

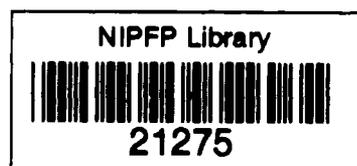
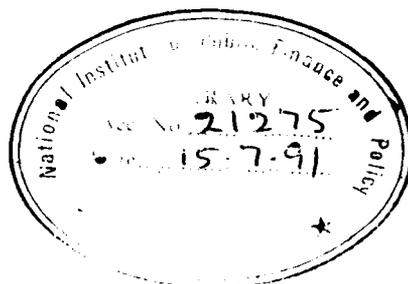


REFORMS IN INDIAN SALES TAX SYSTEM

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The sales tax system in India consists of two parts - the Federal sales tax and the States' sales tax. The former (known as CST)¹ consists of tax on inter-State transactions and the latter (designated as GST) is confined to activities and transactions that take place within the boundary of each State. Owing to the ever-growing importance of the tax in the fiscal system, the structure of the GST has always been changed to suit the fiscal needs of the States, causing variations in point of levy, tax rates and various other aspects. Administrative convenience has been given so heavy a weight in changing the structure of the tax that over the years, the buoyancy of the tax has declined². Further, empowering States to levy consignment tax degenerates the federal-structure of the country causing grave economic inequity. Therefore, in this paper we analyse the possible reforms in the structure of both the GST and the CST under the sales tax systems in Indian States. We also include some of the reforms in operations of the tax which are extremely important for a proper administration of the given tax structure.

Uniformity in Tax Rates

Considering Sales taxes to be very productive, almost every State has attempted to increase the rates or to expand the base. This has been done almost every year to yield larger resources mainly to fulfil their targets of additional resource mobilisation. Consequently, tax-rates show wide variations among

different States. The variations extend to almost all commodities. Some necessities like cereals and pulses and a few other food articles are exempt in some of the States while others subject these items to tax at a low rate. The tax treatment of commodities classified as toilet articles and cosmetics also differs from State to State; there is a tendency among them to levy higher rate of tax on these articles. Some uniformity, however, prevails in the taxation of luxury goods but rate variations in some of these items causes diversion of trade as well as evasion of tax. Of late an attempt has been made to fix ceiling and floor rates of tax on the commodities which are sensitive to rate variations and cause diversion of trade from one State to another. Notwithstanding all these efforts, considerable variations exist in the rates of a large number of commodities (Table II). It is important that an attempt is made to have uniformity in the tax rates, at least with the neighbouring States.

In addition, the States have the problem of multiplicity of rates due to very fine gradations for different commodities. Most of the States have as many as 12 rates; some of them have even 17 rates. The rates range from 1 to 25 per cent. Such multiplicity of rates not only blunts the progressive effects that are intended but creates administrative and compliance costs of tax (Sandford, C. 1989). Thus, there is a clear need to reduce the number of rates, especially by following the Orissa pattern, where the rates are limited to four.

Rationalising the Point of Levy

Sales tax structure in Indian States presents a combination of various forms such as single-point, Double-point and multi-point levy. Whereas most of the States have, over the years, switched over to a single-point tax, residuary entry still continues to be multi-point in Andhra Pradesh and Karnataka; and double-point levy in Gujarat. The rest of the States levying single-point tax, have attempted to switch-over to the first-point levy as far as possible, although a few variations do exist in most of the States.

In fact, the revenue derived from the first-point tax in most of the States has been growing every year. In general, the yield from the first-point tax has been ranging between 70 and 80 per cent of the total sales tax revenue in most States. In some of the States the yield has been as high as 90 to 95 per cent. The over-riding consideration in moving over to the first-point is administrative expediency (Purohit, 1988a). Notwithstanding the trend of switching over to the first-point, it is necessary to consider at least some of the important economic arguments against the first-point tax viz. causing cascading effect, changing relative factor prices and affecting vertical integration of firms.

In view of the above arguments, we may think of some reforms in the existing structure. An agenda to reform commodity taxes in India could be so drafted that we may have the following reforms in the ascending order of importance.

- a. A value-added tax as a substitute for all the commodity taxes at the Union as well as the State level; or
- b. A UNIVAT (Union valued-added tax) to substitute Union taxes on commodities and services and another STATVAT (State value-added tax) to supplement the existing States taxes on commodities and services.

It is, however, important to recognise that under the existing political circumstances and administrative efficiency, neither of the above propositions would be acceptable. A pragmatic approach to reforming sales tax in India would be to have two-step reforms. First, we attempt to have an admixture of the first-point and the last-point systems, In regard to those commodities that (i) have fixed trade channels, (ii) have easy traceability at the first-point, and (iii) do not have large value-added after the first-point transaction, there is no harm in having a first-point tax only; in fact, there may be administrative advantage in having such a tax. But there are commodities that have no fixed trade channels and thus being susceptible to large-scale evasion, will preclude the first-point tax. Second, we should introduce a new system of sales tax structure for the country as a whole. This system may be called "taxation of sales at two-points with set-off". Under this system the rate of tax would be the same as for the first-point levy, but the same commodities would not suffer tax twice through set-of for the amount of tax paid at the first stage. The second stage tax would thus be payable on the value-added alone. If the tax is evaded at the first-point, the whole of the tax liability would fall on the last dealer. The tax liability of the first and the second dealer could be illustrated as follows:

First Dealer ***Amount in Rs.***

Sale price of the first dealer	100.00
Tax (@ 10%) to be paid by the first dealer	10.00

Second Dealer

Purchase price (including tax) when goods are bought from the first dealer	110.00
Transport and other costs (@ 20%)	22.00
Mark-up 20%	26.40

Sale price of the second dealer	158.40
Tax (@ 10% to be paid by the second dealer	15.80
Tax already paid by the first dealer (deduct)	(-)10.00

Tax liability of the second dealer	5.80

The preceding illustration indicates that this tax would be a combination of the first-point as well as the last-point tax, collected in two stages an essential characteristic of the value-added tax. This tax could be levied, to begin with, on those commodities only that have a large value-added after the first-point tax and cause large amounts of evasion of tax. Thus, the new structure would yield larger resources at given rates due to the enlarged base of the tax (by capturing the value-added). Also, this would greatly check the evasion of tax, because the set-off would be given on the invoice of the selling dealer only. Thus, the proposed structure would increase administrative

compliance too. In addition, adoption of the proposed "tax at two-points-with-set-off: would prepare requisite administrative grounds for adopting VAT in times to come.

Exemption of Sales Tax on Inputs

An important feature of the States' sales tax structure in India relates to taxation of inputs. Under the present system several of them grant exemption or provide concessional treatment. Raw material bought by manufacturers are exempt from tax in Delhi, Punjab, Haryana, Himachal Pradesh and Jammu & Kashmir. In Gujarat, the manufacturer has the option to buy raw materials against that payable on manufactured goods. However, a number of other States do not fully exempt the inputs paid by the manufacturers. A number of States provide for some concessional treatment, the nature of which however, varies from State to State. Maharashtra and Orissa tax raw materials at a concessional rate of four per cent, Madhya Pradesh at two per cent and Rajasthan at one per cent. Bihar also grants concessional treatment and taxes raw materials at the rate of three per cent. Another category of input taxation in the country is of those States who do not grant any concessional treatment. Assam falls in this category.

Presently, there is a tendency to buy several raw materials from outside the State to save higher rate of tax on their use. In fact, there has been an increase in the diversion of trade due to the policy of higher taxation in the States. It is, therefore, important at this juncture of evolution of sales tax system in the country (both from the point of economic effects and for the avoidance or evasion of tax) that the manufacturers be allowed to

buy all raw materials at a concessional rate of 4 per cent and further be allowed full set-off of the tax paid on raw materials against any sales tax required to be paid on the output.

The estimates of loss of revenue due to this concession indicate that in the short-run, the State may suffer an immediate short-fall in the Sales tax revenue but would be inconsequential in the long run (Chelliah-Purohit, 1985). Such a treatment is important in view of the judgement of the High Court of Haryana disallowing discriminatory treatment for consignment/inter-State sale for taxation of raw materials.³

Problem of Inter-State Taxation

A severe obstacle to creating a common market with a free movement of goods and services within the Indian federation without distortions of competitive conditions relates to the levy of CST.

With a view to eliminating the burden of the CST, a large number of dealers all over the country send their goods through consignments to different States. Especially, all the big companies have made use of this provision to save payment of tax on inter-State transfers. This practice has helped the industry to keep down the cost and to avoid the cascading effect. The existing practice has thus been a blessing in disguise and worked as a safeguard against exportation of the burden of the CST to out-of-State people. With the Constitution (Forty-Sixth Amendment) Act, 1983, this concession will no longer be open to dealers undertaking consignment-transfers (Government of India, 1983).

Taxation of consignment transfers has been advocated mainly on two grounds. First, it is argued that for want of any tax on these transactions, dealers are able to avoid sales tax in the name of consignment transfer. Various estimates suggest that the revenue implication of avoidance of tax through such transfers is considerable. It is of the order of three times of the CST yield in groundnuts and 16 times of the CST yield in groundnut oil in Gujarat (Government of Gujarat, 1980). Similarly, the tax on turnover that escapes tax through consignment sale is four times of what is already collected as CST from rubber and 30 times that from tea in Kerala (Government of Kerala, 1976). Likewise, the estimates for Bihar, show that the avoidance of tax on potatoes is substantial (Purohit 1988a). Second, the exemption of tax on consignment transfers is discriminatory against the small manufacturers in as much as the latter do not get facility of stock-transfer. Hence, small manufacturers pay CST on their inter-State transactions and face difficult competitive situation in the market.

With a view to avoiding the above problems, the Act relating to consignment sale provides for taxation of consignment transfers. However, this is going to be a retrograde step in terms of its long-term consequence. Its implementation (with the present rate of CST) would only be a revenue-yielding device for the industrialised States of the country. As industrial production in the country is concentrated (for historical as well as geographical reasons), only a few select States would benefit; the majority would suffer the burden of the tax.

This apprehension is borne out by data on the proportion of the State's CST yield of different States (Purohit, 1986a). The percentage share of the States⁴ reveal that only a handful of

States claim a major chunk of the total CST revenue: Tamil Nadu, Maharashtra, Gujarat and West Bengal account for about 50 per cent of the CST yield. Hence, the power to tax consignment transfers would yield larger resources for the industrialised States only. It would certainly be a retrograde step, contrary to the principle of 'vertical equity' among the States, and hence hazardous to the federal structure of the country. Also, this would be in conflict with the 'principle of destination', an important criterion of sales taxes.

While recognising the fact that the proposed measure is ill-conceived, various proposals have been put forth to mitigate the adverse effects. One of the proposals is that half the proceeds of the consignment tax would be retained by the collecting State and the remaining 50 per cent will be placed in a divisible pool to be distributed among the States as per formula applicable for distribution of excise duty or any other formula as may be devised for this purpose by the Finance Commission or by any other appropriately constituted body. This would partly off-set the problem of vertical inequity.

Approach Towards Tax Harmonisation and Federal Equalisation:

The CST would have its ill effects on both the general economy and on the federal fiscal structure of the country. First, the consuming States of the country have to surrender a considerable degree of their autonomy in using the State's sales tax rates because the rate of the CST (4%) plus the rate of the State sales tax (say, 11 per cent) would be already excessive. The importing State would, therefore, have no chance of raising the tax rate any further. This in fact goes against State autonomy. Secondly, the States are denied the opportunity of

raising additional tax resources through discretionary measures. This affects the allocation of resources both through the Finance Commission and the Planning Commission, which take note of such discretionary measures. In fact, it is a pity that through the Central tax legislation, the rich States claim higher tax-income ratio at the cost of the resources from the poor States. Thirdly, the economic effects of both the existing CST and the proposed Consignment Tax (CT), would have its adverse price effects, via cascading of input taxation.

An analysis of the cumulative effects of the tax at early stages of production indicates that normally the effect of the tax is approximately 50 to 100 per cent more than statutory rate of tax. For example, the statutory rate of sales tax would have the following cumulative rate on a few select commodities:

	Tax Rate	Cumulative Incidence
1. Fertilisers	.03	.043
2. Basic iron and steel	.03	.055
3. Internal combustion engine	.04	.068
4. Machine tools	.04	.088
5. Preserved food products	.08	.117

(Source: Purohit, 1986b)

The above cumulative rates are estimated with the help of input-output tables assuming tax on the existing rates only. With the additional burden of the proposed consignment tax, the cumulative rates would be further inflated with adverse consequences for prices.

Further the incidence of the tax on consignment transfers would discriminate against the developing States of the country, because the tax on inputs would be levied by the raw material despatching States (presumably the less developed States) and further taxation would be resorted to by the developed (industrialized) States. Out of the two levies, the incidence of the former alone would be borne by the industrialised States while the incidence of both the levies would be on the citizens of the consuming States. Hence, the developing (poor) States would be made to bear the burden of the tax collected by the developed (industrialised) States of the country.

To illustrate, the loss of the revenue to the consuming States can be seen from the fact that presently, many of the commodities are exempted upto the extent of 50 to 90 per cent. Hereafter, all these transactions would be taxable. It can be foreseen that this would lead to considerable chaos in the price structure of the poor States.

Also, the provisions of a concessional rate of the CST have caused considerable evasion of sales tax in redistribution or entrepot centres. To illustrate, whereas the rate of tax on the re-export of goods from Delhi is 2 per cent, in all its neighbouring States, this rate is 4 per cent. Also, the reduced CST rates on a couple of commodities causes considerable diversion of trade from many of the States to Delhi (Purohit, 1987).⁵

This indicates that the CST would favour rich States as against the poor States. This is contrary to the assumed principles of vertical equity in a federation. It is important to note that the CST, which is a federal tax, is inadvertently a constraint on vertical inequity among the States. If we analyse resource transfers from the Centre to the States, the trend indicates that on the one hand the fiscal dependence of the States has increased, and on the other, vertical equity has suffered through discretionary transfers. It is important to note that the CST is approximately one-third of the total statutory transfers from the Centre. Hence, this tax *must not* be allowed to cause any inequity in the federal system. As this tax belongs to the Federal List, there is no reason why the fiscal frontiers of the CST cannot be shifted from the exporting State to the consuming outlet. This would promote vertical equity among the States and would also work for rationalisation of the sales tax system among the States.

Alternatively, the exporting States may be allowed to tax inter-State transactions but the proceeds of the tax be transferred to the consuming States. This would increase the "own tax revenue" of the consuming States. Also, it would give a free hand to the States to adjust their State's sales tax rates. If the EEC is thinking along the lines of a common market, there is no reason why India too, with its numerous federating States, cannot think of an Indian Common Market.

Reforms in Administrative Procedures

Curtailing the Number of Checkposts: An administrative development in the sales tax system of the country relates to the effective administration of a first-point tax. The first-point

tax is generally administered through the systems of declarations and the efficient ways of monitoring the flow of goods into the State through checkpoints. The importance of the checkpoints lies in the fact that the documents received by them help the department to monitor the flow of goods into the State. This enables the department to get valuable information to check the evasion of the tax. However, the department in their zeal to check evasion of tax have created checkpoints not only at the State border but also around several towns. The latter category of checkpoints, normally termed 'internal checkpoints'. Cannot be said to serve the purpose of monitoring the flow of goods into the State. They interfere with the flow of trade and traffic within a State and cause harassment to a large body of dealers, the majority of whom are not liable to pay tax. In fact, studies on the efficiency of checkpoints in different States indicate that the existence of the internal checkpoints is really not contributing significantly to the checking of tax evasion. On the contrary, the larger the number of checkpoints, the more is the waste arising from the stoppage of traffic. Even a conservative estimate shows that the money value of the loss of time suffered by the transporters due to the checkpoints is tremendous. However, the monetary loss of time suffered by the transporters due to the external checkpoints is much less as compared to the loss caused by the internal checkpoints.

It hardly needs pointing out that the operation of a large number of checkpoints in a federation interferes with the free movement of goods within a country. More so, the existence of a large number of internal checkpoints within the State is a source of irritation and harassment to the business community. In fact, it is generally agreed by the administrators as well as the policy-makers that the checkpoints are a source of corruption.

Hence it is a sound policy to keep their number down to the barest minimum. And, to begin with all the internal checkpoints must be abolished.

Registration of Dealers: As the operation of the tax begins with the registration of a dealer, the procedure for registration needs to be simplified. It is also important to see that all the dealers above exemption limit are registered. In many of the States the number of registered dealers is very small in relation to the total business activity. This raises doubts regarding the efficacy of the system.

Here it is important to note that the exemption limit for registration is not the same in all the States. The limits vary from Rs.20,000 to Rs.1,50,000. As the exemption limit determines the number of dealers under the tax net, it is essential that for the general dealers this limit be raised to at least Rs.1,00,000. In the case of the manufacturer there should be no exemption limit because he would have to claim set-off of the amount of tax paid on raw materials. For the importers we should have a low limit of Rs.30,000.

As the registered dealers create avenues for evasion of tax through the misuse of prescribed forms, it is important to adopt "West Bengal Pattern" to have two agencies to find out the bonafides of the dealer.

Efficiency in Assessment of Dealers: The revenue raised by the department mainly depends upon its efficiency in assessment. But this is not true of the existing administrative system. In most States more than 95 per cent revenue is admitted tax; only a small portion of the total is raised through assessment.

The assessing officers are generally busy with routine administrative work, and, what is more, they are not even fully competent to take up the assessment task properly. Their training also leaves much to be desired. These officers, with the given qualifications and training, cannot in most cases examine critically the accounts of the large companies who always hire the services of trained Accountants. Hence, the major area of reform lies in separating the work of sales tax assessment from the existing sales tax/commercial tax officers. The work of assessment should in fact be entrusted to qualified Chartered Accountants. This would be a big change in the existing system. But to begin with a new cadre has to be created in the sales tax administration for these new recruits. They should however be posted under the administrative superintendence of the Assistant Commissioner of a zone/division.

Besides, the existing staff should also be given intensive training to take care of the assessment of the rest of dealers. It is expected that these dealers would not be larger in number; the small dealers would fall under the self-assessment scheme and the large dealers would be entrusted to the Chartered Accountants.

As the evasion of the tax is caused due to delay in assessment, it is essential that the assessment of the dealers is attempted in the year of filing the return. This would check the 'bogus dealer' getting into the system.

Development of Information System: Finally and more importantly, a structural change at the headquarters organisation relates to the 'Research and Statistics Wing' (RSW). This wing exists in many of the States but in most cases it is either unmanned or manned through untrained personnel. This does not help the

department to have a proper information system. As the information system is increasingly becoming important, an RSW must be set up in each State. It should be manned by a senior person from the department. It should also have a person fully equipped in statistical methods. It is proposed that this person could be taken on deputation from the Directorate of Economics and Statistics in the State concerned.

The RSW should be able to collect adequate and up-to-date data for the proper enforcement of the tax and for the evaluation of the administration as well as of the impact of the tax. Such an evaluation is an essential feedback for proper tax policy formulation and introduction of legislative changes. Thus the required data on all the major aspects of the tax are a pre-requisite for tax enforcement, tax reform and tax legislation.

We need a proper information system for the effective enforcement of tax measurements as well. The areas of extensive evasion could be found out through a proper information system only. With an increasing number of States switching over to single-point taxation, there is a greater reliance on check-posts. The single point system also places larger reliance on the 'declarations' issued by the first registered seller in a State. This casts the heavy burden of verification on the department. A larger number of transactions involving hundreds of dealers are required to be cross-checked to determine the eligibility for exemption from the first-point tax. Such verification is not manually feasible and, hence, not properly carried out in most cases. The 'Computer' could easily take up this task.

The use of the computer will thus help to create a management information system based on computerised data and would ultimately lead to an increase in efficiency of tax administration as well as more rational tax policy formulation.

CONCLUSION

The evolution of Sales tax in India has crossed through its developing stage. It has come to get settled into a particular setting. It is therefore, important - both from the point of buoyancy of the tax and from the adverse economic consequences on the economy - that all considerations are given due weightage. So far heavy and mostly undue weightage has been given to administrative expediency only. Consequently, some of the reforms recommended above are extremely important for being carried out. Hope with these reforms the structure of the tax would be income-elastic and economically rationale.

NOTES

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- 1. The Central Sales Tax (CST) is levied on all inter-State transactions under a Central legislation called Central Sales Tax Act, 1956. Under this Act, a maximum rate (presently 4 per cent) has been fixed in regard to inter-State transactions of declared goods. The tax is levied, collected and retained by the State causing inter-State sale. Hence, the incidence of the tax is on the consumers of the importing State.
- 2. As presented in Table I, the buoyancy of the tax in most States was higher during 1970-80 as compared to the earlier period 1960-70. This has declined during 1980-88.
- 3. Until recently, many of the States used to grant exemption to raw materials used in the manufacture of taxable goods sold within the State. This has now been struck down by Haryana High Court.
- 4. The CST rate has been changed from 1 per cent (the initial levy) to 2 per cent in 1964-65, to 3 per cent in 1967-68 and to 4 per cent in 1976-77
- 5. Under Section 8(5) of the CST Act, the States are empowered to reduce the CST rate. As in many other places, in Delhi too, this provision has been used to reduce the rate of CST on all exports and on many other commodities. Such variations, firstly, cause substantial shift in the geographic location of sales decision (Purohit, Mahesh C., 1987), Fox, William F., (1986), and secondly and more importantly cause unnecessary movement of goods. In Delhi, the CST rate being 2 per cent on re-export (vide notification S.D. 612 (E) dated October 21, 1975), many of the transactions from the neighbouring States are shown as re-export from Delhi, while actually not paying CST at the respective places (Purohit, 1987)

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Table 1

A Comparative Statement of Sales Tax Rate in India

(Rate in Percent)

Commodities/States	AP	ASSM	BHR	DLI	GOA	GUJ	HAR	HP	J&K	KTK	KER	MANI	MP	MAH	ORS	PNDI	PUNJ	RAJ	TN	TRI	UP	WB
1. CEREALS AND PULSES																						
1.1 Cereals and Pulses	4	E	4	E		E 4		E	2/3	1	E	2	E	4		4	4	4		4	-	
1.2 Paddy	4	2	3	E		E 4		E	2	4	E	2.5	E	4		4	4	E		4	-	
1.3 Atta, Maida & Suji	2	E	4	E		E 4		E	3	4	E	3	E	4		4	4	9		4	-	
2. OTHER FOOD ARTICLES																						
2.1 Edible oils	4	7	9	5		4 6		4	4/3	6	E	3	4	4		8	6	4		5	1	
2.2 Vanaspathi ghee	6	7	9	5		10 8		8	15	6	7	12	8	12		8	8	8		8	8	
2.3 Ghee (pure)	6	7	8	5		10 8		8	13	6	7	6	6	12		8	6	10		6	8	
2.4 Meat and fish in in containers	9	E	8	7		E 8		8	13	10	E	6/8	E	12		8	10	8		8	15	
2.5 Salt (in containers)	E	E	E	E		4 E		E	E	E	E	E	E	E		E	E	E		E	E	
2.6 Tea leaves	6	7	9	7		1 8		4	13	5	7	10	6	12		8	10	6		8	8	
2.7 Coffee powder	6	7	9	7		6 8		8	13	5	10	10	6	12		8	10	6		8	15	
2.8 Cooked food, sweets	E	7	6	6		18 10		8	5	5/10	7	3	8	4		E	6	5		5	8	
2.9 Milk Food & powder	4	8	8	7		4 8/1		8	4	8	7	3	6	12		4	6	4		6	8	
3. BOOKS AND STATIONERY																						
3.1 Students' Exercise Books	E	E	6	E		E E		E	E	E	E	5	E	E		E	E	E		6	-	
3.2 Writing & other Papers	7	7	6	5		E 8		4	8	E	4	5	6	12/16		8	6	8		6	8	
3.3 Other stationery	6	7	6/E	7		10 8		4	7	E	4	6	10	12/16		8	6	8		8	-	
3.4 Instrument boxes	6	7	8	E		E 8		8	E	E	E	6	4	12		8	E	E		8	-	
3.5 Books and maps	E	7	8	E		E E		E	E	E	E	6	-	E		8	E	E		E	-	
4. DOMESTIC FUEL ITEMS																						
4.1 Firewood	E	E	7	E		E E		E	6	5	6	3	E	E		E	E	E		4	8	
4.2 Coal and coke	4	4	4	3		4 4		E	4	5	4	4	4	4		4	4	3		4	4	
4.3 Kerosene	4	2	6	3		3 8		E	5	-	3	3	E	E		8	10	4		8	5	
4.4 Cooking gas	10	8	9	5		14 8		8	15	15	7	16	4	12		8	10	8		8	15	
4.5 Charcoal	3	7	E	E		E 8		E	6	5	7	3	-	E		4	10	E		4	-	
4.6 Match boxes	3	7	9	4		E 8		E	5	4	4	3	2	12		8	6	E		8	7	
TOILET ARTICLES																						
5.1 Tooth paste/powder	10	7	8	5		8 8		8	15	8	7	12	8	16		8	12	8		8	8	
5.2 Washing soaps	5	7	8	8		6 6		E	8	5	7	6	4	12		8	8	6		6	8	
5.3 Toilet soaps	8	7	8	8		8 6		8	13	5	7	6	4	12		8	8	8		8	8	
5.4 Hair oils	10	7	8	10		12 12		10	15	5	7	12	8	16		8	12	12		12	8	
5.5 Razors & razor blades	7	8	8	15		8 12		8	8	10	7	12	15	12		8	12	8		8	11	

Commodities/States	AP	ASSH	HR	DLI	GOA	GUJ	HAR	HP	J&K	KTK	KER	MANI	MP	MAH	ORIS	PUNJ	RAJ	TN	TRIP	UP	WB
5.6 Other shaving products	10	8	8	10		8	12	8	15		-	7	12	15	16	8	12	8	8	8	11
5.7 Cosmetics	10	13	15	10	7	12	12	10	10	15	10	15	16	6	16	12	12	12	15	12	15
5.8 Foot-polish	8	8	8	5		8	6	8	8	8	5	7	12	8	16	8	10	8	6	8	11
5.9 Tooth brushes	12	7	8	10		5+4	8	8	15	15	5	7	12	4	12	8	12	-	7	8	8
6. MEDICINES	5	4	7	4		8	5	4	10	10	6	6	3	-	4	4	6	8	3	6	4
7. GARMENTS AND FOOTWEAR																					
7.1 Cotton hosiery products	4	6	5	2		1	4	4	2	2	5	4	3	4	4	8	4	3	6	4	-
7.2 Readymade garments	5	3/7	7	5		4	4	5	6	5	5	10	3	8	4	2	6	5	6	4	2
7.3 Footwear	8	8	8	5/7		10	8	8	8	8	8	12	8	8	12	8	10	5	8	8	4/8/11
8. CYCLE AND ACCESSORIES	8	4/8	8	5/7		6	8	8	3	3	6	7	8	4	4	5	4	3	7	8	3
9. REFRESHMENT ARTICLES																					
9.1 Bread	6	8	4	8		8	8	8	8	8	8	8	8	8	12	8	2.5	10	8	5	-
9.2 Cakes and pastries	9	7	8	6		10	8	8	13	13	5	7	12	8	12	8	10	5	8	5	-
9.3 Toffees and chocolates	8	8	8	8		8+4	12	8	13	13	10	7	12	8	12	8	10	-	8	5	-
9.4 Aerated water	7	7	8	7		12	8	8	18	-	15	8	12	12	12	12	15	8	7	8	-
9.5 Country liquor	25	20	8	7		45	8	8	26	N.A.	7	8	8	8	8	8	25	8	8	8	-
9.6 Foreign liquor	28	50	28	10	7	45	28	25	50	75	30	50	50	8	4	20	12	40	30	8	26
9.7 Indian made foreign liquor	28	50	25	25		-	88	8	45	45	75	88	50	8	4	8	8	45	8	26	-
9.8 Bang	-	7	8	8		15	8	8	150	-	8	8	8	15	8	8	30	8	-	8	-
9.9 Ganja	10	7	8	8		15	8	8	150	-	8	8	8	15	8	8	38	8	-	8	-
9.10 Opium	10	7	8	8		15	8	8	150	-	8	8	8	15	8	8	38	8	-	8	-
9.11 Biscuits	7	7/8	9	7		18	8	8	10	10	5	7	12	8	12	7	10	18	8	5	11/NIL
10. CONSUMER DURABLES INCLUDING GOLD AND SILVER																					
10.1 Gold and Silver and their coins	2	7	2	2		4	8	4	5/4	5	16	1/2	1	4	4	2	1	4	12	4	1/8
10.2 Bullion and species	2	7	2	1/2		1+1	1/2	4	3/1	2	15	1/2	1	4	4	2	1	2	18	2	1
10.3 Articles of gold and silver	2	7	4	1/2		1+1	2	4	4	5	15	6	1	4	4	2	2.5	5	12	8	3
10.4 Ivory products	8	12	13	7	7	12+4	8	7	4	8	-	15	16	15	16	3.5	7	10	10	12	8
10.5 Marble and its products	10	7	13	7		15	8	8	15	15	20	15	16	15	16	7	15	15	12	6	15
10.6 Synthetic gems and their stones	7	8	10	7		4	8	4	7	10	15	12	12	12	16	7	8	5	12	8	15
10.7 Gold and embroidery work	-	-	8	8		5	8	-	4	5	15	8	6	16	7	8	8	8	12	8	3
10.8 Articles of stainless steel	6	12	11	10		6	12	10	7	10	12	8	12	12	12	10	15	10	12	12	-

Commodities/States	AP	ASSM	HR	DLJ	GOA	GUJ	HAR	HP	J&K	KTK	KER	MANI	MP	MAH	ORIS	PNJ	RAJ	TN	TRIP	UP	WB
10.9 Incandescent lanterns						5+4	8	8	8	8	10	7	12	10	16	7	10	8	6	8	8
10.10 Domestic electrical appliances	10	12	12	10		16	12	8	12+8	10	12	12	12	10	12	10	12	12	12	12	8
10.11 Clocks, time pieces	10	13	13	10	7	10	12	8	12	15	12	12	12	10	16	10	12	10	13	12	11
10.12 Refrigerators and Air-conditioners	10	13	16	10	12	12	10	10	15	15	15	15	16	15	12/16	10	12	15	15	12	11
10.13 Wooden furniture	5	12	12	10		12	8	8	8	10	16	14	12	16	16	10	12	8	12	12	8
10.14 Steel furniture	10	12	13	10		12	12	10	15	10	10	14	15	16	16	10	15	8	12	12	11
10.15 Aluminium furniture	6	7	10	10		12	12	10	15	10	10	14	15	16	16	10	15	8	12	12	11
10.16 Wireless reception instruments	10	12	10	10	7	16	12	10	15/4	15/6	12	10	15	16	16	10	12	3	12	12	11
10.17 Sound transmitting equipment	10	12	10	10	7	15	12	10	20/6	15	7	16	15	16	16	10	12	3	-	12	11
10.18 Cinema equipment	10	12	13	16		12	12	10	16	16	7	16	15	16	16	10	12	6	12	11	11
10.19 Motor cycles & combinations	4	12	10	10	12	12	10	10	4	8	15	4	10	15	8	3/5	10	4	10	6	6
10.20 Heavy motor vehicles	10	8	12	10	12	12	10	10	4	10	15	4	3	15	8	10	6	16	10	8	8
10.21 Motor cars	4	4	12	10		12	10		4	6	15	4	3	15	8	10	6	16	10	8	8
10.22 Lifts operated by power	10	8	8	10		10	12		4	15	15	4	12	15	16	10	10	15	12	11	11
10.23 Tyres & tubes	7	12	9	17		12	10		8	9	8	7	16	12	12	10	12	9	8	11	11
10.24 Tabulating, calculating machines	10	12	14	10		15	12		10	20/6	16	12	16	15	16	10	12	3	12	11	11
10.25 Sewing machines	6	8	8	7		4	8		8	6	6	7	6	8	12	7	10	5	8	8	8
10.26 Grockery & cutlery	6	7	8	10		12+8	12		8	10	6	7	14	10	12	10	12	8	10	16	16
10.27 Floor & wall tiles	4	12/8	13	10		12	12		8	13	6	15	16	12	16	10	12	15	12	15	15
10.28 Arms & ammunition	16	16	16	10	7	12	12		30	15	29	15	16	15	15	10	15	15	12	11	11
10.29 Fire works	10	8	7	10		10	8		10	15	20	10	8	15	18	7	5	8	12	15	15
10.30 Cigarette cases and lighters	10	12	15	10	1	12	12		10	15	15	12	16	12	16	6	10	10	16	8	15
10.31 Shoots, Cushions	10	13	10	-	7	15	9		10	15	15	12	16	15	16	3	7	12	10	12	15
10.32 Other rubber products	9	8	10	7		9	8		8	8	8	7	16	8	12	7	12	9	8	8	8
10.33 Pile carpets	10	8	13	10	7	15	10	10	8	8	-	15	16	15	16	10	8	15	10	10	8
10.34 Precious stones	7	8	10	7	7	10	8	7	4	15	10	15	16	12	16	10	8	9	8	11	11
10.36 Dry fruits	6	8	9	7		7+4	8		8	10	-	10	10	8	12	7	10	8	10	15	15
10.36 Dry cell batteries	9	8	8	5		8+4	8		8	13	10	7	10	12	12	7	8	9	8	8	8
10.37 Glass bangles	8	8	8	7		8	8		4	8	10	7	nd1	-	8	4	8	8	8	8	-
10.38 Locks & keys	5	8	7	7		8+4	8		8	16	8	19	12	10	12	7	10	8	6	6	8
10.38 Bedding stuff with cotton	10	7	7	5		8	8		8	7	5	10	8	10	12	7	10	8	6	6	-
10.40 Musical instrument	6	7	7	7		8	8		10	8	15	12	12	10	12	7	8	8	8	8	8
10.41 Plastic goods	9	8	7	5.7		10	12		8	10+3	8	7	12	8	12	10	10	6	8	8	8
10.42 Synthetic mica products	-	7	13	-		8	8		8	7	8	12	16	15	16	7	5	8	10	-	-
10.43 Air circulators, fans	10	13	16	10		16	12		8	10+3	10	12	12	15	15	10	12	18	12	11	11

Commodities/States	AP	ASSM	BHR	DLI	GOA	GUJ	HAR	HP	J&K	KTK	KER	MANI	MP	MAH	ORIS	PNDI	PUNJ	RAJ	TN	TRI	UP	WB
11. RAW MATERIALS																						
11.1 Cotton waste	5	7	8	5		4	4		4	8	5	E	4	4	E		2	4	6		4	8
11.2 Cement and its items	9	12	11	7		12	12		8	15	10	7	4	6	12		7	16/2	12		8	8
11.3 Manure (Organic)	E	7	E	E		E	E		E	3	2	6	4	-	12		E	E	E		E	4
11.4 Chemical fertilisers	3	E	6	E		4	E		E	3	8	E	3	4	2		E	6	3,5		5	4
11.5 Pesticides	4	8	4	E		2+4	2		E	3	4	E	3	6	E		2	4	3.5		6	4
11.6 Fungicide	4	8	4	5		2+4	2		E	3	4	E	4	6	E		2	4	3.5		6	4
11.7 Timber	10	8	12	7		12	8		8	13	5	7	4	E	12		7	10	8		12	8
11.8 Betel leaves	E	7	E	E		E	E		E	E	5	E	E	E	E		E	E	E		E	-
11.9 Tendu leaves	6	7	12	E		E	8		E	7	-	E	8	E	16		5	10	8		8	8
11.10 Copper wire	6	7	8	7		6	8		8	10	-	7	4	4	12		7	6	10		10	8
11.11 Other raw materials	3/5	3/7	2/8	2/7		2/8+4	2/8		2/8	2/13	4/5+2	4/7	2/4	2/4	4/16		2/7	2/5	3/8		3/4	4/8
12. FUEL ITEMS																						
12.1 Motor spirits	18	12	9	7		20	6		E	20	20	7	18	8	12		E	18	14	8	E	10
12.2 Light diesel oil	12	11	14	7		7	8		E	20	10	7	18	8	16		7	16	14	12	E	12
12.3 High-speed diesel	12	11	14	7		18	6		E	20	10	7	18	E	16		E	16	14	12	E	12
12.4 Crude oil	4	4	4	7		4	8		E	20	10	4	4	4	4		7	4	4	4	E	4
12.5 Petrol	18	12	9	7		20	6						10	18	12		E	18	18	12	E	10
13. LUBRICANTS AND OTHER AIDS TO PRODUCTION																						
13. LUBRICANTS AND OTHER AIDS TO PRODUCTION	5/10	7/10	7/12	7		4/8+4	8		8/10	4/15	8/12	4/15	4	4/12	12/16		7	10/15	6/10	12	6/12	8/11
14. MACHINERY OF ALL KINDS																						
14. MACHINERY OF ALL KINDS	6	8	8	7		6	8		8	13	8	7	12	10	16		7	10	10	10	5	8
15. PACKING MATERIALS																						
15. PACKING MATERIALS	5/7	7/8	7/9	5/7		5	8/12		4/8	7/10	8/10	7	4/8	4/10	12		7	5	3/10	8/12	8	8
16. GENERAL RATE																						
16. GENERAL RATE	6	7	8	7		8+4	8		8	7	5	7	8	10	12		7	10	8		8	8
17. ADDITIONAL TAX																						
17. ADDITIONAL TAX	-	-	1	7		-	-		-	-	25	-	-	12	-		-	-	-		25	-
18. SUR CHARGE																						
18. SUR CHARGE	-	-	5 to	-		-	-		5	10	5 to	-	-	-	10		-	-	-		5	-
			10.1								8.1											

Table 2

Buoyancy of General Sales Tax in Indian States

State/Period	1960-61 to 1970-71	1970-71 to 1980-81	1980-81 to 1987-88
1	2	3	4
All States	1.33	1.41	1.26
1. Andhra Pradesh	1.39	1.70	1.87
2. Assam	1.50	0.99	1.43
3. Bihar	1.48	1.67	0.79
4. Gujarat	1.41	1.25	1.51
5. Haryana	1.72	1.23	0.90
6. Himachal Pradesh	1.86	2.60	1.28
7. Jammu & Kashmir	2.26	1.55	1.12
8. Karnataka	1.59	1.45	1.50
9. Kerala	1.18	1.65	1.39
10. Madhya Pradesh	1.39	1.22	1.25
11. Maharashtra	1.44	1.61	1.02
12. Orissa	1.07	1.43	1.45
13. Punjab	0.97	1.27	1.16
14. Rajasthan	1.75	1.62	1.26
15. Tamil Nadu	1.62	1.53	1.11
16. Uttar Pradesh	1.56	1.62	1.19
17. West Bengal	0.93	1.60	1.18

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