

AN OVERVIEW OF STATE TAX SYSTEM IN INDIA (OTHER THAN SALES TAXATION)

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I. INTRODUCTION

During the last one and a half decades, there has been severe deterioration in the fiscal health at the States' level. Although the decline in the fiscal position of the States has been mainly due to uncontrolled expenditure growth, an important factor has also been the marked decline in the tax productivity. Indian States derive approximately 65 percent of revenue from own sources, the remaining 35 percent being the transfers from the Centre. Over the years, Central transfers to States as ratio to GDP stagnated and consequently, in view of the growing expenditure needs the dependency on own revenues increased. However, the growth of own tax revenues of almost all the States has been on the decline which has aggravated the pressure on the fiscal balances, and in course of time, became responsible for the decline in the quality of expenditure. There is also a need to adjust the taxation to suit the needs of growing market orientation of the economy which calls for reducing the tax differentials across the States, broadening the tax base with minimal exemptions and incentives and bringing about the much needed transparency for better tax compliance.

In this paper, an attempt is made to review the performance of major taxes at the State level during the last two decades with a view to identify the major sources and factors that led to the decline in the revenue performance. Since sales tax is dealt separately, it is excluded from our analysis. Section I examines the constitutional provisions and limitations pertaining to the State taxation, Section II reviews the composition and growth performance of the State level taxes, Section III examines the major causes of decline in the tax productivity and finally, Section IV attempts to indicate the necessary policy corrections.

II. THE STATE TAX SYSTEM: CONSTITUTIONAL PROVISIONS

The Seventh Schedule of the Constitution of India demarcates the taxing powers of Union and State Governments and entries 46 through 63 in the State List specify the items on which States can levy taxes (Appendix 2). Accordingly, the major taxes levied by the States are sales tax, State excise duties, stamp duties and registration fees, motor vehicles tax, land revenue, agricultural income tax, entertainment tax, profession tax, electricity duty, and other minor taxes.

In India the tax bases of the Centre and States are by and large separate and very few tax bases are common and shared. For example, while the non-agricultural income is subject to Union taxation, the power to tax agricultural income is entrusted to the States. Similarly, while taxation of manufacturing activity is in the hands of the Central government, taxation of trading activity is in the hands of the States. The broad principle applied for the demarcation of the tax powers between the Central and State governments seems to be that tax bases arising out of activities that are of local nature are kept within the purview of State taxation and the rest are left

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to the Central government. This led to myriad number of taxes and consequently growing complexity for the tax payers⁴.

There are several other Constitutional provisions that have a bearing on the State level tax system. Important among them are as follows.

- (i) There are certain taxes (under article 268) whose rates and provisions are determined by the Union Government while collection and use of the revenue is done by State Governments⁵. Prominent among these are the Central sales tax, and stamp duties and registration fees in respect of certain financial instruments. State excise duties levied on certain medicines and toilet preparation also come in this category. Consequently, States' freedom to raise revenue from these sources is restricted.
- (ii) Until recently, certain taxes were levied and collected by the Union Government but the revenues were completely assigned to State Governments. For example, additional excise duties on textiles, tobacco and sugar were levied by the Union Government⁶ but the proceeds were reassigned to the State Governments under article 269. Following the Eleventh Finance Commission recommendations, the Constitution (Eightieth) Amendment, 2000, stipulates that the proceeds of the additional excise duties are combined with all other tax revenues of the Union government, to be shared among the States on the basis of a unified formula⁷. It means that instead of all the revenue from such taxes, only a portion is devolved to the States. However, if any State levied and collected sales tax on sugar, textile and tobacco, it would not be entitled to any share from this 1.5 percent.
- (iii) Article 276 restricts the power of States to raise the rate of profession tax beyond Rs 2,500⁸.
- (iv) There are certain constraints imposed on taxation of services by the Constitution (Eighty Eighth Amendment) Act, 2003. The Article 268A inserted by the act seeks to

⁴ Although, the Constitution clearly demarcates the division of the tax powers between Union and the State Governments such clear demarcation does not exist as regards the distribution of tax powers between State and local Governments. Consequently, the taxing powers of the local bodies are not uniform across the States. Local bodies derive their tax revenue from octroi or entry tax, property tax, entertainment tax, local market levies and other minor levies. In some States, these taxes are collected by the State Governments and revenues are assigned to the local bodies. The portion of tax revenue assignments to the local bodies is also not uniform across the States.

⁵ Article 268: Duties levied by the Union but collected and appropriated by the States.- (1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected- (a) in the case where such duties are leviable within any [Union territory], by the Government of India, and (b) in other cases, by the States within which such duties are respectively leviable. (2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State. [Constitution of India, Article 268, <http://indiacode.nic.in/coiweb/coifiles/p12.htm#b>].

⁶ under the Additional Excise Duties (Goods of Special Importance) Act 1957

⁷ Article 270: (1) All taxes and duties referred to in the Union List, except the duties and taxes referred to in articles 268 and 269, respectively, surcharge on taxes and duties referred to in article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States in the manner provided in clause (2). Further, Article 269 has been recast by the Amendment Act. The new article includes only taxes on sale and purchase of goods and taxes on the consignment of goods. All other taxes that were listed under article 269 prior to the amendment have been deleted from this article. Prior to the Eightieth Amendment, Article 269 required the Finance Commission to suggest the principles governing the distribution of additional excise duties in lieu of sales tax on sugar, textiles and tobacco, and the grant in lieu of the tax under the repealed Railway Passenger Fares Tax Act, 1957.

⁸ Article 276: Taxes on professions, trades, callings and employments.- (1) Notwithstanding anything in article 246, no law of the Legislature of a State relating to taxes for the benefit of the State or of a municipality, district board, local board or other local authority therein in respect of professions, trades, callings or employments shall be invalid on the ground that it relates to a tax on income. (2) The total amount payable in respect of any one person to the State or to any one municipality, district board, local board or other local authority in the State by way of taxes on professions, trades, callings and employments shall not exceed two thousand and five hundred rupees per annum. (3) The power of the Legislature of a State to make laws as aforesaid with respect to taxes on professions, trades, callings and employments shall not be construed as limiting in any way the power of Parliament to make laws with respect to taxes on income accruing from or arising out of professions, trades, callings and employments.

amend the Seventh Schedule to confine the service tax powers to the Union government only⁹.

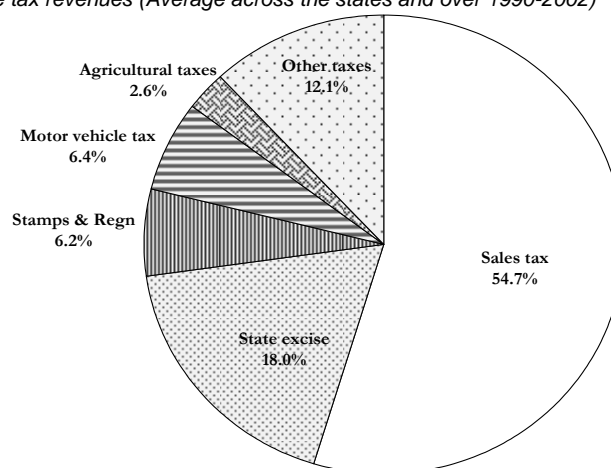
Thus, even with the distinct tax bases and powers, States are not entirely free to design their tax systems.

III. COMPOSITION AND GROWTH OF THE STATE LEVEL TAXES

A. THE COMPOSITION OF STATE LEVEL TAXES

States' own tax revenue collections form roughly 40 percent of the total tax revenues of the country¹⁰. The most important tax for the States has been sales tax, contributing over 54 per cent of their own tax revenue (Figure 1). Naturally, all attention of the State Governments to improve the tax revenue growth is focused on sales tax. However, there is wide variation among States in the extent to which they depend on sales tax. In States like Kerala and Goa the dependence on sales tax is over 70 percent of own tax revenues, while in States like Sikkim, Mizoram it is only around 30 percent. It should however be noted that the compositional pattern of state taxes has very little relation with either the size of the State in terms of population, area or percapita income.

Figure 1 Composition of State tax revenues (Average across the states and over 1990-2002)



As regards the other taxes, State excise duties yield roughly 18 per cent of own taxes, but the share differs widely among the States owing to the variation in the prohibition policy. Stamp and registration fees form about 6.2 percent and motor vehicle tax another 6.4 percent. The shares of these two taxes have been stable over time. Agricultural based taxes such as land revenue and agricultural holdings tax form a negligible 2.6 percent (Table 1).

Table 1 Composition of state-level taxes during 1990-2002 (percent of total own tax revenue)

State	Sales tax	State excise	Stamps & Registration	Motor vehicle tax	Agricultural taxes	Other taxes	Total own tax revenue excluding sales tax
1 Andhra Pradesh	63.8	15.5	6.4	8.4	1.2	4.7	36.2
2 Arunachal Pradesh	52.6	19.9	2.5	9.8	10.3	4.9	47.4
3 Assam	62.9	6.6	2.8	4.9	14.1	8.7	37.1
4 Bihar	66.7	9.2	10.0	6.9	1.6	5.7	33.3
5 Goa	72.3	9.8	4.7	5.9	0.9	6.4	27.7
6 Gujarat	66.0	0.4	5.9	5.7	1.3	20.6	34.0
7 Haryana	54.0	20.2	9.6	2.7	0.2	13.4	46.0
8 Himachal Pradesh	37.5	30.8	4.0	6.0	1.4	20.3	62.5
9 Jammu & Kashmir	42.1	41.2	3.0	3.9	0.6	9.0	57.9
10 Karnataka	57.9	16.6	7.7	7.0	1.1	9.7	42.1
11 Kerala	70.2	12.2	7.7	6.2	1.4	2.3	29.8

⁹ Constitution (Eighty Eighth Amendment) Act, 2003, Article 268A (4) .Amendment of Seventh Schedule. - In the Seventh Schedule to the Constitution, in List I-Union List, after entry 92B, the following entry shall be inserted, namely:- "92C. Taxes on services."

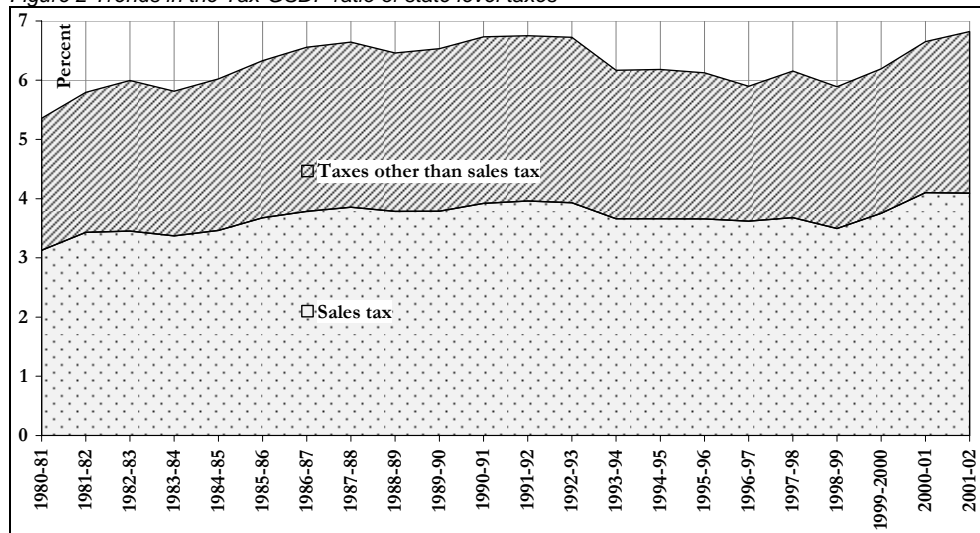
¹⁰ Of the remaining 60 percent of the tax revenues collected by the Centre, States get back about 25 percent through fiscal transfers.

12	Madhya Pradesh	46.1	17.6	7.6	7.3	1.0	20.4	53.9
13	Maharashtra	60.7	10.1	9.7	4.3	1.1	14.1	39.3
14	Manipur	55.7	6.8	4.3	6.7	2.1	24.2	44.3
15	Meghalaya	50.7	35.5	2.3	4.5	0.5	6.6	49.3
16	Mizoram	31.1	17.1	0.7	14.4	9.6	27.2	68.9
17	Nagaland	56.7	11.4	4.4	11.2	0.6	15.6	43.3
18	Orissa	60.6	7.2	5.4	9.1	4.3	13.4	39.4
19	Punjab	48.3	32.3	8.3	6.0	0.2	4.9	51.7
	State	Sales tax	State excise	Stamps & Registration	Motor vehicle tax	Agricultural taxes	Other taxes	Total own tax revenue excluding sales tax
20	Rajasthan	53.4	22.0	7.8	9.6	1.6	5.6	46.6
21	Sikkim	29.8	32.5	1.2	2.9	0.9	32.7	70.2
22	Tamil Nadu	65.5	14.4	7.7	5.9	0.8	5.7	34.5
23	Tripura	59.0	17.3	6.4	3.6	2.6	11.1	41.0
24	Uttar Pradesh	55.1	20.4	12.7	3.5	1.2	7.1	44.9
25	West Bengal	60.6	7.6	7.2	3.3	10.5	10.8	39.4
	All states	54.0	18.6	6.0	6.4	2.8	12.2	46.0

B. GROWTH PERFORMANCE

It can be observed from Figure 2, the total own tax revenue of all States as ratio to their total GSDP rose from 5.36 percent in 1980-81 to 6.75 percent in 1991-92. But thereafter it declined to 5.89 percent in 1998-99, mostly attributable to the economic recession. However, with the signs of recovery in the economy since 1998-99 there has been a revival and the ratio reached 6.82 percent in 2001-02. Taxes other than sales tax followed similar trends. They formed about 2.23 percent of GSDP in 1980-81 which went up to 2.79 percent by 1991-92 but fell to 2.44 by 1999-2000 and thereafter recovered to 2.7 percent.

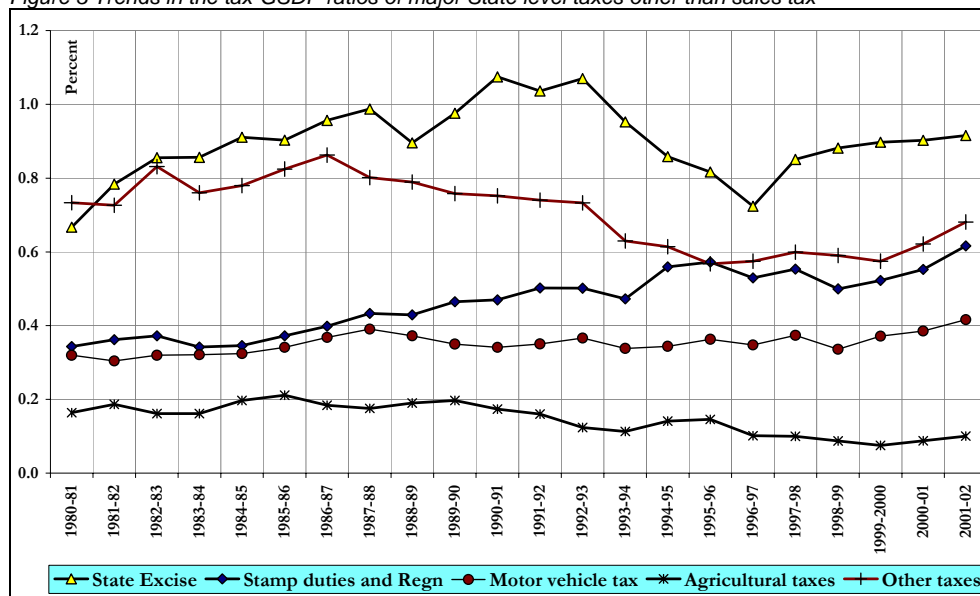
Figure 2 Trends in the Tax-GSDP ratio of state level taxes



As regards the individual taxes excluding sales tax, Figure 3 shows that their all-State average tax-GSDP ratios remained below 1 percent of GSDP throughout the period except that of State excise duties which marginally exceeded 1 percent during a brief period of three years, 1990-93. It can be observed that the ratio pertaining to State excise duties shows wide fluctuations, basically because of the varying policy regarding the prohibition of alcoholic liquors among the States. However, the ratio has increased during the 80s from 0.67 in 1980-81 to 1.07 in 1990-91. During the first half of the 90s it declined to 0.72 in 1996-97 but since then it has been steadily rising. The rise in the ratio of revenue from stamp duties and registration fees has been steadier. It rose from 0.34 in 1980-81 to 0.62 by 2001-02 and the rise in the ratio has been

reasonably steady barring the intermittent dips in 1983-84, 1993-94 and 1998-99. The ratio of motor vehicle tax more or less remained within the band of 0.3 and 0.4. Agricultural taxes ratio which is already low at 0.16 in 1980-81 has further declined to 0.1 in 2001-02. As regards the other taxes, their combined tax-GSDP ratio also declined steadily from 0.83 in 1982-83 to 0.57 in 1995-96 and it is only during the later part of 90s, it showed some increase. Nevertheless, it can be observed that from 1999-2000 onwards, all the taxes exhibit the rising trend.

Figure 3 Trends in the tax-GSDP ratios of major State level taxes other than sales tax



The deterioration in the growth performance during the 90s can be clearly observed from Table 2. In almost all the states the average annual growth rate of own tax revenue in the 90s has been lower than that in the 80s. The same is reflected in their buoyancy coefficients with respect to GSDP. As regards the inter-State differentials, the average annual growth rate during the 1980-2002 varied between 10 percent of Nagaland to 18.5 percent of Mizoram. Among the larger States, the growth rate varies between 12.2 percent of Bihar to 16.2 percent of Rajasthan. Typically it is the smaller and newer States that exhibited higher growth while the larger and older States seem to have been reaching a plateau.

Table 2 Growth performance of States' own tax revenue

State	Average annual tax revenue growth rate (%)			Tax revenue buoyancy with respect to GSDP		
	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002
1 Andhra Pradesh	16.58	14.85	14.66	1.12	1.02	0.95
2 Arunachal Pradesh				1.29	1.81	1.29
3 Assam	18.16	12.23	14.61	1.26	1.12	1.15
4 Bihar	13.63	10.13	12.19	1.03	0.94	1.00
5 Goa	15.56	18.05	17.80	1.27	0.96	1.09
6 Gujarat	16.00	13.22	15.32	1.17	0.93	1.04
7 Haryana	15.92	14.19	15.21	1.12	0.94	1.00
8 Himachal Pradesh	16.83	16.59	16.65	1.28	0.90	1.04
9 Jammu & Kashmir	12.56	17.00	13.43	1.09	0.98	0.97
10 Karnataka	16.60	13.73	15.83	1.20	0.87	1.01
11 Kerala	15.95	14.90	15.98	1.30	0.90	1.05
12 Madhya Pradesh	16.56	11.35	14.38	1.18	0.96	1.05
13 Maharashtra	15.86	14.00	15.18	1.12	0.90	0.97
14 Manipur	17.70	13.87	14.13	1.23	0.86	0.91
15 Meghalaya	22.87	12.54	16.51	1.39	0.93	1.08
16 Mizoram	27.66	16.41	18.52	1.42	0.98	1.07
17 Nagaland	14.03	13.33	10.04	0.81	0.67	0.55
18 Orissa	16.72	12.93	14.51	1.28	1.05	1.10
19 Punjab	13.95	12.28	13.47	0.97	0.99	0.93

20	Rajasthan	16.89	14.90	16.24	1.16	0.99	1.05
21	Sikkim	20.62	17.06	15.54	1.17	1.10	0.97
22	Tamil Nadu	15.10	14.19	15.58	1.05	0.93	1.01
23	Tripura	19.67	17.72	18.13	1.46	0.98	1.19
24	Uttar Pradesh	16.06	12.61	14.62	1.20	1.02	1.09
25	West Bengal	15.47	10.31	12.79	1.19	0.72	0.94
All states		17.24	14.42	15.29	1.19	0.98	1.02

Table 3 Growth performance of major state taxes (Average across all States)

	Average annual tax revenue growth rate (%)			Tax revenue buoyancy with respect to GSDP		
	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002
Own tax revenue total	17.24	14.42	15.29	1.19	0.98	1.02
Sales tax	17.26	16.00	17.35	1.33	1.07	1.13
State Excise	18.19	12.22	14.21	1.26	0.85	0.96
Stamp duties and Regn	14.97	15.75	15.91	1.07	1.07	1.06
Motor vehicle tax	15.51	14.85	14.96	1.08	1.00	0.99
Agricultural taxes	12.33	10.91	10.19	0.78	0.67	0.67
Other taxes	17.00	11.93	13.64	1.11	0.78	0.90

C. GROWTH TRENDS IN INDIVIDUAL TAXES

The trends in individual state taxes show that firstly, not all States did well in respect of all taxes (Table 4). For example, the tax-GSDP ratio in respect of sales tax is relatively better in Kerala, Tamil Nadu, Gujarat, Karnataka and Maharashtra. In respect of State excise, the ratio is high in Punjab, Haryana, Rajasthan, Karnataka and J&K. Similarly, as regards the stamp duties and registration fees, Maharashtra, Haryana, Tamil Nadu, Karnataka and Rajasthan fared better while in respect of motor vehicles tax the four southern States, Gujarat and Rajasthan have done better. Thus, it is interesting to observe that the growth performing States are not necessarily those with high tax-GSDP ratios. Also, the smaller and the north-eastern States performed equally well as some of the major States.

Table 4 States with top tax productivity performance indicator, 1990-2002

Tax	Tax - GSDP Ratio	Growth	Buoyancy
Sales tax	Kerala, TN, Goa, Gujarat, Karnataka, AP, Maharashtra	Mizoram, Sikkim, Tripura, J&K, Goa, AP, HP, Haryana, Manipur, Kerala, Meghalaya, Rajasthan	Arunachal Pradesh, Mizoram, Sikkim, AP, Assam, Orissa, Haryana
State excise	Punjab, Sikkim, HP, Haryana, J&K, Karnataka, Rajasthan	Assam, TN, Tripura, HP, Rajasthan	Assam, TN, Rajasthan, Orissa, MP
Stamps and Registration	Maharashtra, Haryana, TN, Karnataka, UP	Nagaland, Maharashtra, Arunachal Pradesh, J&K, Sikkim, Goa	Arunachal Pradesh, Nagaland, Maharashtra, Assam, Sikkim, Mizoram, AP
Motor vehicle tax	AP, Rajasthan, Karnataka, Kerala, TN, Gujarat	HP, Punjab, Goa, Gujarat, UP, Assam, Sikkim	Punjab, Assam, UP, Gujarat, MP, AP
Agricultural taxes	Assam, West Bengal, Orissa, Kerala, Gujarat	HP, Haryana, Meghalaya, Goa, J&K, Nagaland, Mizoram	Haryana, Meghalaya, Goa, Arunachal Pradesh, J&K, HP
Other taxes	Sikkim, Gujarat, HP, MP, Maharashtra, Haryana, Karnataka	J&K, Goa, Nagaland, Bihar, Sikkim, Rajasthan	Bihar, J&K, Assam, Sikkim, Goa, Rajasthan, Gujarat

However, what is striking is that the revenue productivity has gone down in all the States during the 90s as compared to the eighties, with the exception of stamp duties and registration fees (Table 3). The worst case is with respect to the agricultural taxes. Even after 50 years of the existence, States have not been able to come out with a viable rate structure for land revenue and agricultural income tax. In fact, many States have shied away from levying agricultural income tax, and land revenue has been relegated to antiquity.

1. STATE EXCISE

Table 5 State-wise State excise productivity indicators

State	Tax/GSDP ratio (%)			Average annual tax revenue growth rate (%)			Tax revenue buoyancy wrt GSDP		
	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002
1 Andhra Pradesh	2.21	0.91	1.10	16.39	5.95	6.15	1.11	0.25	0.38
2 Arunachal Pradesh	0.24	0.43	0.40				1.11	1.86	1.30
3 Assam	0.11	0.30	0.26	13.78	27.73	20.68	0.95	2.37	1.55
4 Bihar	0.33	0.35	0.34	17.73	9.54	13.54	1.32	0.84	1.11
5 Goa	0.83	0.66	0.68	12.54	11.25	13.98	1.05	0.61	0.87
6 Gujarat	0.04	0.03	0.03	14.24	12.28	12.83	1.05	0.83	0.87
7 Haryana	1.72	1.43	1.46	21.06	6.76	12.49	1.44	0.34	0.81
8 Himachal Pradesh	1.53	1.81	1.76	16.60	14.64	16.45	1.26	0.84	1.04
9 Jammu & Kashmir	1.48	1.44	1.44	18.72	12.12	14.73	1.60	0.74	1.04
10 Karnataka	1.53	1.35	1.37	14.35	13.22	14.60	1.05	0.82	0.93
11 Kerala	1.21	0.93	0.97	13.02	12.43	12.99	1.09	0.78	0.87
12 Madhya Pradesh	0.82	0.96	0.93	17.66	10.62	15.43	1.25	0.96	1.13
13 Maharashtra	0.75	0.73	0.73	19.38	12.97	16.47	1.35	0.85	1.05
14 Manipur	0.29	0.06	0.09	22.94	6.05	4.31	1.54	0.36	0.28
15 Meghalaya	0.92	1.21	1.16	24.63	10.91	19.43	1.51	0.82	1.27
16 Mizoram	0.39	0.08	0.12	27.66	4.35	7.93	1.53	0.26	0.52
17 Nagaland	0.85	0.06	0.16	-0.11	8.62	-2.86	0.01	0.47	-0.17
18 Orissa	0.30	0.33	0.33	16.58	11.91	14.45	1.27	0.97	1.10
19 Punjab	2.25	2.11	2.14	16.57	10.98	14.44	1.14	0.91	0.99
20 Rajasthan	0.92	1.32	1.25	27.67	14.04	21.33	1.82	0.97	1.35
21 Sikkim	2.93	1.60	1.80	17.52	10.72	11.23	1.00	0.71	0.71
22 Tamil Nadu	1.07	1.25	1.22	20.83	17.20	18.81	1.39	1.10	1.19
23 Tripura	0.20	0.38	0.34	31.75	16.01	24.99	2.27	0.89	1.58
24 Uttar Pradesh	0.83	1.07	1.01	21.30	11.40	17.29	1.55	0.93	1.28
25 West Bengal	0.40	0.36	0.37	11.53	11.36	12.43	0.90	0.80	0.92
All States	0.97	0.85	0.86	18.10	11.79	13.92	1.26	0.85	0.96

Table 5 shows that on average, the ratio of State excise revenue to GSDP is just about one percent. It is the highest in Punjab with 2.24. Other states that have high ratios are Sikkim, HP, Haryana, and J&K. Gujarat has the lowest ratio. The State excise revenue yield is directly related to the policy of prohibition of alcohol consumption and the prohibition policy is off and on in several States. As a result, the growth of revenue from this source has been highly fluctuating. However, in the absence of prohibition, the revenue yield is highly buoyant.

2. STAMP DUTIES AND REGISTRATION FEES

Maharashtra has the highest tax-GSDP ratio (0.71) with respect to the stamp duties. The other States with high ratios are Haryana, Tamil Nadu, Karnataka, Uttar Pradesh and Kerala (Table 6). The ratio is low in smaller States especially those in the North-east. As regards the growth performance also, Maharashtra tops with as high as 24 percent annual growth followed by Rajasthan, Karnataka, Goa, Gujarat and MP.

Table 6 State-wise Stamps and Registration fee productivity indicators

	Tax/GSDP ratio (%)	Average annual tax revenue growth rate (%)	Tax revenue buoyancy wrt GSDP
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State	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002
1 Andhra Pradesh	0.41	0.46	0.45	15.63	16.94	16.70	1.08	1.18	1.08
2 Arunachal Pradesh	0.02	0.02	0.02	13.90	19.23	16.51	0.78	1.66	1.04
3 Assam	0.10	0.11	0.11	14.78	13.81	13.58	1.03	1.26	1.07
4 Bihar	0.28	0.40	0.38	17.10	12.06	15.84	1.27	1.01	1.27
5 Goa	0.27	0.34	0.33	17.04	17.78	18.84	1.38	0.97	1.15
6 Gujarat	0.36	0.46	0.44	14.82	14.86	17.11	1.09	1.05	1.16
7 Haryana	0.63	0.70	0.69	18.15	16.81	16.96	1.27	1.13	1.12
8 Himachal Pradesh	0.21	0.23	0.23	11.20	16.51	14.73	0.86	0.91	0.92
9 Jammu & Kashmir	0.15	0.10	0.11	8.00	19.12	10.08	0.75	1.09	0.75
10 Karnataka	0.49	0.66	0.64	19.08	15.70	19.22	1.37	1.00	1.21
11 Kerala	0.64	0.62	0.62	17.47	8.98	15.41	1.41	0.59	1.01
12 Madhya Pradesh	0.30	0.42	0.40	16.73	14.24	17.02	1.19	1.15	1.23
13 Maharashtra	0.37	0.76	0.71	22.42	21.39	23.86	1.55	1.39	1.48
14 Manipur	0.09	0.05	0.06	18.41	6.43	11.51	1.26	0.42	0.75
15 Meghalaya	0.08	0.07	0.07	14.70	17.71	14.49	0.91	1.28	0.95
16 Mizoram	0.01	0.00	0.00	-1.77	19.72	10.38	-0.07	1.20	0.60
17 Nagaland	0.02	0.07	0.06	2.01	28.72	21.65	0.11	1.50	1.15
18 Orissa	0.24	0.24	0.24	15.01	12.87	13.69	1.16	1.08	1.04
19 Punjab	0.61	0.54	0.55	11.26	12.65	12.95	0.81	1.00	0.89
20 Rajasthan	0.30	0.47	0.45	19.21	17.19	20.35	1.31	1.15	1.30
21 Sikkim	0.08	0.06	0.07	21.89	18.81	15.47	1.22	1.20	0.96
22 Tamil Nadu	0.61	0.66	0.65	18.05	14.41	16.82	1.24	0.95	1.08
23 Tripura	0.15	0.12	0.13	14.45	11.87	13.17	1.09	0.67	0.88
24 Uttar Pradesh	0.54	0.65	0.63	17.62	13.38	15.78	1.30	1.09	1.17
25 West Bengal	0.31	0.36	0.35	17.03	12.68	15.53	1.29	0.88	1.13
	0.29	0.34	0.34	14.97	15.75	15.91	1.07	1.07	1.06

3. MOTOR VEHICLE TAX

As regards the motor vehicle tax, AP tops the States with 0.6. Other States with top tax-GSDP ratios are AP, Rajasthan, Karnataka, Kerala, TN and Gujarat. As for growth performance, Punjab, Goa, Gujarat, UP, Assam, and Sikkim top the list.

Table 7 State-wise motor vehicle tax productivity indicators

State	Tax/GSDP ratio (%)			Average annual tax revenue growth rate (%)			Tax revenue buoyancy wrt GSDP		
	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002	1980-90	1990-2002	1980-2002
1 Andhra Pradesh	0.62	0.58	0.59	15.11	17.05	15.09	1.03	1.19	0.98
2 Arunachal Pradesh	0.10	0.07	0.08	13.80	11.59	12.08	0.78	1.02	0.78
3 Assam	0.13	0.21	0.19	13.26	18.66	16.75	0.93	1.68	1.29
4 Bihar	0.22	0.27	0.26	14.56	9.61	13.75	1.11	0.94	1.13
5 Goa	0.38	0.41	0.41	16.20	21.75	17.58	1.31	1.15	1.08
6 Gujarat	0.32	0.45	0.43	16.62	20.68	18.50	1.17	1.39	1.23
7 Haryana	0.22	0.19	0.20	10.89	6.43	12.73	0.79	0.43	0.85
8 Himachal Pradesh	0.19	0.37	0.34	17.29	23.83	19.41	1.35	0.97	1.10
9 Jammu & Kashmir	0.18	0.13	0.14	9.83	16.37	10.79	0.90	0.96	0.79
10 Karnataka	0.78	0.55	0.58	15.79	10.83	12.90	1.14	0.69	0.83
11 Kerala	0.25	0.54	0.50	10.43	17.74	17.67	1.00	1.06	1.06
12 Madhya Pradesh	0.28	0.41	0.39	11.38	14.28	16.25	0.83	1.21	1.18
13 Maharashtra	0.34	0.31	0.31	16.60	16.02	15.33	1.18	1.02	0.97
14 Manipur	0.17	0.08	0.09	16.38	6.45	8.75	1.15	0.42	0.58
15 Meghalaya	0.21	0.14	0.15	17.32	6.77	11.63	1.08	0.51	0.78
16 Mizoram	0.13	0.10	0.10	28.50	15.25	17.61	1.39	0.89	1.01
17 Nagaland	0.27	0.15	0.16	19.67	9.35	13.84	1.10	0.47	0.74
18 Orissa	0.35	0.42	0.41	18.83	12.73	15.91	1.42	1.06	1.20
19 Punjab	0.23	0.43	0.40	11.96	23.18	19.27	0.84	1.83	1.29
20 Rajasthan	0.55	0.55	0.55	22.16	15.73	17.07	1.47	1.04	1.09
21 Sikkim	0.14	0.17	0.16	22.14	18.37	19.10	1.24	1.15	1.16
22 Tamil Nadu	0.68	0.47	0.50	12.31	10.04	11.91	0.87	0.67	0.78
23 Tripura	0.08	0.07	0.07	11.24	16.31	13.08	0.87	0.90	0.89
24 Uttar Pradesh	0.16	0.18	0.17	12.25	19.87	14.02	0.94	1.48	1.03
25 West Bengal	0.17	0.16	0.16	13.25	12.27	13.02	1.03	0.86	0.96
	0.29	0.30	0.29	15.51	14.85	14.96	1.08	1.00	0.99

4. AGRICULTURAL TAXES

As regards the two agricultural taxes, agricultural income tax and land revenue, Assam, West Bengal, Orissa, Kerala, Gujarat have the top tax-GSDP ratios while Haryana, Meghalaya, Goa, J&K, Nagaland, and Mizoram have better growth performance than other States.

Table 8 State-wise Agricultural tax productivity indicators

State	Tax/GSDP ratio (%)				Average annual tax revenue growth rate (%)				Tax revenue buoyancy wrt GSDP			
	1980-90	1990-2002	1980-2002	1980-2002	1980-90	1990-2002	1980-2002	1980-2002	1980-90	1990-2002	1980-2002	1980-2002
1 Andhra Pradesh	0.14	0.08	0.09	0.09	0.52	5.39	7.33	7.33	0.12	0.46	0.52	0.52
2 Arunachal Pradesh	0.07	0.09	0.08	0.08	87.74	12.06	34.79	34.79	3.70	1.08	2.11	2.11
3 Assam	0.68	0.54	0.56	0.56	16.95	0.04	10.64	10.64	1.19	0.01	0.87	0.87
4 Bihar	0.11	0.05	0.06	0.06	3.55	5.80	3.51	3.51	0.29	0.40	0.28	0.28
5 Goa	0.04	0.07	0.07	0.07	20.48	20.50	22.84	22.84	1.63	1.08	1.37	1.37
6 Gujarat	0.12	0.09	0.09	0.09	9.77	9.41	11.59	11.59	0.75	0.71	0.81	0.81
7 Haryana	0.03	0.01	0.02	0.02	-18.58	28.53	3.54	3.54	-1.54	1.74	0.24	0.24
8 Himachal Pradesh	0.03	0.09	0.08	0.08	2.93	28.66	15.30	15.30	0.27	0.91	0.76	0.76
9 Jammu & Kashmir	0.04	0.02	0.02	0.02	1.27	18.21	5.30	5.30	0.19	1.03	0.42	0.42
10 Karnataka	0.15	0.08	0.09	0.09	6.28	12.18	9.03	9.03	0.48	0.82	0.60	0.60
11 Kerala	0.23	0.09	0.11	0.11	8.72	2.35	6.34	6.34	0.74	0.18	0.43	0.43
12 Madhya Pradesh	0.10	0.04	0.05	0.05	8.55	4.31	5.80	5.80	0.64	0.22	0.42	0.42
13 Maharashtra	0.11	0.07	0.08	0.08	14.17	14.07	12.05	12.05	1.03	0.90	0.78	0.78
14 Manipur	0.08	0.02	0.03	0.03	8.94	-0.96	2.02	2.02	0.66	-0.06	0.13	0.13
15 Meghalaya	0.02	0.01	0.02	0.02	0.18	21.22	9.40	9.40	0.00	1.54	0.63	0.63
16 Mizoram	0.08	0.07	0.07	0.07	17.72	14.19	16.13	16.13	0.89	0.88	0.93	0.93
17 Nagaland	0.02	0.01	0.01	0.01	7.60	14.97	8.63	8.63	0.44	0.65	0.45	0.45
18 Orissa	0.38	0.16	0.19	0.19	26.37	5.47	9.05	9.05	1.97	0.39	0.70	0.70
19 Punjab	0.03	0.01	0.01	0.01	0.35	7.67	2.99	2.99	0.02	0.57	0.20	0.20
20 Rajasthan	0.20	0.07	0.09	0.09	8.63	5.37	5.74	5.74	0.65	0.34	0.39	0.39
21 Sikkim	0.08	0.04	0.05	0.05	6.23	12.13	9.23	9.23	0.36	0.77	0.58	0.58
22 Tamil Nadu	0.11	0.06	0.07	0.07	20.58	4.94	11.27	11.27	1.40	0.36	0.74	0.74
23 Tripura	0.07	0.05	0.05	0.05	11.26	13.30	11.69	11.69	0.85	0.77	0.80	0.80
24 Uttar Pradesh	0.10	0.05	0.06	0.06	4.96	7.28	6.50	6.50	0.39	0.64	0.51	0.51
25 West Bengal	0.66	0.48	0.51	0.51	32.98	5.66	14.02	14.02	2.37	0.40	1.02	1.02
	0.15	0.09	0.10	0.10	12.33	10.91	10.19	10.19	0.78	0.67	0.67	0.67

IV. ISSUES AND SCOPE FOR REFORM

An important structural phenomenon that caused the revenue growth deterioration has been the complex rate structures of the major taxes of the States. The roots of the complexity lie in their historical evolution. Nevertheless, the highly differentiated rate structure has led to wide spread evasion.

A. EXCISE DUTIES

The system of levying a duty on liquors began with the advent of British and the present excise laws were modeled on the British liquor laws. The power to impose State excise on

alcoholic liquors, opium and narcotics emanates from the entry 51 of list II of Seventh Schedule to the Constitution¹¹. The major component sources of State excise revenue are:

- 1) Duties on country spirit, Indian made foreign liquor (IMFL)¹², wines and beer;
- 2) Export duty on country liquor, IMFL and beer
- 3) Licence fee or consideration money determined for the grant of exclusive privilege of selling country spirit, IMFL, wines and beer
- 4) Wholesale/retail licence fee on denatured spirit
- 5) Duties and licence fee on hemp and drugs
- 6) Permit fee on IMFL and beer
- 7) Other miscellaneous fees and taxes, for example, license fee on hotels and restaurants etc, tree tax on 'tari' (a fermented liquor prepared from fermented juice of palm trees), bottling fee on IMFL and wines and assessed fee on IMFL sold by military canteens and;
- 8) Fines, compounding fee, confiscation of articles.

In general, the system combines full control on production, movement and sale on excisable commodities, auction and rent of liquor vends, and a pure tax. By its very nature, it requires a high degree of vigilance as the scope for collusion among taxpayers and departmental staff is also large due to substantial payoffs from evasion. This has been exacerbated by the excise policy of various States that have driven out small dealers by bundling together a number of excise circles for sale and production permits. While this makes the administration of excise easier, it robs the system of a built-in check against the negative fallout of cartelization. The other issue relates to partial or full prohibition. The only State to have consistently adopted a prohibition policy is Gujarat. As can be noticed, the excise rate-structure widely varies and also highly complex. (Appendix 1 **State level tax rate structures**

gives the State excise tax rate structures). Often the high rates result in smuggling and adulteration. Thus there is need for rationalization of excise duties across states.

Excessive consumption of liquor has been a major source of concern for the society as it adversely affects the incomes and the welfare of a significant number of families. Nevertheless, excise duty on the sale of alcoholic liquors has been an important source of tax revenue for States and its supply and distribution contributes to employment. Thus, the policy on liquor is caught between the desire to discourage the production and consumption of liquor on one side and the anxiety to raise revenue on the other side. This has naturally given rise to a policy that is internally inconsistent and therefore unsustainable.

B. STAMP DUTIES & REGISTRATION FEES

Stamp duties are levied on instruments indicating the transaction and not on the transaction *per se*¹³. Entry 91 of the Union list under the Constitution empowers the Central government to fix rates of stamp duties in respect of bills of exchange, cheques, transfer of shares etc with a view to keep them uniform throughout the country. Entry 63 of the State List provides for levying stamp duty on all documents except bills of exchange, cheques etc and on State instruments. State

¹¹ "51. Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India:- (a) alcoholic liquors for human consumption; (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry." [Constitution of India, Seventh Schedule].

¹² Whisky, brandy, rum, gin and vodka produced in India are collectively called as "Indian Made Foreign Liquor" (IMFL), the connotation created by the British.

¹³ In India, stamp duty was first imposed on instruments in 1797 in the Presidency states to abolish the tax levied earlier on traders and the proceeds were used for the maintenance of police establishments. Later, provisions were added to stamp acknowledgements for receipt of money on other deeds. The Stamp Act of 1860 was ultimately replaced by the Act of 1899

government can also make laws for other aspects of stamp duty but in case of conflict between State law and Union law, the Union law prevails [Article 254 of Constitution]¹⁴.

Since the rate-structure differs widely across the States, rationalization and simplification of stamp duties and registration fees has been drawing attention for a long time. For example, the Law Commission of India, (67th Report, 1976) suggested several revisions of the Act prominent among which was that the government of India enact a uniform Stamp act for the country as a whole in respect of the machinery provisions and Central List, with a supplementary state schedule subject to the amending powers of the state. Though no follow up action was taken on this, some states like Maharashtra implemented many recommendations applicable to them. The Eighth Finance Commission considered the scope for enhancing revenues from the stamp duties mentioned in Article 268 and invited suggestions from various states. The commission recommended an increase in the duty on bills of lading, letters of credit and general insurance policies but left the matter for Central government to take appropriate action. The Goswami Committee on industrial sickness and restructuring observed that high stamp duties are a major barrier to amalgamation and recommended that the Central government use its powers of persuasion to convince the industrial states with high stamp duties to reduce the rates in their own interest. The committee suggested rationalization of the duty structure. The Interim Report of Chelliah's Tax Reforms Committee drew attention to the high tax burden on rental income and house property owing to the fact that taxes falling directly and indirectly on same bases are formulated without co-ordination. The Commission recommended that efforts be made to suitably adjust the stamp duty rates on property transactions and municipal property tax, to ensure that the total burden of all taxes on property income is reasonable.

There are two major aspects of reform in the case of stamps and registration fees, the tax rate and the system of valuation. Tax rates are generally high, and these are said to cause widespread tax evasion. Thus, there is need to lower rates to more reasonable levels. Second, there is wide-spread undervaluation of transactions. These can be tackled only through an independent system of valuation that can provide market value benchmarks for the registering authorities. So far, a fully satisfactory system for such independent valuation is conspicuous by its absence.

C. MOTOR VEHICLE TAX

Motor vehicle taxation in India takes several forms, the most common being the basic motor vehicle tax or the road tax. Besides, sales tax on motor vehicles, passenger and goods taxation, road tolls and entry taxes on motor vehicles are also levied on road transport sector. These taxes have multiple objectives like paying the cost of road maintenance out of the revenue raised from user charges, reduction of congestion and pollution, etc.

The Seventh Schedule of the Constitution of India confers the right of levying "taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars" (entry 57, List II) and that of levying "taxes on goods and passengers carried by road or inland waterways" (entry 56, List II) on the States. This tax originally, was meant to be leviable on freight charges and on the passenger fares but over time it evolved into the present form with flexibility available to the States to either compounding this tax into a lump sum tax, an additional tax or any other reform.

This Act was last amended in 2001. It has been observed that during the last several years, not only the supply of eco-friendly fuels like CNG has increased tremendously, a large number of vehicles have come on the road which in terms of Sections 66 and 67, as amended by the Motor Vehicles (Amendment) Act, 1994, are operating without any requirement of permits and are, therefore, not subject to any control of the State Governments. The number of such vehicles is likely to further increase substantially. The aforesaid situation is likely to lead to indiscipline on the roads and consequent increase in the road accidents. It is, therefore, considered essential to remove exemption provided under Sections 66 and 67 of the said Act to CNG operated vehicles

¹⁴ Entry 44 of the Concurrent List (List III) refers to stamp duties, but covers only the machinery (implementation) provisions and not rates of duty. On these matters, the Parliament has overriding powers and can make use of such powers in building consistency and uniformity in the machinery provision of Stamp Act.

so that vehicles that operate on eco-friendly fuels are also covered by the terms and conditions applicable to all other vehicles.

The present rate structure is complex. States have adopted different criteria to finalize their tax structure. States like Andhra Pradesh, Karnataka, Maharashtra, Punjab and Rajasthan relate the tax rate to the cost of the vehicle. Some states consider volume while others, the unladen weight and the rates also differ according to the type of route. Even the route classification differs from State to State.

Motor vehicle tax is a relatively simple to administer in that its enforcement is based on physical verification for tax payment for on-road vehicles and the system of verification is well-established in most States. One aspect that may, however, need special mention is that of national permits. Issuing national permits is a fully decentralised process, but the permits are usable across the country. This often makes verification of authenticity difficult and encourages forgery. Perhaps a system of uniform, security printed form for national permits can solve this problem. The major innovation in the last several years in this tax was the one-time taxation of smaller vehicles. It is now realised that such a system ties up the buoyancy of the tax with new registrations of such vehicles. Next, the usual specific duty was substituted by *ad valorem* taxation to impart some buoyancy to the tax collections. Actually, given the rising vehicle population across the country and the traffic congestion in many urban areas that are becoming more and more serious, some further innovative schemes to tackle this problem, simultaneously raising additional revenues, needs to be devised. Road tolls have come to be used much more than before, particularly to recover the costs of new roads/bridges. This is perhaps one way of raising resources that cannot be objected to because of the obvious link with the service provided. There is a case for imposing the motor vehicle tax as it amounts to charge a price for the road use. Roads are public goods for which efficient pricing is not possible since user demand cannot be fully revealed through the market mechanism. More importantly, there is need for some degree of uniformity in the tax rate structures across the states. The method of tax collection should be efficient and easy to comply with. In this regard the life tax is a good option, but in case of heavy vehicles, the preference of the tax payers has been towards annual or quarterly tax.

D. AGRICULTURAL TAXES

The revenue collections from agricultural base have dwindled into insignificance in all States except West Bengal, where it is the other levies and not the land revenue proper that brings in the bulk of the collection. This is partly because of administrative apathy and partly because of the lack of built-in buoyancy in the system. These are not insurmountable problems if one is keen to revive it. The best bet for raising revenues from this tax may be to transfer it to the local governments along with strict penalties for non-levy or lack of effort. Another possible tax on the agricultural sector, the agricultural income tax, has been little used, mainly on account of the political clout of the farmers' lobbies. This has to be levied by the State government, if at all, and at least in the States where plantations form a significant part of the agricultural landscape, it needs to be rejuvenated to yield additional revenues.

E. OTHER TAXES

1. ENTERTAINMENT TAX

Entry 62 of list - II of the Seventh Schedule to the constitution empowers the State Government to levy "taxes on luxuries, including taxes on entertainment, amusements, betting and gambling". Entertainment tax includes taxes on cinema, betting, horse racing, video cinema, cable TV, joy-rides, pool games, recreation parlors, amusement parks, fashion shows and other performance shows. As in the case of other State taxes, the rate structure of entertainment tax is highly complex. It is even more complex in Orissa, Andhra Pradesh, Gujarat and UP because the rate categorizations are more in these States whereas in the case of Haryana, Punjab and Rajasthan it is not so. There are wide differences in the rate-structure from State to State and it is difficult to make any comparative analysis with regard to the productivity of the tax. In some States such as Karnataka and Tamil Nadu, as much as 90 percent of the revenue from the entertainment tax is assigned to local bodies and the rest is retained by the State government.

The major features of the rate-structure in general are as follows. The rate of tax on cinema varies from 10 per cent (West Bengal) to 125 per cent (Punjab). Criteria for categorizations of the tax rate differ widely among the States. Bihar, Gujarat, Karnataka, UP and Orissa have

considered population to categorize the rate slabs, while Kerala, MP and Maharashtra have considered population, Andhra Pradesh has used the facilities provided such as air conditioning, cooling etc and West Bengal considered language as basis for rate categorization. Moreover, the tax rate varies across different regions in the same State for example, AP, Kerala, MP, Maharashtra and Orissa. Only Karnataka and Orissa are imposing surcharges on cinema tax.

The scheme for tax collection also varies from State to State. Several States provide 'compounding' scheme on optional basis. The percentage of gross collection capacity per show is considered for compounding the rate of entertainment tax. The compounding system also very across the states as every state adopted its own classification. For example - Andhra Pradesh and Tamil Nadu classified its rate structure according to area, language and facilities provided by the proprietor, Gujarat classified its rate structure according to population range and quality of cinema whereas Karnataka consider only population as a base to classifying its rate structure. All the states have made it optional except Orissa who made it compulsory for six cities.

In addition, a tax on horse racing and betting tax are levied on the admission fee. Only six states levy tax on horse race among the 14 major states. Tamil Nadu, Uttar Pradesh and West Bengal have made it progressive by levying higher tax rate on higher admission fee. The range of tax is 25% (Haryana) to 125% (UP) of admission fee. Betting tax is levied on the money paid to the totalizer or bookmaker. Only five states levy tax on betting among the 14 major states. Surcharge is imposed by Tamil Nadu only. The betting tax is slightly complex in West Bengal as the rate varies with the place of betting. In general, the tax rate varies between 10% (UP) to 25% (Karnataka and Tamil Nadu) of admission fee. In some States several other sources of entertainment such as video games, video cinema, 'Nautanki', magic shows etc are also taxed. Maharashtra takes the lead followed by Uttar Pradesh, Karnataka and West Bengal in taxing these other sources while Bihar, Gujarat, Haryana, Orissa and Punjab do not levy the entertainment tax on source other than cinema, horse racing and betting.

As can be observed, the rate-structure of the entertainment tax is highly varied and even the method of collection is also differs from State to State. The rate-structure comprises of a number of components and the composition is not uniform across the States.

Entertainment taxes have lost revenue significance over time. Much of the entertainment tax is collected from cinema tickets and the gate receipts of cinema halls itself had drastically fallen earlier. But the cinema exhibition industry has managed to turn itself around to a considerable extent using new ways of organising business and technical innovations. Unfortunately, the tax authorities refuse to rekindle their interest in this source that they had lost earlier.

2. PROFESSION TAX

In the tax structure of India, the Tax on Professions, Trades, Callings and Employment (or profession tax in short) is constitutionally allocated to the States. states can either levy this tax itself by adopting in their legislature an appropriate Act within the Constitutionally imposed constraints, or can delegate the tax to an authority it deems fit. Every person, who carries on a trade either by himself or by an agent or representative, or who follows a profession or calling, or who is in employment, either wholly or in part within the State shall be liable to pay for each financial year a tax in respect of such profession, trade, calling or employment and in addition to any tax, rate, duty or fee which he is liable to pay under any other enactment for the time being in force. Some states have adopted such an Act, while few states have delegated the power to levy this tax to local bodies, either fully (as in Kerala) or partially (as in Assam).

The revenue from this tax is not much. It is closest to the payroll tax in the Indian tax system, and therefore well suited for certain purposes like financing a social security scheme, which can also make it acceptable to the taxpayers due to the perceived equity element. Such an earmarking happens only in Maharashtra.

Profession tax is usually levied only on those types of employment that are specified in the act, and residual categories are not taxable. Exemptions are also provided in the Acts, but these refer to exempted sub-categories within the broad taxable groups. There are 2 types of taxpayers: those employed in an organisation and paid wages/Salaries, and others who are self employed (like small traders, professionals and owners of video libraries/ theatres), including legal persons. In the case of first type of taxpayers, the tax is deducted at source by the employers and the latter must pass the tax collected on to the proper authorities.

Employers are required to register themselves with tax authorities along with details of persons employed and remuneration paid. The assesses for the tax authorities are of two corresponding types: registered assesses (employers) and enrolled assesses (those who directly pay tax to tax authorities). Profession tax has been a steady source of revenue in Maharashtra earlier, though several States did not levy it at all, and those that did had rather low collections. This is one of the few direct taxes in the States' domain, and is very close to a payroll tax. Like in Maharashtra, it is ideally suited to fund an employment guarantee programme, and can neutralise the all-too-frequent opposition to the introduction of this tax.

V. DIRECTIONS FOR REFORM

A. STATE EXCISE

It is obvious that several State Governments seem to have relied heavily on supply side restrictions that have distorted the liquor trade in States, introduced many inefficiencies and created considerable scope for rent seeking. Apart from revenue losses, this has a deleterious impact on the health of the liquor consumers in the State. In view of this, the State Governments should reorient its policy and progressively shift its focus to demand side efforts.

While reforming the State excise duties, the sumptuary aspect of the tax should not be lost sight of. Excessive consumption of liquor can come down in the long term, provided adequate public awareness is created of the adverse implications of alcoholic liquors. In view of this, in the immediate future, the policy thrust should be not so much on depriving people of affordable liquors, but on discouraging excessive consumption of alcohol. While supply side restrictions may become unavoidable in some cases, as already stated, they need to be judiciously balanced by taking initiatives on the demand side as well. Undue restrictions on the supply side drive the consumers towards spurious liquors. Consumption of liquor is also price elastic leading to the low-income consumers drinking even spurious liquors as long as they are affordable, unmindful of the health hazards involved. There is a need for a concerted approach towards containing the demand through public education and awareness.

In this regard, the recommendations made by the Andhra Pradesh Tax Refoms Committee and the Karnataka Tax Reforms Commission are worth noting. For example, the Andhra Pradesh Tax Reforms Committee felt that the social acceptability of excise as a source of revenue would get enhanced if a significant portion of the revenue from liquor, say a certain percentage of the total accruals from both excise and sales tax on liquor, is ploughed back into the budget through the creation of a separate fund, which can be utilized for financing education, especially female education, health, awareness campaigning and counseling on the ill effects of liquors.

B. STAMPS AND REGISTRATION

The main problems with stamps and registration fees are uneven and complex rate structure, poor administration, highly distorting, and failure to value transactions accurately. In fact, the failure to value properties accurately results in loss of revenue from other link taxes such as income taxes, gift and wealth taxes, property taxes, sales and excise taxes. In the aggregate, the amount of foregone revenues from these linked taxes is almost certain to far exceed the amount of stamp duties actually collected. As regards the rate-structure it was observed by some earlier studies that the tax rates in India are much higher than those existing in other countries.

Basic reforms pertaining to stamp duties in many countries have focused on exempting financial transactions, reducing the rates, utilizing modern technology in the payment and collection of taxes and also linking the tax payments to specific sectoral expenditures. In India also some reforms were already suggested by studies such as that by the National Institute of Public Finance and National Institute of Urban Affairs. The suggested reforms include: (a) Improvement in the tax administration for better collection; (b) lowering of the rates and simplification of the rate structure; (c) reduction in the number of items, especially the financial transactions, (d) steps for detection of fraud and reform of the valuation methods, (e) simplification and modernization of the procedures.

There is indication that the above basic reform of the stamp duties is already underway in many States. For example, according to a press release by the Government of India, several States are planning to reduce the basic rate to 5 percent by the end of the Tenth Plan. Some States like Andhra Pradesh, Karnataka, Maharashtra, and Uttar Pradesh are in the

process of strengthening their official machinery. Such efforts will lead to improvement in the collections as well.

C. MOTOR VEHICLES TAX

We have seen above that the revenue from the motor vehicles tax in States constitutes about 6.5 percent of States' own tax revenues. There is a need for rationalization and simplification of the motor vehicle tax rates and efforts to arrest the increasing congestion and pollution due to the rising number of vehicles in urban conglomeration.

In order to reduce road-damage, the use of multi-axle vehicles should be encouraged through tax incentives. Further, "Green taxes" should be levied to discourage old vehicles that are 15 years or older. Taxes on old vehicles should be about 4 times the normal tax. In any case, from the point of view of revenue buoyancy, there should be incentives for the vehicle owners to replace their old vehicles. The introduction of such incentives will be facilitated by the replacement of lifetime taxation by annual taxation. Finally, there is a need to modernize the collection departments with adequate manpower and infrastructure.

VI. CONCLUDING

In general, much remains to be done to simplify the State level tax system and strengthen administration and enforcement. The problems are similar for all the taxes and in almost all the States. The bases of State taxes are rendered narrow because of large-scale exemptions, evasion and avoidance of taxes. Levying of registration on transfer of immovable property at high and differentiated rates has led to widespread evasion of the stamp duties by undervaluing the value of the property transacted. Lack of proper information system and administrative machinery to implement taxes is a general shortcoming in all the States. There is hardly any co-operation between one tax department of a State and another, much less between Central and State tax departments. Complications in the tax system add to complexity in administration.

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APPENDIX 1 STATE LEVEL TAX RATE STRUCTURES

Table A 1 Rate Structure of State Excise Duties of IMFL across major States in India as on 2004

Sl.No	State	Tax base
1	Andhra Pradesh.	1. Upto Rs.275 (O) – Rs. 35/ PL 2. Rs. 275 to Rs. 400 – Rs. 45 / PL 3. Rs. 401 & above – Rs. 65 / PL
2	Bihar	Rs. 100 / PL
3	Gujarat.	1. Alcoholic Essences – Rs. 50 / PL of alcohol contents 2. Liquors, Cordials etc. if strength is not tested – Rs. 150 per litre 3. Liquors, Cordials etc. if strength is tested – Rs. 100 /PL 4. All other sorts of spirits – Rs 100 /PL 5. Wines not stronger than 17 % of proof spirit – Rs. 25 per litre 6. Wines stronger than 17 % of proof spirit – Rs. 100 /PL
4	Haryana.	Rs 41/PL
5	Karnataka.	i. Civilian use-Rs 45/litre (Addl excise duty Rs 117 onwards) ii. Defence use- a. Other than Rum –Rs 20/BL b. Rum-Rs 20/BL
6	Kerala	100% on purchase cost
7	Madhya Pradesh.	Rs. 60 / PL
8	Maharashtra	a. For civilians- Rs 150/PL or 200% of manufacturing cost whichever is higher. MRP is 4 times the manufacturing cost if manufacturing cost does not exceed Rs 72. If cost exceeds Rs 72, MRP is 4 times manufacturing cost increased by 4 times the cost in excess of Rs 72 b. For CSD-120% of the manufacturing cost or Rs 60/PL whichever is higher. MRP is 3.2 times the manufacturing cost if cost /litre does not exceed Rs 72. MRP is 3.2 times manufacturing cost increased by 4 times the manufacturing cost in excess of Rs 72/L if manufacturing cost exceeds Rs 72
9	Orissa	i. Premium Indian made Whisky (landing cost Rs 800 and above) -Rs 120/ LPL ii. Other India made Whisky, Rum, Gin, Brandy, Vodka (landing cost less than Rs 800)- Rs92/LPL
10	Punjab.	i. Economy & Medium brands-Rs 27.50/PL ii. Premium & Deluxe Brands-Rs 40/PL
11	Rajasthan.	Duty levied on all liquors at Rs 100/LP
12	Tamil Nadu	i. Ordinary brands-Rs 93.40/PL ii. Medium brands-Rs 113.24/PL iii. Premium brands-Rs 113.24/PL
13	Uttar Pradesh.	Bottle of 750 ml for the following price ranges mentioned below the rate of duty/BL i. Up to Rs 20- Rs 112 ii. Rs 20-25- Rs 128 iii. Rs 25-35-Rs 148 iv. Rs 35-45-Rs 160 v. Rs 45-55-Rs 172 vi. Rs 55-75-Rs 216 vii. Rs 75-105-Rs 232 viii. Rs 105-150-Rs 256 ix. Rs150-250-Rs 340 x. More than Rs 250-Rs 420
14	West Bengal.	

Notes: AL- Alcohol Litre, BL- Bulk Litre, PL-Proof Litre, CSD-Canteen Stores Department

Proof Litre = (Bulk Litre x Proof of content of spirit)/100, where bulk litre is roughly equivalent to the ordinary litre and proof content is the strength of liquor added.

Table A 2 Rate structure of stamp duties and registration fees across the States in India

Sl.No	State	Rate of Stamp duty	Remarks
1	Andhra Pradesh.	5%	Of the market value or agreement value whichever is higher.
2	Bihar	8.4%	Of the market value.

Sl.No	State	Rate of Stamp duty	Remarks
3	Gujarat. i. For transfers other than in co-operative society in urban area. ii. For transfer relating to premises in Co-operative Society registered or deemed to have been registered under Gujarat Co-operative Society Act, 1961.	10% 7.5%	On market value of Property. On market value of Property.
4	Haryana.	12.5%	Value exceeding Rs.1, 000/-
5	Karnataka. i. For transfer other than in (ii) ii. For transfer effected by Bangalore Development Authority Act, 1976, relating to a flat as defined in Karnataka Ownership Flat Act, 1972.	10.5% a. value up to Rs.5.00 Lakhs – 4% b. More than Rs.5.00 Lakhs and up to Rs.15.00 Lakhs – Rs.20, 000/- + 6% for amount in excess of Rs.5.00 Lakhs. c. More than Rs.15.00 Lakhs – Rs.80, 000/- + 8% for amount in excess of Rs.15.00 Lakhs.	On the market value of property exceeding Rs.1, 000/-. On market value.
6	Kerala. (Property situated within Municipal Corporation)	8.5%	Value of consideration.
7	Madhya Pradesh.	7.5%	Of the market value.
8	Maharashtra within Municipal limits of Greater Mumbai, Navi Mumbai, Pune & Thane. a. For transfer other than in (b) b. If relating premises registered under Maharashtra Co-operative Societies Act, 1960, or the Maharashtra Ownership Flat Act, 1963, or the Maharashtra Apartment Ownership Act, 1970.	10 % i. Up to Rs.1.00 Lakh - Nil. ii. Rs.1.00 Lakh to Rs.2.5 Lakhs - 0.5 % of Value. iii. Rs.2.5 Lakhs to Rs.5.00 Lakhs - Rs.1, 250/- + 3% of value above Rs.2.5 Lakhs. iv. Rs.5.00 Lakhs to Rs.10.00 Lakhs - Rs.8, 750/- + 6% of value above Rs.5.00 Lakhs. v. Value exceeding Rs.10.00 Lakhs - Rs.38.750/- plus 8% of value above Rs.10.00 Lakhs.	On the market value or the agreement value whichever is higher.
9	Orissa	14.7 %	Of Agreement Value.
10	Punjab.	6 %	Of the value.
11	Rajasthan.	10 %	Of market value of property.
12	TamilNadu	13%	Of market value.
13	Uttar Pradesh.	8%	On the amount of consideration as set forth therein or the market value of property whichever is greater.
14	West Bengal.	7%.	Of the market value.

Table A 3 State- Wise Rates of Motor Vehicle Tax on Personalised Vehicles, Taxis and Autorickshaws as on 1-4-2002

Sl. No.	States/UTs	Two Wheelers	Cars	Taxis	Auto-Rickshaw
1	2	3	4	5	6
1.	Andhra Pradesh	7% cost of the vehicle (One time)	7% cost of the vehicle (One time)	Upto 6 seats Rs. 207 PS/PQ	Upto 3 seats Rs. 46 PQ & Upto 7 seats Rs. 345 PQ

Sl. No.	States/UTs	Two Wheelers	Cars	Taxis	Auto-Rickshaw
2.	Bihar (1.4.03)	Upto 1 year of age-ULW upto 50 kgs. Rs. 900 PY, Above 50 to 100kgs Rs. 1200, Above 100 kg Rs 1500 (one time)	More than 3 to 5 seats Rs 3750 (one time)	Upto 4 passenger Rs 1030 PY above 4 passenger Rs 1250 PY .	Rs 990 PY
3.	Gujarat (1.4.03)	ULW upto 50 kgs Rs.500, above 50 to 100 Rs.1000, above 100 kgs. Rs. 2000	Petrol- 5% and Diesel- 7.5% of the cost of the vehicle	Petrol- 5% and Diesel- 7.5% of the cost of the vehicle	Upto 3,4,5 & 6 passenger Rs. 2500, 8000, 8900 & 9800 (one time) respectively
4.	Haryana (1.4.03)	Rs. 500 (one time)	Rs.1500 (one time)	Rs. 3600 PY	Rs. 100 per seat + Rs. 1200 passenger tax PY
5.	Karnataka (1.4.03)	Upto 75 cc 7% cost of the vehicle or Rs. 1100, 75- 300 cc 7% cost of the vehicle or Rs. 2500 & more than 300 cc 7% cost of the vehicle or Rs. 3500 whichever is higher (One time)	9% cost of the vehicle upto Rs. 10 lakhs & 10% upto the cost of vehicle more than 10 lakhs (one time)	Upto 5 seats Rs. 60 PQ	Rs. 2500 (one time)
6.	Kerala (1.4.03)	Upto 95 cc Rs. 30 PQ & above 95 cc Rs. 40 PQ	ULW upto 750 kgs. Rs.290 PQ, 750-1500 kgs. Rs. 390 PQ, above 1500 kgs. Rs.480PQ	Rs.360 PQ	Upto 2 seats Rs. 60 PQ & Upto 3 seats Rs. 130 PQ
7.	Madhya Pradesh*	ULW upto 70 kgs Rs. 72 PY (one time tax Rs. 450) above 70 kgs. Rs. 112 PY(one time tax Rs. 900)	ULW upto 800 kgs. Rs. 256 PY (one time tax Rs. 3000), 800-1600 kgs. Rs.376 PY, 1600-2400 kgs. Rs. 448 PY, 2400-3200 kgs. Rs. 528 PY & above 3200 kgs. Rs.600 PY	Upto 6 seats Rs. 100 PS/PY, above 6 seats : Express- Rs. 160 PS/PY, Ordinary- Rs. 120 PS/PY	Upto 3 passenger Rs. 40 PQ per seat & more than 3 passenger Rs. 50 PQ per seat
8.	Maharashtra (1.4.03)	7% cost of the vehicle (One time) subject to a minimum of Rs. 1500	4% cost of the vehicle (One time)	Upto 4 seats Rs.400 PY, upto 6 seats Rs. 500 PY	Upto 3 seats Rs. 300PY
9.	Orissa (1.4.03)	ULW upto 91 kg Rs 130 PY, Above 91 Kg Rs 200 PY.	ULW upto 762 kgs Rs. 320 PY, 762 -1524 kgs. Rs. 490 PY & 1524-2286 kgs. Rs. 620 PY	Upto 6 seats Rs. 148 PS/PY	Rs. 148 for every person PY
10.	Punjab (1.4.03)	3% of cost price (one time)	2% of cost price (one time)	Rs. 200 PY and Rs. 3000 passenger tax	Rs. 150 MV tax + Rs. 400 passenger tax PY

Sl. No.	States/UTs	Two Wheelers	Cars	Taxis	Auto-Rickshaw
11.	Rajasthan (1.4.03)	5% of the cost of the vehicle (one time)	1.5% of the cost of the vehicle Manufactured in India; 3% in case of abroad (one time)	As per cost of the vehicle - upto Rs. 1.75 lakhs :2.25%; Rs. 1.75 to 4.0 lakhs :0.75% and more than Rs. 4.0 lakhs: 3.5% PA	8% of the cost of vehicle upto sitting capacity 2(maximum of Rs. 3000) & 10% of the cost of vehicle upto sitting capacity 2-4
12.	Tamil Nadu (1.4.03)	50 to 75 cc Rs. 135 PY, above 75-170 cc Rs. 200 & above 170 cc Rs. 240 PY	ULW upto 700 kgs. Rs.600, 1200 & 1800 PY for Individual, Official & Imported vehicle; above 700-1500 kgs. Rs. 800, 1600 & 2300; above 1500-2000 kgs. Rs. 1000, 2000 & 2700; above 2000-3000 kgs. Rs. 1100, 2200, 2900 and above 3000 kgs. Rs. 1250, 2500 & 3300 PY	Motor cab Rs. 800 PY + 5 years tax as applicable; Tourist Motor cab Rs. 1300 PY + 5 year tax as applicable	Rs. 280 PY + 5 years tax
13.	Uttar Pradesh (1.4.03)	ULW upto 80 kgs. Rs. 90 PY, 80-500 kgs. Rs. 500 PY	Upto 6 seats Rs. 500 PY. One time tax is Rs. 5000 or 2.5% of the vehicle cost whichever is higher	Upto 7 seats Rs. 920 PY, from 8-13 seats- (A class) Rs. 1400 PY & (B class) Rs. 804 PY	Four seats Rs. 380 PY. 5 seats Rs. 740 PY
14.	West Bengal	Upto 100 cc Rs. 800 (one time) , 100-200 cc Rs. 1800 (one time) & above 200 cc Rs. 2400 (one time)	ULW upto 500 kgs. Rs. 500 PY, 500-800 kgs. Rs.900 PY, 800-1000 kgs. Rs. 1000 PY, 1000-1200 kgs. Rs.1200 PY, 1200-2000 kgs. Rs. 2500 PY, 2000-3000 kgs. Rs. 4000 PY & for every additional 100 kgs. Or part thereof Rs. 200 PY	Upto 4 seats Rs. 600 PY, more than 4 seats Rs.800 PY + Rs.100 for every additional seat beyond 5	Upto 4 seats Rs. 200 PY

Source:1. Motor Transport Statistics of India 2001-2002, Transport Research Wing, Ministry of Road Transport & Highways

2. Information on Topics for the Twelfth Finance Commission

* : Rates are as on 1.4.2000

Table A 4 State- Wise Rates of Motor Vehicle Tax on Passenger Transport as on 1-4-2002

Sl.No	States/UTs	Stage Carriage/ Bus	Contract Carriage
1	2	3	4
1.	Andhra Pradesh	Rs. 126 to Rs. 3500 per seat PQ (Bus)	N.A.

Sl.No	States/UTs	Stage Carriage/ Bus	Contract Carriage
2.	Bihar (1.4.03)	More than 5 passengers Rs 200 per seat/ PY	Omnibus - Upto 5 passengers Rs. 1250 PY
3.	Gujarat (1.4.03)	Petrol- Passenger 6-9 Rs. 600 PY + Rs. 60 for every additional passenger, more than 9 Rs. 840 PY + Rs. 72 (seating) & Rs. 36 (standing) for every additional passenger. Diesel- Same rates as applicable in petrol + 50% surcharge subject to the maximum limit of Rs. 636 PY	Ordinary - Upto 12 seats Rs. 1200 per seat PY, 12-20 seats Rs.2700 PY per seat, more than 20 seats Rs. 3600 PY per seat. Luxury - Upto 20 seats Rs. 4500 per seat PY, more than 20 seats Rs. 6000 per seats PY
4.	Haryana	Rs. 550 PS/ PY	N.A.
5.	Karnataka	Rs. 475 PQ for every passegger	Rs. 1400 PS/ PQ
6.	Kerala	Ordinary Service - Rs.600 PS/ PQ & Express Service - Rs. 690 PS/ PQ	Rs. 140 PS/ PQ
7.	Madhya Pradesh*	Ordinary - Rs. 160 PS/ PM, Express - Rs.180 PS/ PM & Deluxe - Rs. 230 PS/ PM	Above 6 seats Rs. 450 PS/ PQ
8.	Maharashtra	Rs. 71 PY for every permitted passenger. In addition to that passenger tax 3.5% in multiple area and 17.5% in other area of fare collected	Ordinary Omni Buses- more than 6 passengers Rs. 1000 PS/PY, Tourist Vehicles- more than 6 passengers- Rs. 4000 PS/PY & A/C Vehicles- more than 6 passegers Rs. 5000 PS/PY
9.	Orissa	Ordinary - Uptro 160 kms Rs.748 PS/PY, 160-240 kms Rs. 916 PS/PY, 240-320 kms Rs.1200 PS/PY & more than 320 kms Rs.1440 PS/PY. Express - Uptro 160 kms Rs.1067 PS/PY, 160-240 kms Rs. 1316 PS/PY, 240-320 kms Rs.1795 PS/PY & more than 320 kms Rs.2040 PS/PY.	Rs. 270 PS/ PY
10.	Punjab	Bus - Rs. 650 PS/PY & Rs. 5.75 per seat per km	N.A.

Sl.No	States/UTs	Stage Carriage/ Bus	Contract Carriage
11.	Rajasthan (1.4.03)	Other than Municipal Limits - Upto 45 passengers : Upto 100 kms 0.43%,100-200 kms 0.73%, 200-240 Kms 1.12%, 240-320 kms 1.46%, 320-400 kms 1.72% & more than 400 kms 2.15% of the cost of the chassis PY. more than 45 passengers : Upto 100 kms 0.52%,100-200 kms 1.95%, 200-240 Kms 1.30%, 240-320 kms 1.94%, 320-400 kms 2.37% & more than 400 kms 2.80% of the cost of the chassis PY. Exclusively within the Municipal Limits - Upto Rs. 2,00,000 1.2% of the cost of the chassis PY & more than 2,00,000 1.5% of the cost of the chassis PY.	N.A.
12.	Tamil Nadu	Metropolitan Area- Rs. 60 PS/PQ, Town service - Rs. 275 PS/PQ + 10% surcharge, Express/Mofussil service -Rs.360 PS/PQ +25% surcharge, Mini Bus - Rs. 250 PS/PQ + 25% surcharge	Omnibus - Rs.3000 PS/PQ + Rs. 61 for every additional seat
13.	Uttar Pradesh	A class route - Upto 13 seats Rs. 1400 PY + Rs. 130 for additional seat, 14-21 seats Rs. 2360 + Rs. 140 for additional seat, 22-36 seats Rs. 4460 PY +180 for additional seat. B class route - Upto 13 seats Rs. 804 PY + Rs. 32 for additional seat, 14-21 seats Rs. 1060 + Rs. 46 for additional seat, 22-36 seats Rs. 1742 PY + 68 for additional seat.C class route - 14-21 seats Rs. 974 + Rs. 33 for additional seat, 22-36 seats Rs. 1337 PY + 50 for additional seat.	A class route - Upto 13 seats Rs. 1400 PY + Rs. 130 for additional seat, 14-21 seats Rs. 2360 + Rs. 140 for additional seat, 22-36 seats Rs. 4460 PY +180 for additional seat. B class route - Upto 13 seats Rs. 804 PY + Rs. 32 for additional seat, 14-21 seats Rs. 1060 + Rs. 46 for additional seat, 22-36 seats Rs. 1742 PY + 68 for additional seat.C class route - 14-21 seats Rs. 974 + Rs. 33 for additional seat, 22-36 seats Rs. 1337 PY + 50 for additional seat.
14.	West Bengal	8-26 seats Rs. 750 PY + Rs. 75 for every additional seat, 27-32 Rs.2155 PY + Rs. 55 for every additional seat, more than 32 Rs.2475 PY + Rs. 40 for every additional seat	Omnibus - Upto 8 seats Rs. 1000 PY, 9-20 Rs. 1100 PY & more than 20 seats Rs.2300 PY + Rs. 100 for every additional seats in every catagories

Source:1. Motor Transport Statistics of India 2001-2002, Transport Research Wing, Ministry of Road Transport & Highways, 2. Information on Topics for the Twelfth Finance Commission
: Rates are as on 1.4.2000

Table A 5 State-wise Rates of Motor Vehicle Tax on Goods Transport As on 1-4-2002

Sl. No.	States/UTs	Trucks	Trailers
1	2	3	4
1.	Andhra Pradesh	Rs. 404 to Rs.2826 PQ based on GVW & Rs. 66 for every 250 kgs in excess of 15000 kgs	Rs. 720 to Rs.1150 PQ based on GVW
2.	Bihar (1.4.03)	ULW Upto 500 kgs Rs.360 PY, 500- 2000 kgs Rs. 720 PY, 2000- 4000 kgs Rs. 1440 PY, 4000- 8000 kgs Rs 2880 PY & above 8000 kgs Rs 2880 + Rs 360 for every additional 1000 kgs or part thereof	LW upto 3 tonnes Rs 3000 & LW upto 5 tonnes Rs 5000 (one time tax)
3.	Gujarat (1.4.03)	ULW above 3000-4500 kgs Rs. 1640 PY, 4500-6000 kgs Rs.2490 PY, 6000-7500 kgs Rs. 3070 PY & above 7500 kgs Rs. 3070 PY + Rs. 165 for every additional 250 kgs or part thereof in excess of 7500 kgs	N.A.
4.	Haryana (1.4.03)	GVW 16.2-25 tones Rs. 5000 PY & exceeding 25 tonnes Rs. 10,000 PY (over loading tax Rs. 5000 per tonne per trip)	GVW upto 16.2 tones Rs. 3500 PY (over loading tax Rs. 3000 per tonne per trip)
5.	Karnataka (1.4.03)	LW 1500-3000 kgs Rs.800 PQ, 3000-5500 kgs Rs. 1200 PQ, 5500-12000 kgs Rs.1800 PQ, 12000-15000 kgs Rs.2200 PQ & exceeding 15000 kgs Rs. 2200 PQ + Rs. 75 for every 250 kgs or part thereof in excess of 15000 kgs	LW upto 3000 kgs Rs. 195 PQ, 3000-5000 kgs Rs.360 PQ, 5000-7000 kgs Rs.780 PQ, 7000-9000 kgs Rs.1365 PQ, 9000-12000 kgs Rs.1625 PQ, 12000-15000 kgs Rs.1785 PQ, above 15000 kgs Rs.2200 PQ + Rs.35 PQ for every additional 250 kgs and part thereof in excess of 15000 kgs
6.	Kerala (1.4.03)	LW upto 1000 kgs Rs. 195 PQ, 1000-1500 kgs Rs. 315 PQ, 1500-2000 kgs Rs. 435 PQ, 2000-3000 kgs Rs.585 PQ,3000-4000 kgs Rs. 855 PQ, 4000-5500 kgs Rs.1095 PQ, 5500-7000 kgs Rs.1380 PQ, 7000-9000 kgs Rs.1650 PQ, 9000-9500 kgs Rs. 1800 PQ, 9500-10500 kgs Rs.1950 PQ, 10500-12000 kgs Rs. 2100 PQ, 12000-13000 kgs Rs. 2250 PQ, 13000-14000 kgs Rs. 2400 PQ, 14000-15000 kgs Rs. 2550 PQ & exceeding 15000 kgs Rs. 2550 + Rs. 150 for every 250 kgs or part thereof in excess of 15000 kgs	LW upto 1000 kgs Rs. 210 PQ, 1000-1500 kgs Rs. 435 PQ, 1500-2000 kgs Rs. 585 PQ, 2000-3000 kgs Rs.795 PQ,3000-4000 kgs Rs. 1080 PQ, 4000-5500 kgs Rs.1365 PQ, 5500-7000 kgs Rs.1800 PQ, 7000-9000 kgs Rs.2100 PQ, 9000-9500 kgs Rs. 2250 PQ, 9500-10500 kgs Rs.2400 PQ, 10500-12000 kgs Rs. 2700 PQ, 12000-13000 kgs Rs. 2850 PQ, 13000-14000 kgs Rs. 3000 PQ, 14000-15000 kgs Rs. 3150 PQ & exceeding 15000 kgs Rs. 3150 + Rs. 100 for every 250 kgs or part thereof in excess of 15000 kgs
7.	Madhya Pradesh*	RLW upto 2000 kgs Rs. 327 PQ, 2000-3000 kgs Rs.520 PQ,3000-4000 kgs Rs. 629 PQ, 4000-5000 kgs Rs.932 PQ, 5000-6000 kgs Rs.1113 PQ,6000-7000 kgs Rs.1258 PQ, 7000-8000 kgs Rs. 1428 PQ, 8000-9000 kgs Rs. 1646 PQ, 9000-10000 kgs Rs. 1815 PQ,10000-11000 kgs Rs.2033 PQ, 11000-12000 kgs Rs. 2213 PQ, 12000-13000 kgs Rs. 2384 PQ, 13000-14000 kgs Rs. 2565 PQ, 14000-15000 kgs Rs. 2747 PQ, 15000-16000 kgs Rs. 2916 PQ, 16000-17000 kgs Rs.3025 PQ, + Rs. 182 for every 1000 kgs or part thereof	Rs. 264 PY
8.	Maharashtra (1.4.03)	GVW 16500 kgs Rs. 9360 PY or 7 times of annual rates (one time)	GVW upto 4500- 7500 kgs Rs.1500 PY/ per trailer & exceeding 7500 kgs Rs.3000 PY/ per trailer
9.	Orissa (1.4.03)	LW upto 1000 kgs Rs. 540 PY, 1000-2000 kgs Rs. 2356 PY, 2000-5000 kgs Rs. 2446 PY, 5000-10000 kgs Rs.3737 PY,10000-13000 kgs Rs. 5363, 13000-16200 kgs Rs.7800, exceeding 16200 kgs Rs. 7800 + Rs. 255 for 500 kgs or part thereof in excess to 16200 kgs	LW upto 1000 kgs Rs. 196 PY, 1000-3000 kgs Rs. 750 PY, exceeding 3000 kgs Rs. 1500 PY
10.	Punjab (1.4.03)	Rs. 2500 PY & Rs. 1500 goods tax	Rs. 2500 PY & Rs. 1500 goods tax

Sl. No.	States/UTs	Trucks	Trailers
11.	Rajasthan (1.4.03)	As per cost of the vehicle upto Rs. 70000- 3 % of the cost of the vehicle, 70000-150000-1.5% of the cost of the vehicle, 150000-600000 - 0.75% of the cost of the vehicle, 600000 - 1000000 -0.80% of the cost of the vehicle, over 1000000 for every Rs 1000 or part thereof in excess of Rs 1000000 - 0.50% of every Rs 1000.	As per cost of the vehicle upto 1000000 - 1% of the cost of the vehicle, 1000000 to 2000000 - 1.5% of the cost of the vehicle, above 2000000 for every Rs 1000 or part thereof in excess Rs 2000000 - 0.05% of every Rs 1000.
12.	Tamil Nadu (1.4.03)	LW upto 3000 kgs Rs. 600 PQ, 3000-5500 kgs Rs.950 PQ, 5500-9000 kgs Rs.1500 PQ, 9000-12000 kgs Rs.1900 PQ, 12000-13000 kgs Rs.2100 PQ, 13000-15000 kgs Rs. 2500 PQ, above 15000 kgs Rs.2300 PQ + Rs.50 PQ for every additional 250 kgs and part thereof in excess of 15000 kgs	LW upto 3000 kgs Rs. 340 PQ, 3000-5500 kgs Rs.400 PQ, 5500-9000 kgs Rs.700 PQ, 9000-12000 kgs Rs.810 PQ, 12000-13000 kgs Rs.1010 PQ, 13000-15000 kgs Rs.1220 PQ, above 15000 kgs Rs.1220 PQ + Rs.50 PQ for every additional 250 kgs and part thereof in excess of 15000 kgs
13.	Uttar Pradesh (1.4.03)	Rs. 280 for every 1000 kgs and part thereof GVW for A class route	For one region Rs. 280 for every metric tone & for more than one region Rs. 340 for every Metric tone
14.	West Bengal	GVW upto 2000 kgs Rs. 312 PY, 2000-4000 kgs Rs. 625 PY, 4000-16250 kgs Rs. 1365 to Rs. 6500 PY Rs. 250 for every additional 250 kgs or part thereof Exceeding 16250 kgs	GVW upto 2000 kgs Rs. 500 PY, 2000-4000 kgs Rs.900 PY, 4000-15000 kgs Rs. 6650 PY, above 15000 kgs Rs. 6650 + Rs. 200 for every additional 250 kgs or part thereof

Source:1. Motor Transport Statistics of India 2001-2002, Transport Research Wing, Ministry of Road Transport & Highways , 2. Information on Topics for the Twelfth Finance Commission

* : Rates are as on 1.4.2000

Table A 6 Rate-structure of Profession Tax in Indian States

Sl.No	State	Salary/ wage earners (per annum)	Those in self employment (per annum)
1	Andhra Pradesh.	i. Upto Rs 1500 – Nil ii. Rs 1500-Rs 2000 – Rs 192 iii. Rs 2000-Rs 3000 – Rs 300 iv. Rs 3000-Rs 4000 – Rs 420 v. Rs 4000-Rs 5000 – Rs 540 vi. Rs 5000-Rs 6000 – Rs 720 vii. Rs 6000-Rs 10000 – Rs 960 viii. Rs 10000-Rs 15000 – Rs 1200 ix. Rs 15000-Rs 20000 – Rs 1800 x. Above Rs 20000 – Rs 2400	Legal practioners in Hyderabad – Rs 500 to Rs 1000 Legal practioners in other area – Rs 300 to Rs 750 Estate agents, UTI agents, Stock exchange members & others – Rs 110 – Rs 2500
2	Gujarat	i. Rs 3,000- 6,000/- - Rs 240/- ii. Rs 6,000- 9,000/- - Rs 480/- iii. Rs 9,000- 12,000/- - Rs 720/- iv. Rs 12,000 or more - Rs 960/-	1. Advocates, doctors, technical consultants, chartered accountants, insurance agents, contractors, commissions agents i. When the person is not liable to Income Tax (a) Between 5-10 years – Rs 150 (b) More than 10 years – Rs 500 ii. When the person is liable to Income Tax – Rs 1,000 2. Stock exchange members – Rs 500/- 3. Pvt Ltd Cos – Rs 500/- 4. Public Ltd Cos – Rs 1,000/- 5. Dealers under Sales Tax Act with annual turnover i. Upto Rs 2,50,000 – No tax ii. Rs 2,50,000 – 5,00,000 – Rs 250/- iii. 5,00,000 – 10,00,000 – Rs 500/- iv. Rs 10,00,000 and above – Rs 1,000

Sl.No	State	Salary/ wage earners (per annum)	Those in self employment (per annum)
3	Karnataka	i. Not less than Rs 3,000 but less than Rs 5,000 – Rs 360/- ii. Not less than Rs 5,000 but less than Rs 8,000 – Rs 720/- iii. Not less than Rs 8,000 but less than Rs 10,000 – Rs 1200/- iv. Not less than Rs 10,000 but less than Rs 15,000 – Rs 1800/- v. Rs 15,000 and above – Rs 2400/-	1. Advocates i In Bangalore Urban Agglomeration (a) Less than 5 years - nil (b) 5 yrs or more, but less than 15 years – Rs 1,500 © 15 years or more – Rs 2,500 ii. In any other area in State (a) Less than 5 years - nil (b) 5 yrs or more, but less than 15 years – Rs 1,000 © 15 years or more – Rs 1 500 2. Stock exchange members – Rs 2,500 3. Estate agents, brokers i. In Bangalore Urban Agglomeration – Rs 2,500 ii. In any other area in the State: (a) Income Tax Payees –Rs 1,500 (b) Other than above – Rs 1,000 4. Persons associated with motion picture industry i. Directors, actors, Playback singers, recordists, editors (a) Income Tax payees – Rs 2,500/- (b) Other than above – Rs 1,500/- ii. Cameraman and still photographers – Rs 900/- 5. Dealers registered under sales tax i. Upto Rs 2 Lakh - Nil ii. Between Rs 2-10 Lakhs – Rs 1,000/- iii. Between Rs 10-25 Lakhs – Rs 1,500/- iv. Rs 25 Lakhs or more – Rs 2,500/- 6. Occupiers of factories& employers of establishments – Rs 1,000/- 7. Licensed liquor vendors – Rs 2,500/- 8. Holders of permits for transport vehicles: i. Owning one vehicle- Rs 1,000/- ii. Owning more than one vehicle- Rs 2,500/- 9. Banking Cos, Cos under Cos Act – Rs 2,500/- 10 Partner of a firm – Rs 1,000/- N.A.
4	Kerala	Rs. 12000 – Rs 17999 - Rs 240 Rs. 18000 – Rs 29999 - Rs 360 Rs. 30000 – Rs 44999 - Rs 600 Rs. 45000 – Rs 59999 - Rs 900 Rs. 60000 – Rs 74999 -Rs 1200 Rs. 75000 – Rs 99999 -Rs 1500 Rs 100000– Rs 17999 -Rs 2000 Above Rs. 125000 - Rs 2500	Rs.
5	Madhya Pradesh	Upto Rs 40000 – Nil Rs 40000- Rs 50000 – Rs 360 Rs 50000- Rs 60000 – Rs 720 Rs 60000- Rs 80000 – Rs 1080 Rs 80000- Rs 100000 – Rs 1800 Rs 100000- Rs 150000 – Rs 2100 Above Rs 150000 Rs 2500	Legal, Medical Practitioners, Agents, Contractors and Technical & Professional Consultants : Upto two years – Nil 2- 5 years – Rs 1000 5- 10 years – Rs 1500 Above 10 years –Rs 2500 (range Rs 400 – Rs 2500)

Sl.No	State	Salary/ wage earners (per annum)	Those in self employment (per annum)
6	Maharashtra.	Upto i. Rs 2,000- no tax ii. Rs 2,001-2,500 – Rs 360/- iii. Rs 2,501- 3,500 – Rs 720/- iv. Rs 3,501-5,000 – Rs 1440/- v. Rs 5,001- 10,000 – Rs 1500/- vi. Rs 10,001 onwards – Rs 2500	i. Advocates, doctors, architects, engineers, commission agents etc – Nil to Rs 2,500/- ii. Stock exchange members – Rs 1,700-2,500/- iii. Estate agents, brokers, building contractors – Rs 1,700-2,500/- iv. Directors of companies - Rs 1,700-2,500/- v. Persons associated with motion picture industry- Rs 500-2,500/- vi. Dealers registered under sales tax- Rs 1,700-2,500/- vii. Occupiers of factories& employers of establishments – Rs 1,700-2,500/- viii. Licensed liquor vendors – Rs 1,700-2,500/- ix. Holders of permits for transport vehicles – Rs 500-750/ vehicle subject to a max amount of Rs 2,500 x. Banking Cos, Cos under Cos Act and partnership firms & partners of firms – Rs 1,500-2,500/-
7	Orissa	Upto Rs 5000 – Nil Rs 5000- Rs 6000 – Rs 360 Rs 6000- Rs 8000 – Rs 600 Rs 8000- Rs 10000 – Rs 900 Rs 10000- Rs 15000 – Rs 1200 Rs 15000- Rs 20000 – Rs 1800 Above Rs 20000 – Rs 2400	Legal, Medical Practitioners and Technical & Professional Consultants : Upto Rs 60000 /PY – Nil Rs 60000 – Rs 72000 – Rs 360 Rs 72000 – Rs 96000 – Rs 600 Rs 96000 – Rs 120000 – Rs 900 Rs 120000 – Rs 180000 – Rs 1200 Rs 180000 – Rs 240000 – Rs 1800 Above Rs 240000 – Rs 2400
8	Rajasthan	Upto Rs 12500- Nil Rs 12501 – Rs 16500 – Rs 1200 Rs 16501 – Rs 20000 – Rs 1800 Above 20000 – Rs 2400	Upto Rs 150000 – Nil Rs 150001 – Rs 200000 – Rs 1200 Rs 200000 – Rs 240000 – Rs 1800 Above Rs 240000 _ Rs 2400
9	Tamil Nadu	Upto Rs 21000 – Nil Rs 21001-Rs 30000- Rs 120 Rs 31001-Rs 45000- Rs 300 Rs 45001-Rs 60000- Rs 600 Rs 60001-Rs 75000- Rs 900 Above 75001- Rs 1200	N.A.
10	West Bengal	N.A.	N.A.

Table A 7 State-wise Entertainment tax rates: Cinema

S.N.	States/UTs	Rate of Tax	Surcharge
1	2	3	4

S.N.	States/UTs	Rate of Tax	Surcharge
1	2	3	4
1	Andhra Pradesh	Rate of tax on the gross collection capacity per show: Air conditioned- 30%-27%, Air cooled- 29%- 26%, Ordinary- 26%- 18%(vary according to type of area).Rate of tax in weekly option: Air conditioned- 24% of the gross collection capacity per show multiplied by 22 to 21% of the gross collection capacity per show multiplied by 21, Air cooled- 23% of the gross collection capacity per show multiplied by 22 to 20% of the gross collection capacity per show multiplied by 21, Ordinary- 20% of the gross collection capacity per show multiplied by 22 to 12% of the gross collection capacity per show multiplied by 7(vary according to type of area)	N.A.
2	Bihar	Ranges: Area - Population more than 4 Lacs to Less than 25000 under category "A"- "K", Rate of consolidated tax - 39% to 12% of total collection capacity per show, Rate of compounding tax - 35% to 10% of total collection capacity per show, No of weekly show for compounding - 25 to 14.	N.A.
3	Gujarat	Loose Tax : For Rs. 1 and above - 50 Paise population above than 1 Lakh & 45 paise population upto 1 Lakh . Compound Tax : upto 15000 - 20% of 12 shows (permanent cinema house) 20% of 7 shows (touring cinema house), 15000 to 50000- 30% of 14 shows (pch) 30% of 7 shows (tch), 50000 to 100000- 35% of 24 shows (pch) 35% of 7 shows (tch) & 100000 to 300000- 40% of 26 shows (pch) 40% of 7 shows (tch) per week	
4	Haryana	50% of the payment for admission	N.A.
5	Karnataka	70% on the rate of admission for non-Kannada movies. Composition option: population upto 25,000 - 10% of the Gross Collection Capacity, 25,000 to 50,000 - 17.5% of GCC, 50,000 to 75,000 - 75% of GCC	A/c theatres: Re 1 & Non-A/c theatre: 50 paise on the rate of admission to be paid by theatre.
6	Kerala	Panchayats: Regular cinema shows in licensed theatres Rs. 2 / Show, other cinema shows Rs. 10 / show. Municipalities: Regular cinema shows in licensed theatres Rs. 10 / Show, other cinema shows Rs. 20 / show.	N.A.
7	Madhya Pradesh	Municipal Corporation: 50% of the entry fees. Other areas: 40% of the entry fees	N.A.
8	Maharashtra	Within the limits of Brihan-Mumbai Municipal Corporation - 55%, all other Municipal Corporation and Cantonments - 50%, A class Municipal Councils - 44%, B class Municipal Councils - 38%, C class Municipal Councils - 32% & any other areas - 15% of the payment of admission	N.A.

S.N.	States/UTs	Rate of Tax	Surcharge
1	2	3	4
9	Orissa	Entertainment Tax (applicable to all areas) : Ticket value upto Rs. 1 - 40%, Rs. 1 to 3 - 60% & above Rs. 3 - 70% of the ticket value for admission, Shows held in Municipalities/ N.A.C.s having population of 50000 and more : Sitting capacity upto 800 - Rs. 10 per show, Sitting capacity more than 800 - Rs. 10 + Rs. 1 for every additional 100 seat or part thereof per show. Shows held in other places : Sitting capacity upto 400 - Rs. 5 per show, Sitting capacity more than 400 - Rs. 5 + 50 paise for every additional 100 seat or part thereof per show. Compulsory compounding scheme (six cities) : 20% of gross collection capacity on every show with the condition that such tax shall be payable on an average of 70 shows per calendar month irrespective of the number of shows exhibited during a month.	Municipalities of Bhubaneswar, Puri, Cuttack, Berhampur, Sambalpur and Rourkela : Basic ticket value upto Rs.1 - 50 paise, Rs. 1 to 1.50 - 65 paise, Rs. 1.50 to 2.50 - 90 paise & above Rs. 2.50 - Rs. 1.05. N.A.Cs / Municipalities : Basic ticket value upto Rs.1.50 - 50 paise, Rs. 1.50 to 2.50 - 75 paise, above Rs. 2.50 Rs.1. Rural Areas : 25 paise for every payment for admission to any entertainment.
10	Punjab	125% of the payment for admission	N.A.
11	Rajasthan	70% of the payment for admission	N.A.
12	Tamil Nadu	25% of the gross payment for admission for new films & 20% of the gross payment for admission for new films.	N.A.
13	Uttar Pradesh	Payment for admission upto 50 paise- 60% & above 50 paise- 75% of each payment of admission in cinema other than interior cinema. Compounded payment : Cinema situated in local area with population upto 25000- 20%, 25000 to 50000- 22%, 50000 to 100000- 25% of gross collection capacity per show. Interior cinema : Cinema situated in local area with population upto 10000 Rs. 1500 per week & above 10000 Rs. 3000 per week	N.A.
14	West Bengal	10% of the admission fee for Bengali/Nepali/Santhal films & 30% of the admission fee for other language films	N.A.

Table A 8 State-wise Rate of Tax for entertainment: Other Entertainment

S.N.	States/UTs	Horse Race	Betting Tax
1	2	3	4
1	Andhra Pradesh	35% of the payment for admission	15% of all money paid into any totalisator
2	Bihar	N.A.	N.A.
3	Gujarat	N.A.	N.A.
4	Haryana	25% of the payment for admission	Exempted
5	Karnataka	N.A.	25% of all the money paid to the totalisator or bookmarker
6	Kerala	N.A.	N.A.
7	Madhya Pradesh	N.A.	N.A.
8	Maharashtra	100% of the admission fee	N.A.
9	Orissa	N.A.	N.A.

10	Punjab	N.A.	N.A.
11	Rajasthan	N.A.	N.A.
12	Tamil Nadu	Admission fee upto 30 paise - 1/4 of such payment, 30 paise to Rs. 1.50 - 1/3 of such payments & more than Rs. 1.50 - 2/5 of such payments.	25% of every sum paid into the totalizator + 5% Surcharge
13	Uttar Pradesh	Admission fee upto Rs. 1 - 100% & above Rs. 1 - 125% of each payment for admission	10% of all many paid into any totalisator
14	West Bengal	Upto Rs 50- 25% of the payment for admission, Rs 50-100 - 40% of the payment for admission & above Rs. 100 - 60% of the payment for admission.	The rate for betting tax: 15% of the bet & the rate for totalisator: 5% for the win/place of the race & 10% for others.

Table A 9 State-wise other sources of entertainment on which tax is levied

S.N.	States/UTs	Other Source of Entertainment
1	2	3
1	Andhra Pradesh	Show tax on other entertainment tax excluding cinematographic
2	Bihar	N.A.
3	Gujarat	N.A.
4	Haryana	N.A.
5	Karnataka	Video parlours, cable television, amusements, recreation parlour, multi system operators, exhibitions, performance, pageants and games
6	Kerala	Dance, drama, circus performance and other shows
7	Madhya Pradesh	Cable-TV and advertisement tax
8	Maharashtra	Video cinema, video games, cable television, pool game, bowling alley, dance bar, go- carting, direct-to-home (DTH) broadcasting service, discotheque, tourist bus with video facility & other entertainment like- cabret, discotheques, fashion show, performances of western music and western dance, amusement park and water sports activity etc.
9	Orissa	N.A.
10	Punjab	N.A.
11	Rajasthan	Video cinema, performance, amusement, games
12	Tamil Nadu	Cable T.V., amusements, recreation parlours & intervenue betting
13	Uttar Pradesh	Video cinema, Housie, Joy-rides in aeroplanes, Non classical music and non classical dance for which the value of ticket is Rs. 25 or more, all other classes of entertainment like- mimicry, carnival, puppet show, gaint wheel, cabaret or floor show, game or skill and video game
14	West Bengal	Show tax on theatrical & dramatic performance, musical soiree, masic show, pool games, sports and games heil in amusement park

APPENDIX 2 STATE-LEVEL TAX AND NONTAX POWERS SPECIFIED IN THE CONSTITUTION
(SEVENTH SCHEDULE, STATE LIST)

45. Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues.
46. Taxes on agricultural income.
47. Duties in respect of succession to agricultural land.
48. Estate duty in respect of agricultural land.
49. Taxes on lands and buildings.
50. Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
51. Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India:-
 - (a) alcoholic liquors for human consumption;
 - (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.
52. Taxes on the entry of goods into a local area for consumption, use or sale therein.
53. Taxes on the consumption or sale of electricity.
54. Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92A of List I
55. Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television.
56. Taxes on goods and passengers carried by road or on inland waterways.
57. Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List III.
58. Taxes on animals and boats.
59. Tolls.
60. Taxes on professions, trades, callings and employments.
61. Capitation taxes.
62. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
63. Rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty.
64. Offences against laws with respect to any of the matters in this List.
65. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List.
66. Fees in respect of any of the matters in this List, but not including fees taken in any court.

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