ("CESTAT").

Advance Rulings:

In order to attract foreign direct investment, Govt. of India has set up "Authority for Advance Ruling". Certain category of persons can apply and obtain ruling on central excise and service tax matters that will be binding on officers working under CBEC.

Registration:

(A) Central Excise:

Every manufacturer of dutiable goods, first and second stage dealers who desire to issue Cenvatable invoices and persons holding warehouses for storing non-duty paid goods are liable to register as per Rule 9 of Central Excise Rules, 2002. Application for registration is filed online in ACES. It is granted by the divisional AC/DC within two working days. Verification of premises and other relevant aspect is done later by the jurisdictional Supdt. of C. Excise i.e. the range officer.

(B) Service Tax:

Every person who is liable to pay service tax is required to take registration under the Service Tax Rules 1994. However, if income from taxable services is more than nine lakhs then the person is required to take registration even if he is not liable to pay service tax. Application for registration is filed online in ACES. It is granted by the jurisdictional Supdt. of C. Ex/Service Tax. If person is providing service from more than one premises, then the centralised registration is granted by the jurisdictional AC/DC with the approval of Commissioner of C. Excise.

Returns:

(A) Central Excise

Every assessee registered under the C. Ex. Act' 1944 has to file a monthly return latest

by 10th of the succeeding month. If value of clearances (computed as per concerned notification) is less than Rs, 4 Crore, then the Assessee has to file a quarterly return giving production and other details within ten days after the close of the quarter to which the return relates. The returns are filed electronically in a system called Automation in Central Excise and Service tax ("ACES"). The return goes to the jurisdictional Superintendent of C. Excise where upon it is scrutinised. There is penalty for delay in filing or non-filing of return.

(B) Service Tax

Every assessee has to file a half yearly return in specified form by the 25th of the month following the particular half-year. Hence for the first half it is to be filed by 25th Oct and for the second half by 25th April. The returns are filed electronically in ACES. The return goes to the jurisdictional Superintendent of C. Excise/Service Tax, where upon it is scrutinised. There are late fees or penalty for delay in filing or non-filing of return respectively.

Assessment and collection of duty:

(A) Central Excise:

Every Assessee shall self-assess the duty payable on excisable goods. Exception is cigarette where Supdt. of C. Excise assesses the duty payable. The duty on the goods removed from the factory or the warehouse during a month shall be paid by the 6th day of the following month, if the duty is paid electronically through internet banking and by the 5th day of the following month, in any other case. For the month of March the duty is to be paid by 31st March. In case of manufactures availing small scale exemption the duty is payable on quarterly basis.

(B) Service Tax:

Every Assessee shall self-assess the service tax payable on the services provided or received, in specified cases. In respect of services that are deemed to have been provided in

a month, the service tax has to be paid by the 6th day of the following month, electronically.

In case of proprietary concern or individual, the service tax is payable on quarterly basis.

Refunds:

The claim for refunds has to be filed within one year from the date of payment of duty or in the case of exports, from the date of export. The refund claims have to be filed before the AC/DC. Refunds are granted without limit by the concerned AC/DC. Refund attracts interest if it is not paid within three months of the receipt of completed application.

Review:

All the orders of the lower authorities below the rank of the Commissioner will be reviewed by the Commissioner. Committee of Commissioners have powers to review an order passed by Commissioner (Appeal). Committee of Chief Commissioners have powers to review an order passed by the Commissioner of C. Excise.

Search, Seizure and Confiscation:

An officer of the rank of Supdt. of C. Excise and above can summon any person who may have information or documents in respect of enquiry being conducted by the officer. An officer of the rank of Joint Commissioner or Additional Commissioner of C. Excise Power may authorise search of premises and seizure of documents or things. Arrest can be made by an officer of the rank of Inspector of Central Excise or above with the prior approval of Commissioner of C. Excise.

ANDHRA PRADESH STATE VALUE ADDED TAX

Overview:

The State is governed by Andhra Pradesh State Value Added Tax Act, 2005 and the Rules framed thereunder. The standard rate is 14.5% with the list containing exempted goods and also the lists containing duty at 1% and 5%. Input tax credit is allowed to be taken. The

undivided State has collected total taxes of Rs. 41,317 Crores during the period 2012-13, which is a jump of 17% over the previous year's figures. The same Act is applicable for Telangana State also.

Organizational Structure:

The Organizational structure consists of the Commissioner of Sales Tax as Head, Additional Commissioners, Joint Commissioners, Deputy Commissioners, Assistant Commissioners, Commercial Tax Officers, Assistant Commercial Tax Officers etc., in the organizational hierarchy. The Additional Commissioners are in charge of functional issues like Policy, Legal etc. They have also few Divisions under them for administrative control. The Joint Commissioners are in charge of GST, Computers, Enforcement, Services etc. The Deputy Commissioners are in charge of Enforcement, GST, Services etc. The Assistant Commissioners are in charge of Services, Legal affairs, Staff College, Enforcement, Statistics, General etc. CTOs take charge of Vigilance, Enforcement, Legal Affairs etc. This is the organizational structure at the Head Quarters. There is no post equivalent to our Commissioner (Appeals) post. At the Divisional Level, each Division is headed by the Deputy Commissioner. Each Division may encompass a district or adjoining districts. The bigger and more revenue yielding districts have two Divisions. Each Divisional Deputy Commissioner has two or three Assistant Commissioners under him looking after Audit, Internal etc.

There are 7-11 Circles in each Division, depending on the size. The Circles are created on the basis of geographical area.

Apart from Circles, there are 3 Integrated Check Posts and 15 Border Check Posts. These are headed by CTOs.

Tribunal:

The Appellate Tribunal is located in Visakhapatnam and covers the jurisdiction of all the 13 Divisions.

Advance Rulings:

Apart from the above, there is "Authority for Clarifications and Advance Rulings", where any dealer can apply for an advance ruling.

Registration:

Any dealer conducting a business or intending to conduct a business will have to apply to be registered for VAT. The threshold limit is Rs. 40 lakhs in last 12 calendar months. All dealers must apply for VAT if their turnover exceeds Rs. 10 lakhs for the preceding three consecutive calendar months. Regardless of taxable turnover, there are certain conditions on which the dealer has to apply for VAT registration. VAT registration is done by the Commercial Tax Officer of the Circle concerned.

Returns:

Returns are to be filed by the VAT dealer within 20 days from the end of the tax period. VAT returns are received by the CTO in Circles and Assistant Commissioner in Large Taxpayer Unit.

Assessment:

The Assessment is self-assessment. In the case of dealers with business turnover from Rs. 7.5 lakhs to Rs. 50 lakhs, there is a turnover tax of 1%. In respect of dealers whose turnover is more than Rs. 50 lakhs, VAT returns have to be filed. If there is any discrepancy in returns filed by the dealers, the cases will be referred to the Audit. Final Assessments are done by CTOs in circles concerned or by the Assistant Commissioner in Large Taxpayer Unit.

Refunds

The claims for refunds have to be filed within in 45 days from the end of the month during which the goods are purchased. The refund claims have to be filed to the Commissioner or to any other officer in the Commissionerate. Refunds are granted by CTO/Assistant Commissioner upto Rs. 2 lakhs, by Deputy Commissioner upto Rs. 10 lakhs and by Joint/Additional Commissioner above Rs. 10 lakhs.

Appeals:

If the tax payer is not happy with the decision made by the Assistant Commissioner, he can make an appeal to the Deputy Commissioner (Appeal). Thus, the Deputy Commissioner (Appeal) is the first appellate authority. If the tax payer is not satisfied with the decision of the Deputy Commissioner (Appeal), he can file further appeal in Appellate Tribunal. Thus, it is the second appellate authority. Further appeal lies with the High Court of Andhra Pradesh. In case of appeals filed at the level of Joint/Additional Commissioners, the appeal lies with the Tribunal. The Orders of the Commissioner are appealable to the High Court directly.

Review! Revision:

The following are the revision powers:

Assistant Commissioner has revision powers to review the Orders of the ACTO, DCTO and CTO. Similarly, the higher authority one step above the authority passing orders has revision powers. Commissioner has revision powers to review the Orders of the any lower authority working under him. He has delegated the revision powers to the officers working under him.

Search, Seizure and Confiscation:

Search and seizure operations can be done by the Circle in the case of normal dealers and by the Assistant Commissioner in case of Large taxpayer units, with the approval

of the Deputy Commissioner of Commercial Taxes concerned. Wherever a household search has to be conducted, permission of Joint Commissioner (Enforcement) is necessary. Following 2 tables give the comparison of staff strength and grade pay at centre and states.

Staff Strength Comparison-Centre and State (Table No. -3)

S.NO.	Rank/Designation (Exec. & Minsiterial)	Centre (all zones within Maharashtra)	State of Maharashtra
1	Pr. Commissioner/Commissioner	47	1
2	Addl./Jt. Commissioner	113	9+79=88
3	Dy./Asstt. Commissioner	528	392+576=968
4	Sales Tax Officer/Supdt.	2519	1089
5	ST Inspector/Insp.	2994	4509
6	EA/TA/Clerk/LDC	1522	2724
	Total	7733	9379

Comparison of Grade Pay at Centre and State (Table NO. 4)

Centre		State (Govt. of Maharashtra)	
Designation	GP	Designation	GP
Commissioner	10000	Commissioner	10000
Addl. Commissioner	8700	Addl. Commissioner	8800
Jt. Commissioner	7600	Jt. Commissioner	7600
Dy. Commissioner	6600	Dy. Commissioner	6600
Asstt. Commissioner	5400	Asstt. Commissioner	5400
Supdt.	4800	Sales Tax Officer	4400
Inspector	4600	Sales Tax Inspector	4300

RECOMMENDATIONS

Proposed model for Administrative Harmony

Proposed model for GST

Pros:

1. The Model creates administrative harmony between the states and centre in terms of Organisational hierarchy.
2. The administrative harmony enhances coordination between the centre and the states and improves decision making process.
3. The synchronization between the states and centre also helps in tax buoyancy as information is shared seamlessly between the organizations.
4. It improves the service delivery and makes the tax payment and compliance hasslefree for the tax payer. Compliance cost also reduces.

5. Reduces delay in appeal process as the level of first appellate authority has been made at the level of the Jt./ Addl. Commissioner in the centre reducing the burden on Commissioner(Appeals), resulting in faster disposal of appeal.
6. The Commissioner rank officer at the centre is entrusted with the revision powers and he can revise or modify the order instead of directing filing of appeal against the order.
7. Single GST Tribunal dealing with disputes from centre and states arising out of same tax base will help both the tax payer and government to reduce litigation cost and save time.
8. The success of dual GST in Canada indicates that the harmony between centre and states in administration can be achieved and made successful.

CHALLENGES

1. The relative staff strength of the centre and states are a cause of concern and is a substantial challenge.
2. The reluctance of the states to increase the number of commissioners is a major difficulty.
3. The relative competence of the technical /administrative members from the centre and the states in the GST Tribunal may hamper the administration of justice and disposal of cases.
4. The disparities in wages and allowances between the states and the centre are a major concern for administrative harmony.

Proposed Organizational Structure

Central Excise and the proposed Goods and Services Tax has one basic difference that GST would be a tax on supply of goods and not on manufacture. The nature of scrutiny of returns as well as audit and anti-evasion, under the proposed GST regime is bound to have a different focus. One important feature of the proposed GST is that there would be a Central and

State GST to be charged simultaneously across the entire supply chain of goods and services covering imported goods and services as well. GST is a destination-based consumption tax. Even though CGST and SGST would be administered separately by Central and State administrations, the basic features and procedures followed by the Centre and the States would be similar. Further, these two administrations need to have proper coordination, as they would be implementing similar laws on same taxpayers. These coordination would require robust institutional mechanism.

The organizational structure that would be ideal for implementation of GST is based on certain assumptions which are listed out below:

- (a) More than 50 lakh taxpayers
- (b) Robust IT infrastructure
- (c) Online and common registration procedure for CGST, SGST & IGST
- (d) Selective physical verification of applicants based on risk parameters
- (e) Online filling of returns through a common portal
- (f) System-based processing of returns
- (g) Discontinuation of sealing of export cargo by Excise officers (if this is not implemented, a substantial increase in the existing manpower may be required), and evolving an alternate scheme.
- (h) Availability of additional staff as per cadre review proposal.

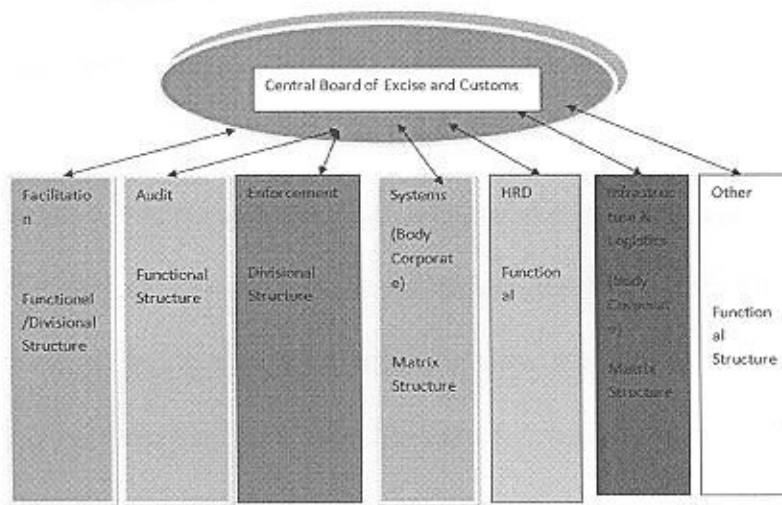
The administration of GST can be divided into following main functions.

1. Facilitation: This includes scrutiny of returns, assessment, grant of refund, miscellaneous permissions etc.
2. Audit: This includes identification of risk parameters, selection of taxpayers for audit and onsite auditing.

3. Enforcement: This includes collection of intelligence, identification of modus-operandi and action on the intelligence to recover evaded taxes.
4. Systems: The function of systems is to provide and manage the IT infrastructure.
5. HRM: The HRM means Human Resource Management. The function of the HRM includes all matters from recruitment to retirement and design of incentive structure.
6. Infrastructure & Logistics: This includes procurement, development and maintenance of infrastructural and logistics support. For example acquiring office space, Speed boats, Vehicles etc can be done by this wing.
7. Other: There are many other support work e.g. legal, classification support, valuation support etc. are required for day to day administration.

It is proposed that these functions may be treated as separate verticals and functional organizational structure is suggested as there are not many overlaps in these functions and these require focused approach. However, within these verticals a mix of organizational structure, as shown in the diagram is suggested. The facilitation work includes a number of tasks and requires interaction with tax payers to meet their distinct and unique requests. Therefore, the internal structure could be a mix of functional and divisional. The detailed structure is separately discussed later. The Audit vertical requires highly specialized personnel so functional structure is suggested. Enforcement function requires a wide variety of task and execution of the task in coordinated manner. It also requires team spirit as anti-evasion operations need to be swift and be able to deal with any exigency. A divisional structure can generate required team spirit and impart necessary autonomy to collect intelligence in a specified territory and execute the operation to recover evaded taxes. Other verticals, except Systems and Infrastructure vertical are proposed to have functional structure, as these would have well defined role requiring technical expertise.

It is suggested that the Systems and Infrastructure verticals may be converted into separate body corporate. These two organization need to be agile as they need to meet flexible requirements of IT and non-IT infrastructure quickly at lowest cost. These services are also provided by private sector through corporate structure. If these organizations are made body corporate with control under CBEC, these can adopt the best practices of the private sector to provide these services in efficient manner.



The Proposed Structure vis-à-vis Existing Structure:

The present organizational structure followed in Central Excise is three-tier structure i.e. Commissionerate, Division and Ranges. This structure was designed when physical control was followed and it required regular interaction of the officers with the taxpayers. Moreover role of the department was more as a regulator. In the last three decades, physical control has been replaced by self removal procedure on almost all commodities. Department has liberalized various procedures and requirement of maintenance of statutory records and submitting various documents has also been simplified to a great extent. CBEC has attempted to evolve a new organizational structure with the introduction of Service Tax when exclusive Service tax

Commissionerates were set up. Some of the Service Tax Commissionerates have been organized on partly functional basis. In some Commissionerates, work has been divided based upon group of services.

Territorial vs. Functional division of work

The present system followed in the Central Excise organization is that majority of the business processes relating to one taxpayer is handled by one office viz. Range and therefore work has been divided based upon territorial jurisdiction at Range, Division and Commissionerate level. This territorial organizational structure is possible, where the organization has to deal with a small number of taxpayers. But, this structure may not be feasible in the GST scenario when more than 50 lakh taxpayers and more than 70 lakh registrants including IGST registrants would require to be handled by CBEC. On the other hand, in the functional division of work, the organization is structured along various types of work to be carried out. In the context of GST, the functional division could be based upon registration, audit, refund, adjudication, legal, recovery, taxpayer services etc. The benefits of functional organization are obvious and the most important is that it encourages specialization. Considering the above, it is felt that the department should move towards functional organization, wherever possible. The new organizational structure to suit the GST environment should be as follows:

- (a) GST Commissionerates having a functional or combination of functional & territorial jurisdiction;
- (b) Separate Commissionerates for Audit & Anti Evasion.

Exclusive Audit and Enforcement Commissionerates

GST will be based on a system of voluntary compliance by the taxpayers. In the GST environment, the most important compliance / control mechanism will be audit and anti-evasion. Accordingly, the Audit and Anti-evasion set-up in the Department should be strengthened. The

Audit work in a Central Excise Commissionerate is presently carried out by the audit teams directly supervised by an AC/DC level officer, who reports to the Commissioner, except in the case of MLU (Multi Locational units) where audit of multi-locational units belonging to the same taxpayer is co-coordinated by the office of ADG (Audit). Similarly, the anti-evasion work in the Commissionerates is carried out by the Anti-evasion wing of the Commissionerate Headquarters. The Directorate General of Central Excise Intelligence, which has been entrusted with the responsibility of intelligence and investigation work in relation to Central Excise and Service Tax throughout the country, has consistently outperformed Commissionerates in terms of the quality of the cases booked and the value of goods / amount of duty involved in offence cases. Two basic factors appear to have contributed to the success of DGCEI. Firstly, the officers of DGCEI are exclusively engaged in anti-evasion work and are not burdened with any other routine work. Being a specialized agency, the middle and senior level officers are able to devote their full time for closely monitoring the cases, and providing the necessary guidance to the subordinate staff. Secondly, a certain degree of specialization also develops in organizations which exclusively deal with any particular item of work, anti-evasion in this case. Similarly, the audit work also needs to be completely revamped in the GST regime, and a specialized approach to audit is the need of the hour. Giving due weightage to all these factors, the audit and anti-evasion work set-up should be reorganized and separate Commissionerates should be created for handling these two items of work. The taxpayers having multi-locational units in a State, high revenue-paying units and some of the complex business sectors may be audited by the Audit Commissionerate under direct supervision of DG Audit.

Within an Audit Commissionerate, specialized Cells may be created industry or service-wise to carry out audit specific to the identified sectors e.g. specialized audit groups for banking and financial services in Mumbai, for Mining Industry in Chhattisgarh, or for Petrochemical Industry

in Gujarat. This will no doubt enhance the domain knowledge of the audit officers and bring about a professional approach thereby benefiting the taxpayers. These specialized groups may also provide policy inputs to the Board.

As far as anti-evasion is concerned, the anti-evasion work may not be made a regular line function of a jurisdictional GST Commissionerate but should be handled by a more specialised and exclusive Anti-evasion Commissionerate to be set up in each State, except where the number of taxpayers is small e.g. the North-Eastern States, Uttarakhand, Himachal Pradesh, J&K etc. However, in States like Maharashtra and Gujarat, there may be a need for more than one Anti-evasion Commissionerate.

The entire staff of Audit / Anti-evasion Commissionerates need not be concentrated at the headquarters but could be placed at different places within a State, depending upon administrative requirements.

Given the importance of audit and anti-evasion work, the work of supervision of these Audit / Anti-evasion Commissionerates may be entrusted to officers of the rank of Chief Commissioners, who may be in-charge of 3-4 such Commissionerates. At the apex level, in order to ensure proper co-ordination of the work of various Chief Commissioners in-charge of Audit and anti-evasion, it is proposed that DG (Audit) and DG (Anti-evasion) be made Nodal Officers reporting to the Board.

Proposed Structure of the GST Commissionerates (Facilitaion function)

Under the GST, CBEC would be required to administer manufacturers, all types of dealers, service providers and inter-State dealers. The geographical dispersal of taxpayers in a State and amongst the States is not uniform. Some of the taxpayers have more than one premises in a State. Considering these factors, in the GST scenario, a uniform organizational structure for entire country is not a good idea and one may think of different types of organizational structure

depending upon dispersal/density of taxpayers in an area. On this consideration, the following three types of Commissionerates are proposed, with each Commissionerate having a clearly defined geographical jurisdiction:

- (1) One-tier functional Commissionerate
- (2) Two-tier functional Commissionerate
- (3) Three-tier territorial Commissionerate

One-tier Commissionerate

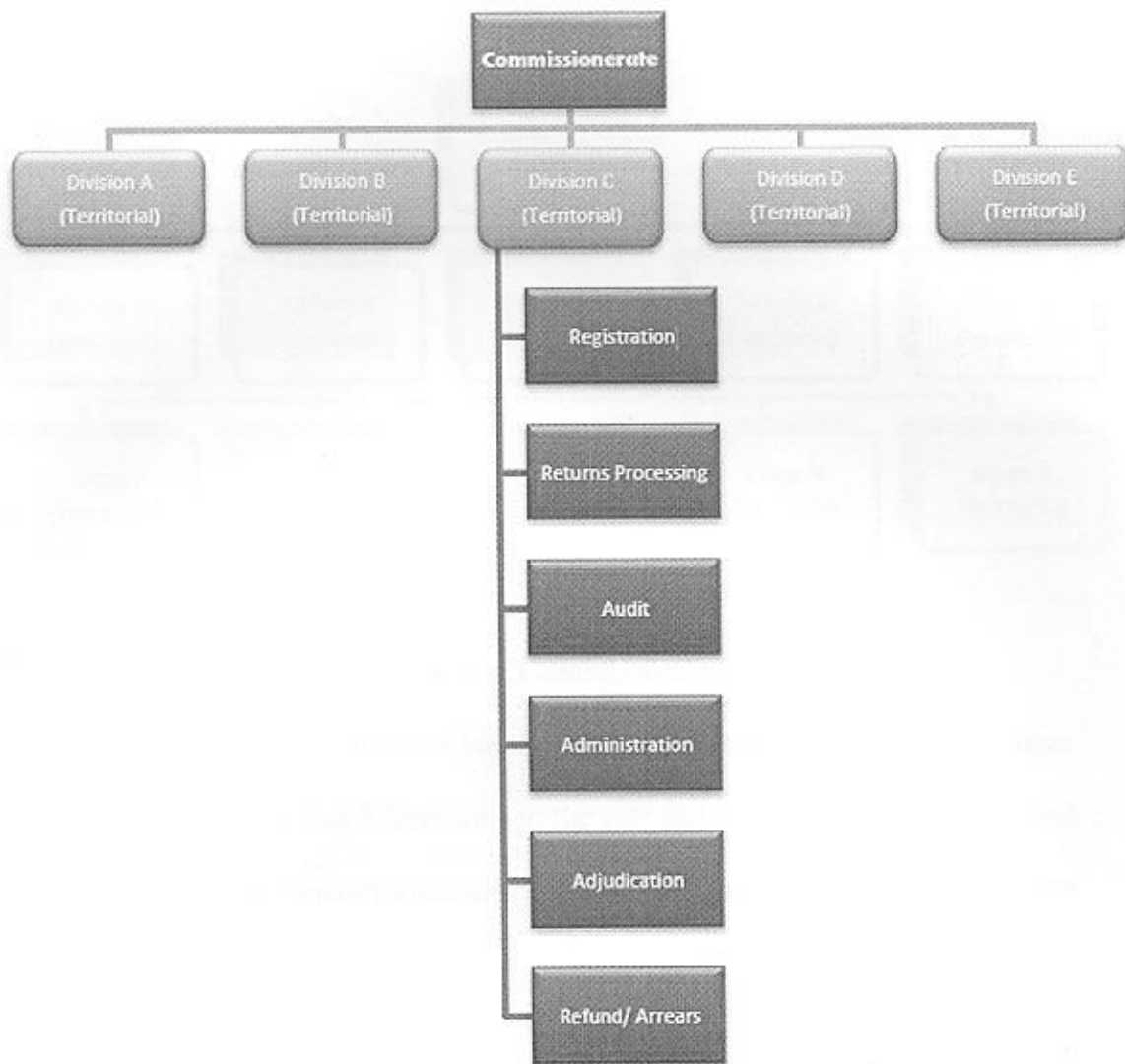
In case of cities, with a large concentration of taxpayers, one-tier Commissionerates are recommended. In this type of organizational structure, the work of the Commissionerate would not be organized on territorial basis as in the case of present Divisions and Ranges. The entire work would be organized on functional basis, covering specific functions such as registration, processing of returns, refund, adjudication, administration, appeal, recovery of arrears, etc. Thus, within a Commissionerate, different Divisions (not to be confused with territorial Divisions) would carry out specific tasks like registration, refund etc. There may be separate sub-divisions within a particular Division. For example, in the Registration Division, there may be sub-divisions to deal with taxpayers on the basis of alphabetical characters or territorial or on any other basis. The basic idea of one-tier structure is to promote specialization and improve efficiency since a particular group of officers will deal with specific business processes only. Moreover, it would avoid movement of files through multiple vertical layers (from Range to Division and from Division to Commissionerate Hqrs.) which presently is the case. For example, if a show cause notice is to be issued at the level of the Commissioner, the draft show cause notice is first prepared by the Range officer, which is submitted to the Division and then to the Commissionerate Head Qrs., a new file being opened at each stage. A Commissionerate organized on functional basis would tend to minimize duplication of work. The organizational

structure of the one-tier Commissionerate is explained with the help of the following line diagram.



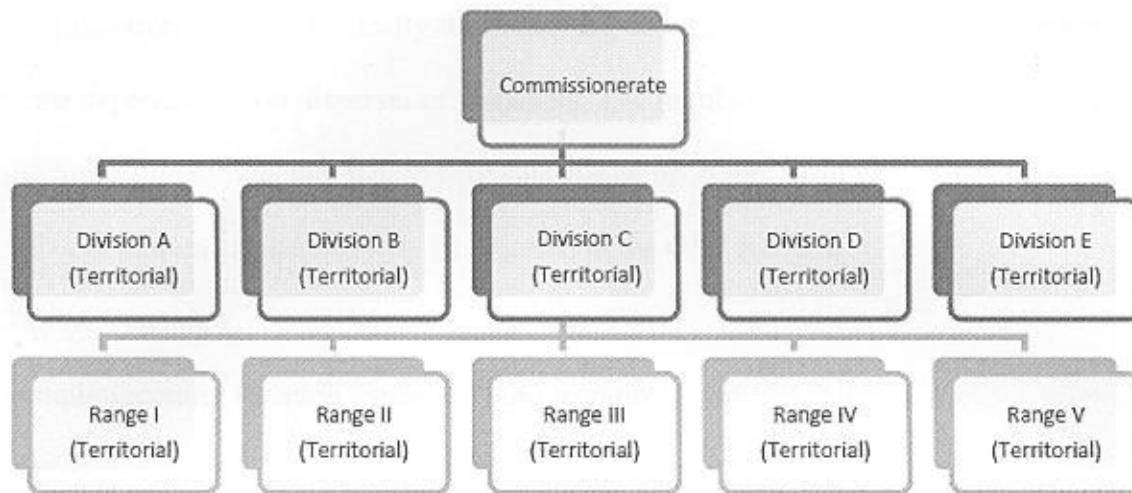
Two-tier Structure

This type of structure is recommended where the taxpayers are spread over a relatively large area (within 50-100 Kms from the Commissionerate Hqrs.). In such cases it may not be feasible to carry out all tasks centrally from the Commissionerate Hqrs, because the taxpayers are spread over a larger area. Therefore, Commissionerates with Two-Tier structures will have territorial Divisions and these Divisions could be organized functionally. In other words, the Divisions would be created on territorial basis, but the work at the Divisional level would be organized on functional basis e.g. separate sections in the Division looking after registration, processing of returns, refund, adjudication, recovery, etc. The two-tier structure is explained below diagrammatically:



Three-tier Structure

This structure is proposed for the Commissionerates where the taxpayers are spread over a very large area e.g. present Central Excise Commissionerates of Belgaum, Meerut-II, Guwahati and follow the model of the present Commissionerates with Divisions and Ranges based upon territorial jurisdictions as shown below:



Combination of One-tier, Two-tier and Three-tier Commissionerates

Commissionerates can also be organized based upon combination of more than one type. For example, if a Commissionerate has 3 Divisions in the city and 2 Divisions away from that city, for the 3 Divisions in the city functional organization (one-tier) can be adopted and for other 2 Divisions, 2- tier organization can be followed.

The Commissionerates of all the three types mentioned above will have clearly specified geographical jurisdiction and will have control over taxpayers having their places of business in that particular area. However, many of the taxpayers falling in the territorial jurisdiction of a particular Commissionerate may have other premises falling in other Commissionerates' jurisdiction within the same State. Taxpayers having multiple premises within a State would be free to register with any Commissionerate within that State. It would, therefore, be necessary to authorize all the Commissioners located in a State, which has more than one Commissionerate to have concurrent jurisdiction over the entire State. This would ensure that Commissioner is legally empowered to conduct checks, verifications, audit and anti-evasion functions, relating to his taxpayers, in the entire State.

Estimation of Number of Commissionerates in GST

For effective administration of GST, ideally there may be about 5,000 to 50,000 taxpayers per Commissionerate depending upon dispersal of taxpayers. The number of taxpayers may be more in one-tier structure Commissionerate like in Mumbai. Based upon this assumption, it is felt that following number of Commissionerates may be required in the GST scenario:

- 150 GST Commissionerates
- 45 Audit Commissionerates (to audit Customs Post-clearance Audit also)
- 20 Anti-evasion Commissionerates.

The above proposal is broadly in line with recent cadre restructuring also.

Strengthening the Directorate (Other Functional Verticals)

At present, the directorates assist CBEC in the discharge of its functions. There is already a degree of functional orientation in the directorates. They broadly fall into two categories. Some of them have field operations in their domain while others mainly act as attached offices of the Boards, functioning primarily as headquarters organizations and assist the Boards in developing policies and programmes in the functional areas assigned to them. Examples of the former are DG (DRI) and DG (CEI). These are already specialized organizations and no major structural change in their configuration appears warranted. In respect of DG (Export Promotion), DG (Safeguards) and DG (Valuation) in the CBEC, no change appears warranted. Action in relation to them is needed more in terms improving performance by infusion of technology, HR policies designed to promote specialization and augmentation of skills in emerging areas of risk. Against this background, the setting up/restructuring of the following directorates may be considered, which are concerned with the core processes of tax administration, as functional verticals separately under each Board:

- i. Strategic Planning and Risk Management, Communication and co-ordination
- ii. Taxpayer services, Taxpayer Education and Communication
- iii. Compliance Verification including Audit (Scrutiny in DT)
- iv. Dispute Management
- v. Quality Assurance and Continuous improvement
- vi. Inspection
- vii. Tax Debt Recovery
- viii. Enforcement

These functional verticals would be supported by the following directorates, which perform enabling functions – the —horizontal support layers in the organization.

- i. DG (ICT) and Chief Information Officer
- ii. DG (HR)
- iii. DG (Infrastructure and Logistics)
- iv. DG (Finance and Accounts)

These directorates will perform the headquarters functions, such as the development of manuals, framing of policies etc., and monitor the delivery of services and performance of the field formations that report to them. Each of the directorates will be headed by an officer of the rank of Principal Chief Commissioner. The structure would follow the matrix form. The officers working in each of the directorates will perform the functions within the vertical and will report to their superiors and will have a reporting relationship to other relevant functions to ensure that policies, instructions etc., are properly carried out and the specific needs of the respective verticals are communicated to the support function. This is intended to achieve a closer integration between the functional verticals and the enabling horizontal functions. Each of the directorates would be embedded with the support functions of ICT, HR, administration and

finance. This is to recognize that each of the verticals have separate ICT, HR and finance requirements and so these functions are required to be embedded in the vertical itself and then work in a matrix like reporting to the specialized ICT, HR and finance verticals. Another salient feature of the above matrix-like approach of functioning is that the placement of people in various functions should be, as far as possible, on the basis of careful selection based on their aptitudes, attitudes and inclinations. And once placed, they should have reasonable tenures unless they are required to be shifted for reasons related to performance or the special need of the officer concerned. This will make for growth of expertise and overall stability in the administration.

Strengthening Directorate of Systems (Systems Verticals)

The success of GST would primarily depend upon a strong IT infrastructure. This not only requires procurement of hardware for running the system but a complement of skilled officials for the DG (Systems). Therefore, the office of DG (Systems) needs to be strengthened substantially and at the earliest.

The implementation of GST can be successful only when the IT infrastructure for online registration, online filing of returns and e-payment is ready. On the basis of recommendation of The Empowered Group of State Finance Ministers a National Information Utilities (NIU)—Goods and Services Tax Network (GSTN), for managing the IT systems for GST implementation, including the Common GST Portal has been set up. Goods and Services Tax Network (GSTN) is a Section 25 (not for profit), non-Government, private limited company. It was incorporated on March 28, 2013. The Government of India holds 24.5% equity in GSTN and all States of the Indian Union, including NCT of Delhi and Puducherry, and the Empowered Committee of State Finance Ministers (EC), together hold another 24.5%. Balance 51% equity is with non-Government financial institutions. The Company has been set up primarily to provide

IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST). GSTN will perform the following functions:

1. Provide common infrastructure and services to Central and State Governments
2. Ensure integration of the Common GST Portal with existing tax administration systems of Central and State Governments
3. Build efficient and convenient interfaces with tax payers and tax administrators
4. Facilitate, implement and set standards for providing common GST services to the Central and State Governments
5. Carry out research, study global best practices and provide training to the stakeholders.

GSTN will render the following services through the Common GST Portal:

1. Dealer registration (including existing dealer master migration and issue of PAN based registration number)
2. Payment management including payment gateways and integration with banking systems
3. Return filing and processing
4. Taxpayer management, including account management, notifications, information, and status tracking
5. Tax authority account and ledger Management
6. Computation of settlement (including IGST settlement) between the Centre and States
7. Processing and reconciliation of import GST and integration with EDI systems of Customs
8. MIS including need based information and business intelligence

9. Maintenance of interfaces between the Common GST Portal and tax administration systems

10. Provide training to stakeholders

The CBEC and State Governments may design and develop their own applications to meet requirements for effective tax administration such as audit, intelligence gathering, enforcement, and risk management. A minimum time-period of six months should be made available to CBEC to undertake the change-over.

The staffing pattern in the State Government and CBEC is different. The organizational structure in the State is bottom heavy whereas in the case of CBEC it is the reverse case. The issue is how synergy would be established between Centre and States in the GST scenario. As per the data available from some of the States, total number of staff available at Gr. B,C, & D in some of the States is 3-5 times more than the staff available in Central excise & Service Tax Commissionerates in that State. On this issue the best management practices followed internationally is to make the organization officer-oriented with the extensive use of IT infrastructure. Gradually, the business processes should be IT- enabled and officers at senior level should be able to devote more time on analysis. Therefore, the organizational structure followed by CBEC is found to be better and more effective. In course of time, the States may choose the model that best suits their requirement.

LTU (Large Taxpayer Units) presently functioning at four places have yielded very encouraging results and therefore they should be continued. LTU can be continued at the State level for CGST, SGST and IGST. However, it is felt that whether the present special dispensation or benefit given to LTU should be continued or not is a policy decision which needs to be taken by the Board. The two major benefits presently available to LTU like transfer of credit from one unit to another and removal of goods from one unit to another unit without payment of duty would not be relevant in the GST. Therefore, if it is decided to continue LTU

concept, then the present legal provision of optional joining of LTU would require relook and perhaps a mandatory provision for bringing a few major assesseees into the LTU would have to be considered.

Central Board of Excise and Customs

The current structure in CBEC is not aligned on a functional basis, unlike in most modern tax administrations. Consequently, it does not promote specialization in key functions in the core areas of policy and operations. While some degree of specialization is assured through the directorates, there is only a feeble link between policy and implementation as the directorates have little role in overseeing the implementation of the programmes and processes they design. They operate primarily as staff adjuncts of the Board. Hence, implementation is marked by lack of uniformity, unevenness of quality and variability of performance. For example, in the CBEC, the Directorate of Audit is responsible for the design of the audit programme in terms of development of audit procedures, manuals etc. However, the delivery is left entirely to the field formations headed by Chief Commissioners and Commissioners. The staff, in turn, is subject to the usual rotation. Consequently, there is little coherent control over the delivery of the programmes and its quality and effectiveness remain variable and inconsistent. The present structure also does not recognize that different areas of work require different capacities and capabilities, skills and mind-sets, and these need to be developed for fulfilling organizational goals. As functions and responsibilities in the existing structure are mixed up, there are also no clear lines of accountability that could enable proper performance management and consequently performance improvement. On account of fuzzy responsibilities and the absence of a proper structure behind them, key functions get performed sub-optimally. For example, there is no single organizational pillar that is responsible for taxpayer services and the responsibility is diffused across various field formations and directorates. Consequently, there is neither coherent

design nor delivery of the whole range of taxpayer services nor are there clear lines of responsibility or accountability for performance. Although, by the implementation of ICT (Information and Communication Technology), CBEC has the potential to release them from the constraints of geography, this has remained under-realized as the structures, processes and attitudes remain embedded, to varying degrees, in the traditional territorial and paper-based approach to working. To overcome these weaknesses, and in the light of international experience, it is necessary to introduce a functional structure in the organization so that proper focus could be brought to bear on key functions and conditions created for development of the required specializations. Proper accountability and responsibility framework could be developed and implemented and the quality of decision making could be improved by ensuring the above. An improved taxpayer experience could be engendered to enhance public credibility of the departments and promote voluntary compliance. A sharper edge can be given to compliance promotion and enforcement efforts by using the power of information and nurturing the required skills and capacities.

Briefly, the proposed restructuring of CBEC is proposed as under:

Chairman – responsible for administration of vigilance functions, organizational strategic planning and risk management, and international co-operation

Member (Tax Policy and Analysis) – responsible for tax analysis and policy making and for tax legislation drafting

CFO – responsible for financial planning, fund allocation, financial advice and internal controls

Member (HR and Logistics) – responsible for people function (HR development and training)

and logistics development Member (GST) – responsible for compliance verification of all

entities, bringing synergy between field offices and Board, issuing interpretative statements and

other pre-assessment arrangements, recovery of taxes, monitoring exemptions

Member (Customs Compliance) – responsible for compliance verification, issuing interpretative statements and other pre-filing arrangements, work relating to World Customs Organization and trade treaties and trade facilitation, recovery of taxes

Member (Disputes Management) – responsible for dispute management functions

Member (Taxpayer Services) – responsible for taxpayer services with customer focus

Member (ICT) – responsible for delivery of ICT strategy and implementation

Member (Enforcement) – responsible for all enforcement functions in indirect taxes



Revamping the superstructure:

At a macro level Indian tax administration is in a vulnerable position due its static structure. For example, the recent — cadre restructuring of CBEC involved only an expansion in the number of posts without a corresponding reduction or reallocation of resources away from less productive areas that is a quintessential element of modern restructuring and change. Second CBEC remains essentially unable to address rapidly emerging challenges on the domestic or international fronts. Reforms must start from the top to remove major tax fault lines in CBEC. The Board should be given total financial and administrative autonomy and CBEC should be unshackled from the clutches of Revenue Secretary. The post of Revenue Secretary who occupies the apex position in the Revenue Department should be abolished. The post of Revenue secretary is occupied by officer from the Indian Administration Service (IAS). He is likely to have little experience or background in tax administration at the national level and little

familiarity with tax. Yet she/he is the final signatory on decisions on tax policy and administration matters prior to their arrival for the Finance Minister's consideration. The Revenue Secretary's area of familiarity, i.e., general administration, in which she/he may be highly competent but which is likely to possess only thin links to the most challenging matters of tax policy making or modernizing tax administration in the light of current global practices. This admixture is anomalous, and that the post of Revenue Secretary is superfluous. It was considered by the Tax Reforms Committee, 1992, chaired by Prof. Raja J. Chelliah. The Committee's views were as follows:

We recommend that (a) the two Boards should be given financial autonomy with separate financial advisers working under the supervision and control of the respective Chairman; (b) the Chairman of the two Boards should be given the status of Secretary to the Government of India and the Members of the rank Special Secretary; and (c) the post of Revenue Secretary should be abolished." (Para 9.27 of the Final Report Part-I)

The Chelliah Committee not only recommended abolishing the post of Revenue Secretary, but also emphasized financial autonomy for the two Boards.

"...the Boards should have financial autonomy and that the Chairmen should have a sufficiently high status. We recommend that the two Chairmen should be directly accountable to Finance Minister insofar as matters relating to tax administration are concerned"(Para 9.28 of the Final Report Part-I)

Even the Tax Administration Reforms Committee headed by Dr. Parthasharthy Shome in its First Report in 2014 has recommended abolition of the post of Revenue Secretary.

Coordination Mechanism between State and Central Organization

The dual GST structure accompanied with a common registration and return interface would lead to a tax payer being subjected to two administrations for the same action- supply.

Ideally, one action should be subjected to only one administration and one law, as being done presently. However, federal political structure and need of a common market make the dual-GST the optimum choice. The present structure, if implemented in coordinated manner can lead to reduced transaction cost and lack of coordination can cause confusion, litigation and conflicting administrative action. Therefore, it is imperative that the coordination mechanism is institutionalized. Coordination mechanism can best function if the organizational structures of the two independent organizations- state and central- are similar and there exist bridges to connect the two organizations for smooth flow of information. Therefore, the coordination can be done through a committee consisting of state level heads of each verticals. Further, there should also be a provision for information flow at mid level of the organizational pyramid. The figure below depicts the organizational structure with coordination mechanism. It is also recommended that information flow can be institutionalized through GSTN which provides an IT platform for interface with tax payers.

