

**Organizational Re-structuring and Change
Management in CBEC in the changing global
scenario – Lessons learnt overseas for
implementation in India**

Restructuring the Organization for GST: A Critical Factor for Success of Tax Reform and Change Management

Introduction

India is heading towards a major tax reform – a game changer- through a uniform Goods and Service Tax (GST). The GST would replace the present Central Excise and Service Tax levied by the Center and VAT levied by the states. The Central Excise and Service Tax reduce the cascading effect through CENVAT scheme where credit of input goods and services is allowed for payment of tax on output goods and services. The present structure itself is reformed version of the earlier tax system, which was described as “archaic, irrational, and complex – according to knowledgeable experts, the most complex in the world” in the Bagchi Report (Poddar & Ahmad, 2009) . However, even the reformed tax structure and institutions could lead India only to the ranking 152 out of 185 countries on ease of “paying taxes” in the 2014 “Doing Business” indicators of the World Bank. The indicator indicates a wide gap between what exists and what ought to be. It also highlights a need of comprehensive tax reform for economic development of India. The introduction of GST could be a much awaited solution to tax woes in doing business. The Empowered Committee portrays the GST as “a further significant improvement – the next logical step - towards a comprehensive indirect tax reforms in the country.” This proposed comprehensive indirect tax reform has potential to become the most important tax reform in the history of India. It would also be a mile stone towards greater fiscal unification of India and creation of a common market.

The GST envisages bringing structural changes, which in turn means changing people who form the structure, drive the structure and get affected by the structure. There are only two known ways of changing people. Firstly, changing individuals and secondly, changing institutions. Changing institutions could be of various degrees. It may be nominal or could be dramatic depending on the degree of change in people envisaged. The GST- a comprehensive tax reform and game changer- envisages bringing a new tax structure with wider base to collect a tax on an event, namely “supply” which had never been taxed earlier. The present taxes are on events like manufacture, sale or service. Thus, the implementation of GST would require designing a new institution, which could be substantially different from the existing institution. Designing an institution means devising and realization of rules, procedures and organizational structure that will enable and constrain behavior and actions so as to accord with held values achieve desired objectives or execute given task (Alexander, 2006).

Often, the tax reform focuses on bringing new rules and procedures without giving due emphasis on organizational structure. In India, tax reforms of various degrees were introduced a number of times to meet the current needs and to meet the need of higher revenue required for economic development and contingent government expenditure. VAT was first introduced at the Central level in the name of MODVAT for a selected number of commodities with effect from March 1, 1986. The MODVAT was extended to all commodities in phased manner and was renamed CENVAT. Later, service taxes were also added to CENVAT in 2004-05. Besides these changes, the tax administration were subjected to various simplification processes, but the organizational structure remained largely unchanged except changes in strength of manpower at various levels and renaming or creation of new designations.

States also witnessed various spells of tax reforms of various degrees. The latest reform-introduction of VAT- has been a challenging exercise. India, being a federal country, treats each State a sovereign in levying and collecting some taxes in terms of the Constitutional provisions. The sovereignty granted to states was essential to maintain federal structure. The federal structure is meant to ensure that preferences of its citizens are given its due priority even when the diversity of the country makes it a difficult proposition. This desirable political structure was arrived at an economical cost where the markets were fragmented and the movement of goods faced both tariff and non-tariff barrier. Before introduction of VAT, there were a number of taxes and tax rates within a state and each state competed with tax rates. However, with active support of Central government and coordinated efforts of all states, the implementation of VAT began from April 1, 2005. Now, all states and Union Territories have implemented state level VAT. The implementation of VAT was appreciated and supported by all stake holders, but this reform was rule centric and the organizational structure was not adequately focused for its adequacy and suitability.

This paper argues that organizational structure is a critical factor to implement any change. The GST is a new tax and not mere some slight changes in the old tax structure. The present CENVAT and state VAT are far away from the ideal value added tax. The present CENVAT and state VAT does not tax value addition as the incidence of tax remains manufacture, service or sale. The present VAT only limits the adverse impacts of cascading effects, while the GST intends to tax the “supply”. It also plans to move away from “exemption Raj” to a single rate or a narrow band tax structure. The focus of processes is expected to shift from men to machine. The State and Central Governments shall lose their sovereignty to a GST Council- a constitutional body. The philosophy behind the GST is different from the present tax philosophy. The constitutional provisions for the new tax, GST, have to be new. The law and procedures are also required to be tailor made to meet the philosophy and constitutional provisions. The taxable event shall also be different. If GST is so different from the present, can the present structure would be able to deliver the advantages for which GST is being brought. The paper argues that the present organizational structure is not aligned to the need of a faster economic growth. If a

new tax system is being introduced, it is an opportunity to bring new organizational structure, which is well aligned to the need of fast growing economy in the globalized era and suitable to take advantage of the Flat World.

Theoretical Framework

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.” (26 USCS)

The term “tax administration” refers to a wide meaning. Unlike many disciplines of study, like Science, economics or social sciences, the tax administration 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)

- Organizations are composed of individuals and groups of people
- Seeking the achievement of shared objectives,
- Through division of labor,
- Integrated by information-bound decision processes,
- 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.

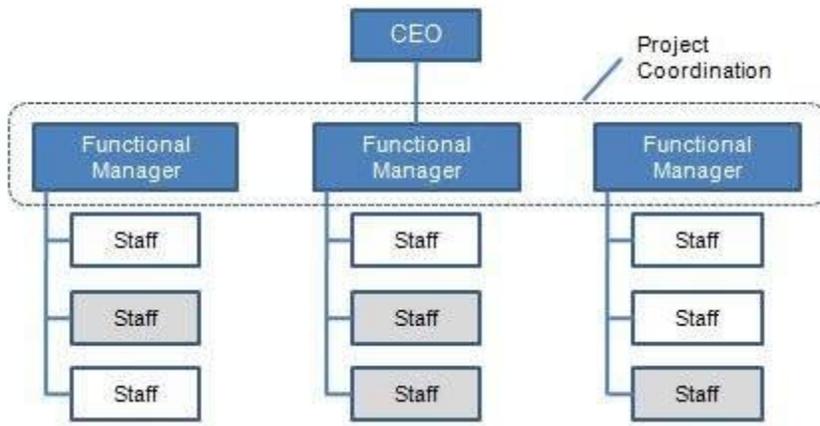
Even though, it may appear that bureaucratic organizational structures may be less desirable than flatter structures, but this is not necessarily so. Some industries, such as software development, may benefit from a more autonomous structure, but others such as fast food benefit from tight controls and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

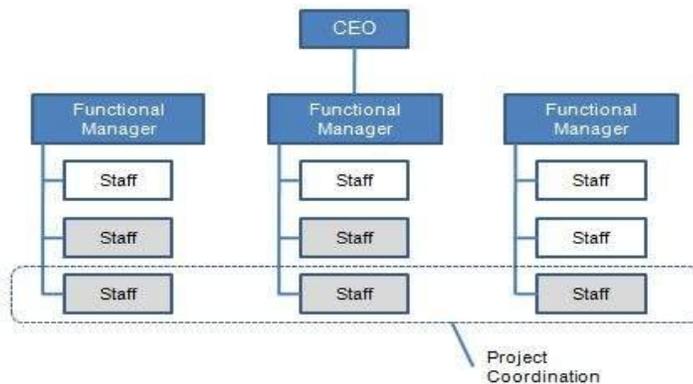
A divisional structure also has weaknesses. An organization comprised of competing divisions may allow office politics instead of sound strategic thinking to affect its view on such matters as allocation of resources and larger goal of the organization. One division may sometimes act to undermine another.



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. Some employees may become confused as to who their direct supervisor is. The dual authority and communication problems may cause division among employees and managers. Miscommunication and ineffective managing can result in employee dissatisfaction and low morale. Further, this type of organization is expensive to maintain.



Organizational Structure of Central Board of Excise and Customs

The present system followed in the Indirect Tax regime 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 on territorial jurisdiction at the Range, the Division and the 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 lakhs taxpayers and more than 70 lakhs registrants including IGST registrants would be required to be handled by the Tax Regime. On the other hand, in the functional manner, the organization has to be structured along various types of work to be carried out. In the context of GST, the functional division has to be based upon registration audit, refund, adjudication, legal recover, taxpayer services etc. The organogram of CBEC is at appendix.

Present Organizational Structure of Gujarat VAT departments

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.

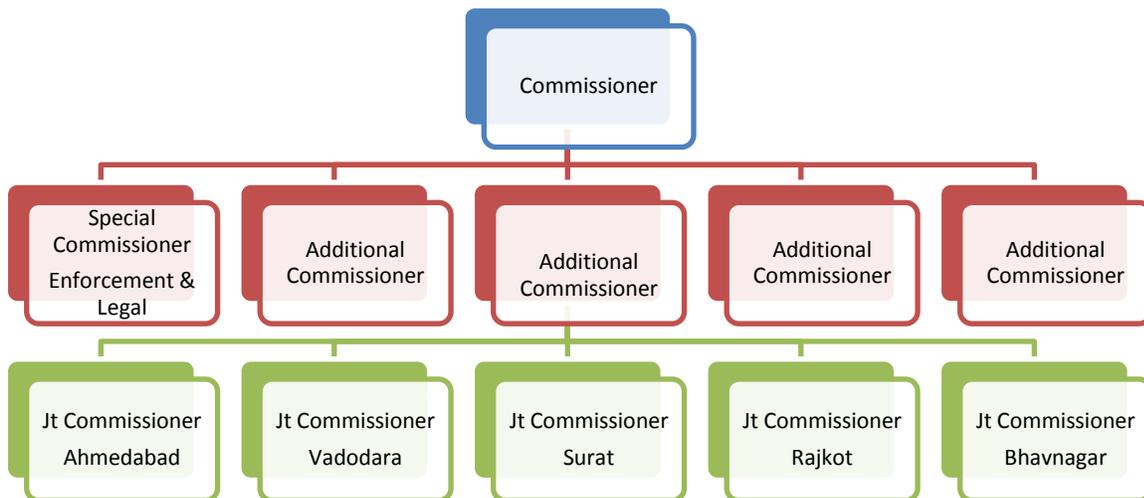
The rate of tax and exemptions from the tax is as per the schedules. Broadly there are three major rates of tax i.e. 1 %, 4% and 14.5%. Rate of tax is higher on petroleum products which is not included in the GST. A dealer whose total turnover in any year subsequent to previous year exceeds Rs. 5 lakhs 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.

Procedures

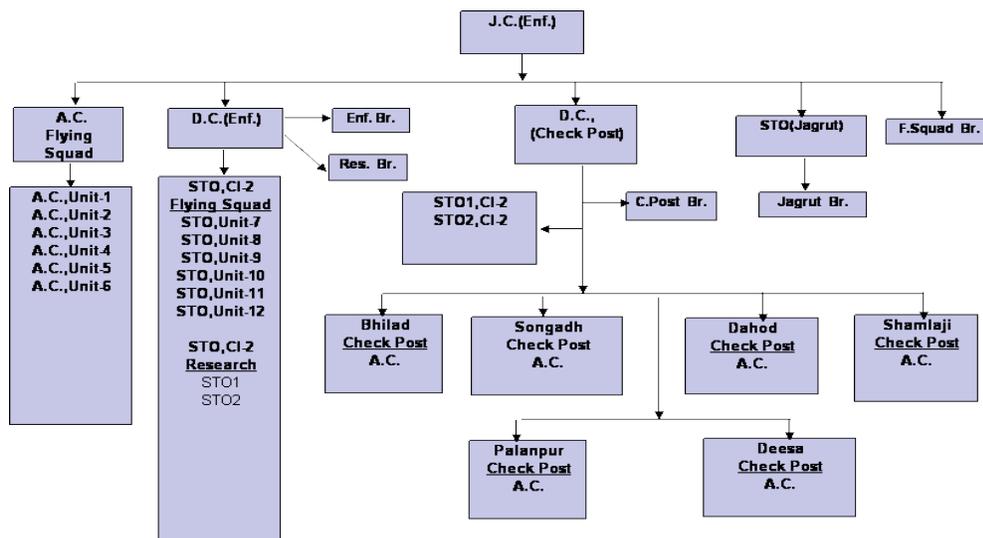
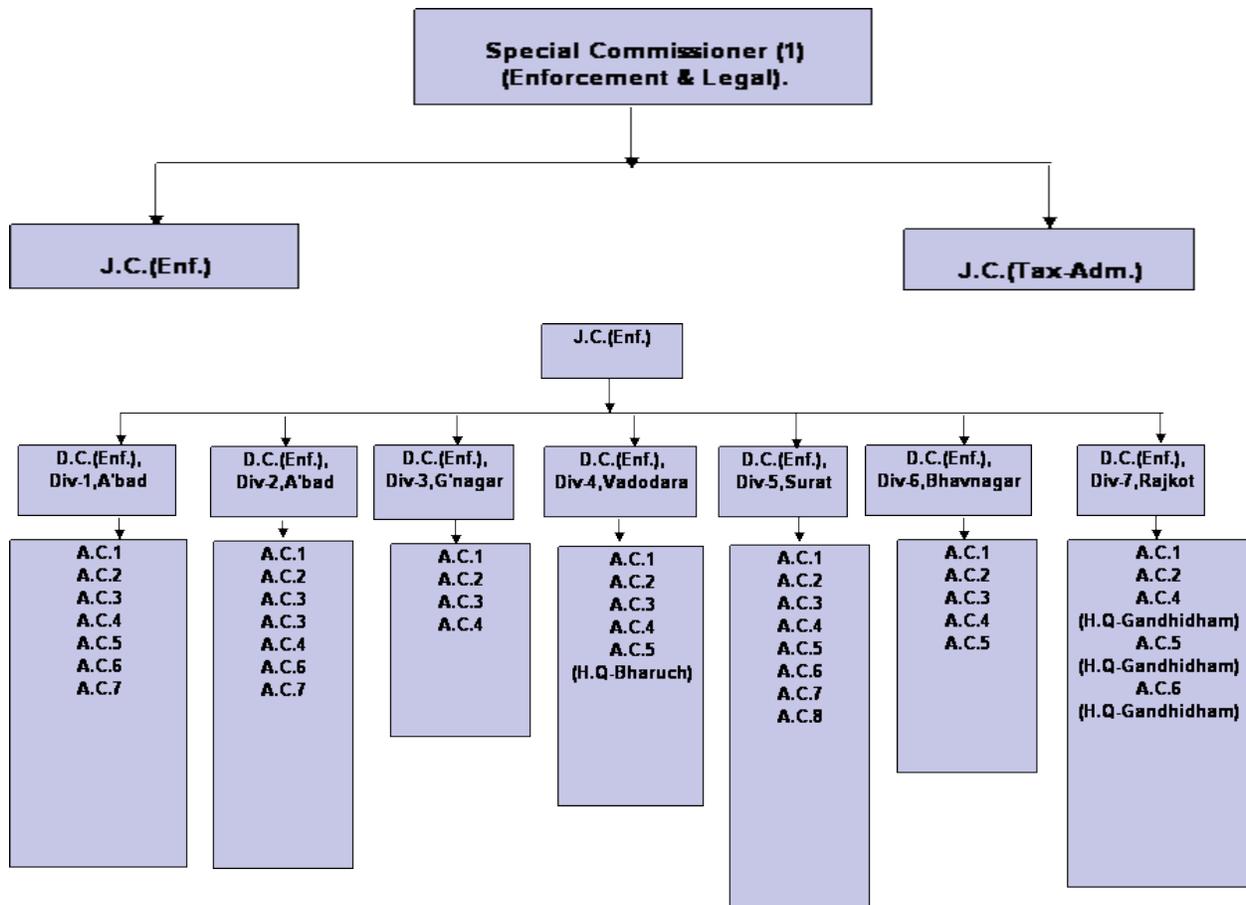
The basic procedures to be followed by a tax payer are

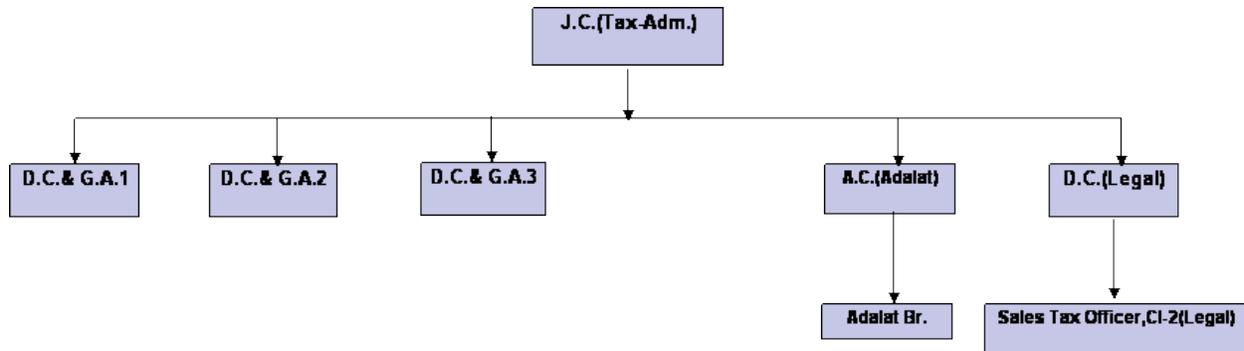
- (a) registration of dealer, when he is liable to pay tax.
- (b) tax is required to be paid monthly for the large tax payers and quarterly for medium and small tax payers.
- (c) Every registered dealers is required to file the returns alongwith information of the sales and purchases.
- (d) Every registered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



As shown above, 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:

- The structure is Pyramidal and because of this structure there is better administrative control.
- 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
- This structure is having officer oriented system, which is requirement of today's tax administration. Every officer is independent assessing officer

Disadvantages:

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

International Experiences in Administering GST

All Countries have a mix of direct and indirect taxes forming the total revenue. In countries like China, India and other developing countries, the share of indirect taxes is comparable to that of the direct taxes. In developed countries like USA, UK, Canada, direct tax forms as high as 70-80% of the total revenue collections. These patterns have a significant impact on orientation of the Revenue departments. In the USA, the sales tax is imposed and collected by the various states. The Federal government has negligible role. The direct tax revenue would form the main focus of the federal government in USA. The various states impose a retail sales tax at varying rates within their jurisdiction which is collected on the origin principle. This situation in the USA exists also due to the greater fiscal autonomy of the States vis a vis the Centre (Purohit, 2001).

Canada is also a federal state. It has a dual GST system – A 5% GST is imposed by the centre and a HST imposed by the states. The tax is administered by the federal government. Canada Revenue Agency (CRA), a department of the Government of Canada collects all taxes both direct and indirect (Ernst and Young, 2015) (Government of Canada).

European Union (EU) currently consists of 28 member states including United Kingdom (UK). It forms a single common market. VAT is charged on the destination principle on cross-border supplies of goods made between taxable persons. However, for supplies made to non-taxable persons, VAT is charged on the 'origin principle' generally. Each country has a single standard rate and may have one or two other rates. The highest standard rate of 25% is in Denmark whereas Germany has the standard rate of 18% (Ernst and Young, 2015) (Government of UK)

In these developed countries of the EU and others like Canada, the revenue department is focused on the direct tax collection. Hence, the differentiation is based on the type of the tax assessee viz. individual, business, trust etc. The same agency is also entrusted with the task of collection of GST/VAT. Similar approach is seen in the functioning of the Australian Taxation office which primarily segregates its assessee as individuals, business and non-profit categories. In Australia, GST is applicable at 10% on most goods and services. The GST collection forms about 16% of the total revenue collection in Australia. The GST collected by the Central Government is distributed among the states on the destination principle (Government of Australia).

On examining the top organization structures of the revenue collection entities in the developed countries viz. HM Revenue and Customs in UK, Canada Revenue Agency and Australian Taxation office, certain patterns are recognized. The top management is manned by specialists having functional expertise in the roles being performed. Some of these roles are

1. Compliance and change initiatives.
2. Law design and dispute resolution.

3. Internal investigation and external communication.
4. Human Resource Management.
5. Procurement and facilities management.
6. Information Technology.

These individuals would invariably have a mix of public and private employment experiences. The apex revenue collection body would be functioning on the lines of a corporate entity. There would be a Board of members who would be providing the vision and policy framework. It would consist of members with every functional expertise as well as representatives of the individual states. There would be one CEO who would be answerable to the Board and be responsible for the day to day functioning of the revenue collection machinery. Thus GST is administered as part of business taxation under the overall category of business assessee made for direct taxation.

In countries where the indirect tax collection is comparable with that of direct tax collection, two separate entities would be doing the work of indirect and direct tax collection. This is seen in countries like Brazil, China, Malaysia as well as India. Usually one finds multiple indirect taxes including VAT in such countries. In Brazil, the following types of Value Added Tax (VAT) are in effect:-

State VAT (ICMS)

Federal VAT (IPI)

Municipal Service Tax (ISS)

Gross Receipt Contributions (EIS – PASEP & COFINS)

ICMS is due on the physical movement of merchandise. The ICMS is also levied on interstate and inter-municipal transport services, communications and electricity.

IPI is an excise tax which is levied, with a few exceptions, on all goods imported or manufactured in Brazil.

ISS is a form of sales tax payable to municipalities in Brazil. It applies to the supply of any services that are not otherwise taxable by the State authorities. (ICMS)

The standard rate of ICMS is 17%. IPI is levied at an average rate of 10%. The standard rate of ISS is 5%. Another unique feature in Brazil is that there is no threshold below which a business is not required to account for these taxes. Registration is compulsory if taxable goods and services are supplied.

There are three main forms of indirect taxes in China – A VAT, A Business Tax (BT) and a Consumption Tax (CT). VAT applies to the sale of goods, the importation of goods, and the provision of repair, replacement and processing services in China. CT applies to the manufacturing, processing, importation or selling of 14 different kinds of goods in China, particularly luxury goods. BT applies to the provision of all other services, the transfer of intangible assets and the sale of immovable property. BT is a type of turnover tax – it is not creditable and therefore cascades throughout a supply chain. The standard rate of VAT is 17% for general VAT taxpayers. The rate of BT generally ranges from 3-5% although the exception is entertainment services which can be as high as 20%. CT rates differ depending upon the stage of production at which the sale occurs, type, weight or capacity. These taxes are administered by an institution called State Administration of Taxes (SAT) at the central level. BT & VAT are not creditable against one another. Thus, it would be evident that the VAT system in Brazil and China have their own unique characteristics and are widely considered to be more complex when compared to most of the VAT/GST regimes around the world.

Malaysia replaced its sales and service tax regime with a GST with effect from 01st April 2015. The standard rate is 6%. Malaysia was primarily dependant on tax on oil to raise revenue. However, over a period of time the tax buoyancy had been affected. Hence, it made the move to GST to widen the tax base. Although it is a unitary VAT, the organization structure of the revenue department in Malaysia is similar to India. The Royal Malaysia Customs department is headed by a Director General. Under him, there are three deputy DG's, one looks after enforcement and compliance, the second deals with Customs/GST and the third with management. The organization below the top management is grouped into following divisions (Royal Malaysian Customs Department, 2015):

1. Enforcement Division
2. Compliance management Division,
3. Customs Division
4. Goods and Service Tax Division
5. Technical services Division
6. Management services and human resources division
7. Corporate planning division
8. Legal division
9. Training Division
10. Information Technology Division &

11. Integrity Branch.

The website of the Malaysia Customs department is well designed and user friendly. A separate website has been developed only for the GST which is called Malaysia Goods and Service Tax (GST). Lots of effort has been taken to educate the tax assesseees about the change in the tax laws and procedures. The Revenue Authority has been reaching out to the assesseees in order to make the transition smooth (Royal Malaysian Customs Department). The progress of implementation of GST by Malaysia should be closely followed by India and lessons learnt need to be taken advantage of for GST implementation.

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.

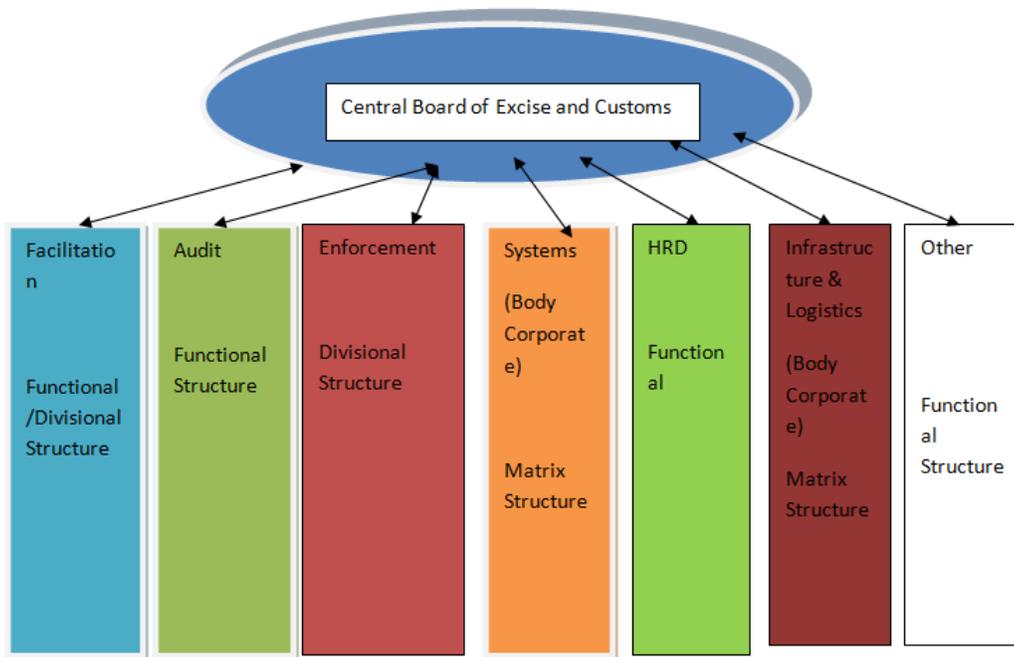
The administration of GST can be divided into following main functions.

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 a 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 organizations 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 an 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.

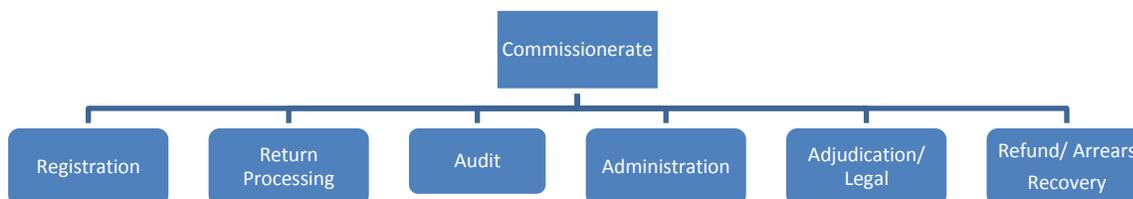
Proposed Structure of the GST Commissionerates (Facilitaion function)

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 we 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

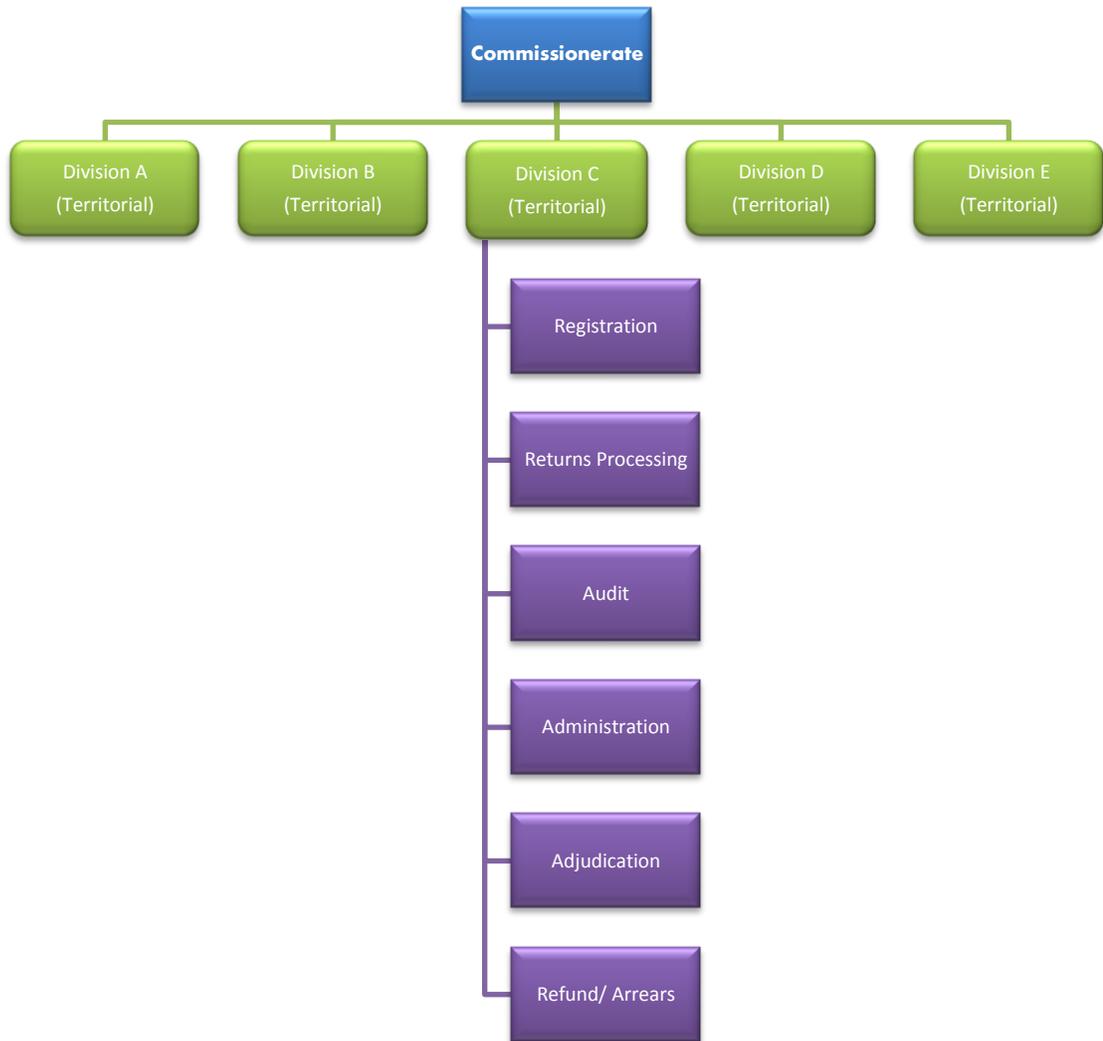
One-tier Commissionerate

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.



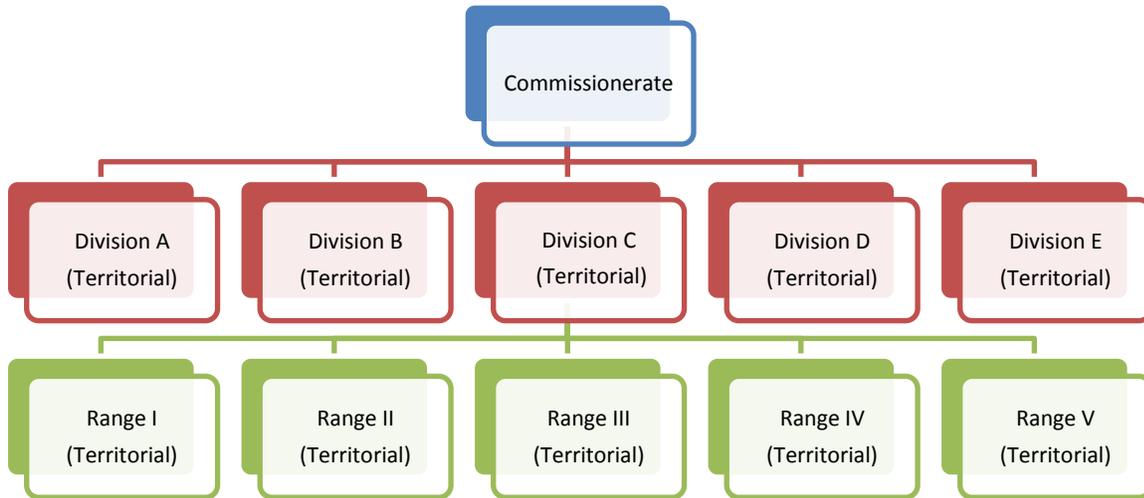
Two-tier Structure

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 assists 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:

- ▶ Strategic Planning and Risk Management, Communication and co-ordination
- ▶ Taxpayer services, Taxpayer Education and Communication
- ▶ Compliance Verification including Audit (Scrutiny in DT)
- ▶ Dispute Management
- ▶ Quality Assurance and Continuous improvement
- ▶ Inspection
- ▶ Tax Debt Recovery
- ▶ Enforcement

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

- ▶ DG (ICT) and Chief Information Officer
- ▶ DG (HR)
- ▶ DG (Infrastructure and Logistics)
- ▶ 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 assesses 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

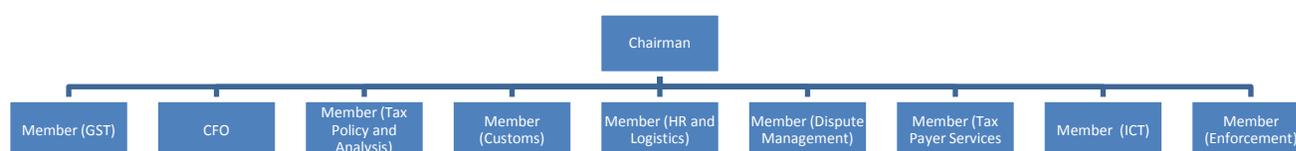
Member (Customs Compliance) – responsible for compliance verification, issuing interpretative statements and other pre-filing arrangements, work relating to World Customs Organization and trade treaties and trade facilitation, recovery of taxes

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)

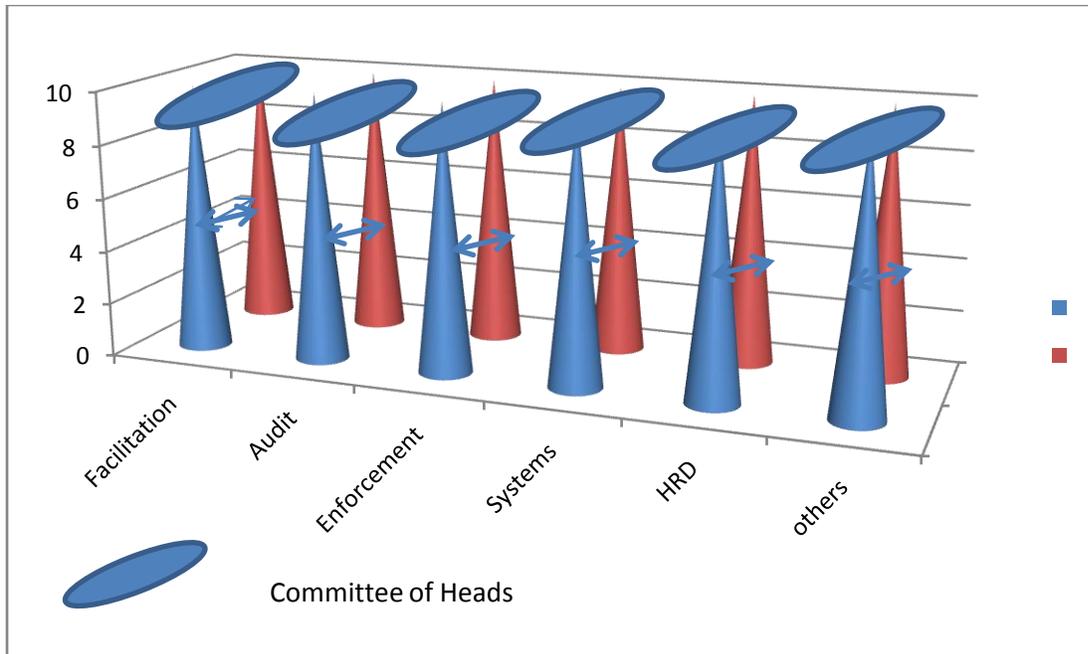
The Chelliah Committee not only recommended abolishing the post of Revenue Secretary, but also emphasized financial autonomy for the two Boards.

“....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.



Conclusion:

The introduction and implementation of GST will be the most significant tax reform in recent times. The Central and State departments involvement have to be fully geared up with a common sense of purpose and understanding of the entire process at all levels to be able to make this happen. There is already clear expectation from GST in the form of increase in GDP growth by 1-2 percentage points, doing away with troublesome multiplicity of taxes, standardization of processes and procedures, near equalization of tax rates, creation of a common market in the real sense of the term, removal of physical bottlenecks like check posts. The departments will not only have to focus on rules and procedure, it also needs to give due importance to organization so that the new institution is able to meet the aim of ease of business environment and can mold itself for ever changing business environment in future.

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