

## HIMACHAL PRADESH

The Central Sales Tax Act came into force in Himachal Pradesh in 1956 but there was no State sales tax until 1958 when the Punjab General Sales Tax Act was enforced and tax was imposed on some luxury goods. After the reorganisation of States in 1966, some areas of Punjab were merged with Himachal Pradesh. Only these areas remained under the ambit of the Sales Tax Act till 1968, when the Himachal Pradesh General Sales Tax Act was enacted and enforced in the whole of the State. In addition, the Motor Spirit (Taxation on Sale) Act, 1948, provides for the levy of sales tax on motor spirit.

### 1. Structure

Dealers whose annual turnover exceeds Rs.1 lakh are liable to pay sales tax. For manufacturers, liability to pay tax arises if the turnover is Rs.40,000 or more. There is no turnover limit for importers and they become liable to pay tax with the first sale of imported goods in the State. In the case of cooperative societies, the turnover limit is Rs.5 lakh.

**Point of Levy:** The system of sales taxation in Himachal Pradesh is based on single-point levy either at the first or last stage of sale.

**Rate Structure:** Rates of tax vary from 0.5 per cent to 10 per cent. Foreign and Indian made foreign liquor is taxed at the rate of 25 per cent. Bullion and specie are taxed at 0.5 per cent. The rate of 1 per cent is applicable to tractors and all types of yarn. Groundnut and readymade garments made of handloom or millmade cloth are taxed at 2 per cent. Foodgrains attract 3 per cent tax and chassis of buses and trucks suffer tax at 3.5 per cent. Other rates are 4 per cent (applicable to declared goods), 5, 8 and 10 per cent. Schedule A goods such as refrigerators, cigarette cases and cameras are taxed at 10 per cent.

Non-specified (unexempted) goods are taxed at the general rate, which is at present 7 per cent.

**Surcharge:** In addition to the tax, every dealer is liable to pay surcharge at the rate of 10 per cent of the tax payable. No surcharge is however payable in respect of sale of declared goods.

**Exemptions:** Schedule B of the Act has a list of goods which are exempted from tax. In all, there are 65 categories of such goods. These include items of mass consumption, such as, vegetables, milk, eggs, fresh fruits, common salt, books, etc., and also a large number of agricultural implements. Some other items have been exempted in order to encourage local cottage and small industries and include straw covers, fruit packing cases and solar energy equipment. Conditional exemption has been accorded to articles of handicrafts sold by Tibetan Refugee Handicrafts-cum-Production Centre, Dalhousie, other handicrafts sold through Government emporia, goods sold by

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Dhauladhar Farm Forestry Projects, Palampur, and foodgrains supplied free of cost by the Government of India under the Food for Work Programme.

*Incentives to Industries:* In order to encourage small-scale industries in the State, tax holiday was provided for a certain period to new industrial units by a notification issued in 1974. A fresh notification was issued in 1978 prescribing concessional rates of tax on the sale of goods manufactured by newly set up small-scale units. Goods which are subject to the rate of 7 per cent are taxed at 2 per cent for the first five years and at 4 per cent for the next five years. Goods which are normally taxed at a rate higher than 7 per cent are accorded a concessional rate of 3 per cent for the first five years and 5 per cent for the next five years.

### **2. Registration**

Every dealer liable to pay tax has a statutory obligation to get himself registered. The law also provides for voluntary registration by dealers whose turnover is below the taxable limit. Any person intending to establish a business in Himachal Pradesh for the purpose of manufacturing goods of a value exceeding Rs.10,000 a year, may also obtain provisional registration.

### **3. Assessment**

Returns may be filed monthly or quarterly by all registered dealers.

If the assessing authority is satisfied that the return is correct and complete in all respects, he may assess the tax payable on the basis of such return. In other cases, the assessing authority is empowered to call for books of account and other evidence. If a dealer fails to file a return or produce books of account, etc., in response to a notice issued in this regard, the assessing authority may complete the assessment on the basis of best judgement. Where it is found that any turnover has escaped assessment, the assessing authority may take up the assessment/reassessment at any time within five years from the expiry of the year to which the tax relates.

#### **4. Penalty and Prosecution**

Any dealer who contravenes provisions of the Act or rules is liable to penalty which may go up to Rs.2,000. In the event of continuing default, a penalty, not exceeding Rs.50 a day during the period of default, can also be imposed. The law requires that such penalties may be imposed after giving proper show-cause opportunity to the defaulter. Any person who is not authorised to collect tax or a registered dealer who collects tax which is more than the amount due, is also liable to pay penalty upto Rs.5,000 or double the amount wrongly collected, whichever is greater. Failure to file return or to pay due tax is also punishable with penalty which may be equal to but does not exceed one-and-half times of the amount of tax assessed.

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### **5. Administrative Organisation**

The Department is headed by Excise and Taxation Commissioner who belongs to the IAS cadre. He is assisted at Headquarters by a Deputy Excise and Taxation Commissioner (HQ), a Deputy Excise and Taxation Commissioner (Inspection), three Assistant Excise and Taxation Commissioners out of whom one is in charge of legal matters. The State's twelve districts have been demarcated into two zones for administrative convenience. Each zone is headed by a Joint Deputy Excise and Taxation Commissioner who is also the appellate authority under all the taxation enactments administered by the Department. In addition there is a flying squad in each zone functioning under a Deputy Excise and Taxation Commissioner.

An Excise and Taxation Officer is in charge at the district level, except in the case of Kinnanur District which is headed by Excise and Taxation Officer. In addition, a number of Excise and Taxation Officers are posted in the districts, according to the workload and pendency position of assessments in sales tax.

Each district is further divided into smaller circles, placed under Excise and Taxation Inspectors with clearly demarcated jurisdiction.

### **6. Appeals**

Any dealer aggrieved by any notice issued or any order passed by the Assessing Authority may appeal to Appellate Authority within 60 days from the date of order.

## **7. Checkposts**

The Department has set up checkposts/barriers at strategic points on various roads in the State to curb tax evasion. Important checkposts/barriers are manned by ETOs while others are placed under the charge of Excise and Taxation Inspectors. The person in charge of a transport vehicle is under a statutory obligation to make a declaration in the prescribed form regarding the goods being transported through the checkpost.

*Note: The Government of Himachal Pradesh has proposed major changes in the existing Sales Tax Act during January 1991 according to which the entire Sales Tax Act would be recast. The bill is yet to be given assent.*