Projection of Tax Revenue on Petroleum products and Sales Tax and State's Own Tax Revenue (SOTR) Effort Analysis of States in India

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Terms of References:

i. Calculation of tax effort of the sales tax for the eighteen States in India taking the impact of petroleum tax revenue.

ii. Calculation of tax effort of the sales tax for the eighteen States in India excluding the impact of petroleum tax revenue.

iii. Calculation of tax effort of the State's Own Tax Revenue (SOTR) for the eighteen States in India taking the impact of petroleum tax revenue.

iv. Projection of tax revenue of the sales tax on account of petroleum products for the eighteen States in India.

v. Measures taken by the individual States to widen and deepen SOTR.

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1.1 Introduction

That effective taxation is central to development is being increasingly recognized by the international development community. The G-20, multilateral institutions, and the donor community want to ensure that the resource transfers to developing countries towards strengthening their tax systems are effective, coherent, and well harmonized (OECD, 2011).

An evaluation of relative tax performance of these countries would provide insights into the effectiveness of tax systems. However, measuring taxation performance is both theoretically and practically challenging. Nevertheless, tax performance has been quantified using the measure of 'tax effort'.

Tax effort is generally measured as the ratio of the actual tax collection to gross domestic product (GDP). Use of such ratio is reasonable if one attempts to establish trends or to compare tax revenue performance across countries with similar economic structure and level of income. However, when used to compare the effectiveness in revenue mobilization across countries belonging to different income groups, the tax-to-GDP ratio could provide a completely distorted picture owing to different economic structures, institutional arrangements, and demographic trends. A number of attempts have been made to deal with this problem by applying an empirical approach to estimate the determinants of tax collection and identify the impact of such variables on each country's tax potential. The development of a tax effort index, relating the actual tax revenues of a country to its estimated taxable capacity, provides us with a tempting measure which considers country specific fiscal, demographic, and institutional characteristics. Tax effort provides a tool for measuring how effectively a country (or states in a country) is using its tax bases to collect revenues. A high tax effort is indicative of efficient utilization of given tax base to raise revenues.

In the past, tax effort, defined in terms of per capita tax receipts to per capita income, has been used in India in the Gadgil formula for the allocation of Plan assistance[1]. Several finance commissions have acknowledged the importance of tax effort as one such criterion in giving

[1] See Chelliah and Sinha (1982), World Bank staff paper.

devolution in the form of shared tax and grants-in-aid to Indian states. During the eleventh and twelfth finance commission period, tax effort was given a weight of 5% and 7.5% in the devolution formula (Rao & Singh, 2006). In recent times, calculating tax effort for Indian states has gained greater relevance. There are several reasons to explain it. With the rise in population, urbanization and aspirations of the people demand for public expenditure is growing across Indian states. Annual revenue mobilization is not always at par with the expenditures; as a result many states face fiscal constraints. Therefore, it is imperative for the states to look for alternative avenues to improve tax effort and expand revenue mobilization to keep in pace with the growing demand for public expenditures.

GST has been introduced in India to unify the indirect tax structure and improve its efficiency. However, Sales tax/ VAT on petroleum products that has greater revenue potential for Indian States has not been subsumed in GST. Sales tax/ VAT on petroleum products account for a major share in State's sales tax, and contribute significantly to State's own tax revenue (SOTR). Among the components of sales tax, on an average, sales tax/ VAT on petroleum products contributes around 30% of sales tax collection of state governments. Over the time, share of sales tax on petroleum products has gone up in majority of the Indian states. Across general category states (GCS), the share has increased from 28.13% in 2011-12 to 29.5% in 2016-17. This rising share in total sales tax is due to increase in average tax rate on petrol from 26.7% in 2011-12 to 30.2% in 2016-17, and on diesel from 19.8% to 22.4% during the same period[2]. These statistics suggest that the petroleum tax revenues owing to a change in VAT rate can influence State's tax potential. Hence, it is very important to study and project tax revenues on account of petroleum products, especially as it is outside of the GST basket. Further, it is also important to make an analysis of tax effort on account of SOTR, sales tax and sales tax without petroleum tax revenue.

[2] See Indiastat and Petroleum Planning & Analysis Cell.

1.2 Objectives

1. To calculate tax effort of the State's Own Tax Revenue (SOTR) for the states in India factoring in the impact of petroleum tax from 2012-13 to 2016-17.

2. To calculate tax effort of the sales tax for the states in India factoring in the impact of petroleum tax from 2012-13 to 2016-17.

3. To calculate tax effort of the sales tax for the states in India not factoring in the impact of petroleum tax from 2012-13 to 2016-17.

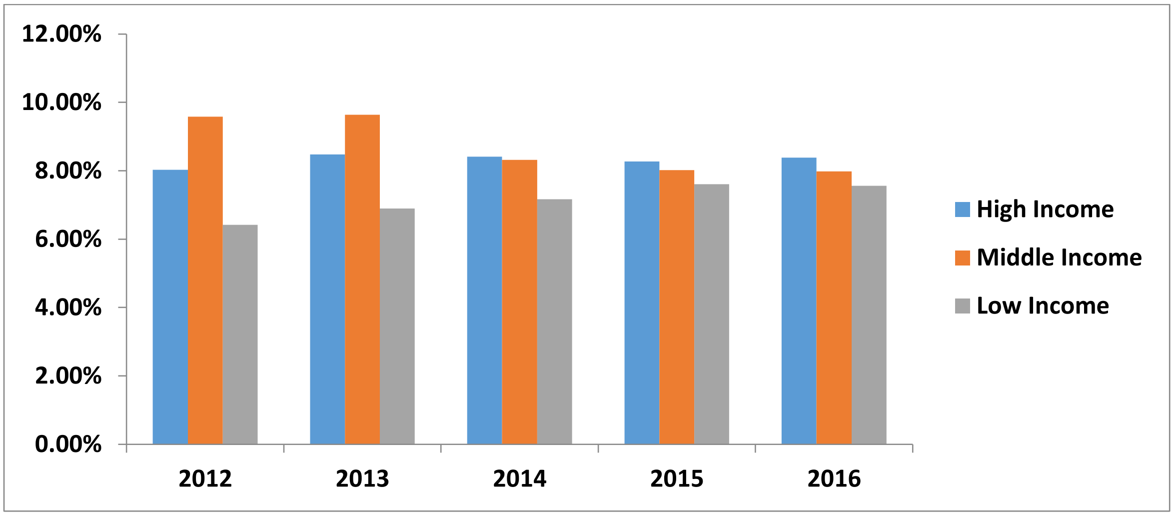
The rest of the report is organized as follows. Section 3 provides an overview of the trends in tax revenue collections across the states. Section 4 presents a comprehensive survey of existing literature. Section 5 gives a brief description of data and variables used in the study. Section 6 explains the estimation procedure of a country's tax potential and tax effort. Section 7 presents an analysis of tax effort of eighteen Indian states. Section 8 summarizes the study and concludes.

1.3 Trends in SOTR collection in high, middle and low income states

With the view of factoring the heterogeneity among the states on account of differences in their revenue raising capacities and level of tax administration, they are classified into three categories on basis of their per capita income. The trends in own tax revenue collections have been different for high, middle and low income categories of states[3]. In the last five years, low income category states have done relatively better in terms of SOTR (as percent of GSDP) compared to high and middle income category states. SOTR ratio for high income category states has risen from 8.03% in 2012-13 to 8.38% in 2016-17, exhibiting a 0.36% increase. On the contrary the collection for middle income category states has fallen from 9.58% in 2012-13 to 7.98% in 2016-17, registering a 1.61% decline. However, low income category states have shown a 1.14% improvement in SOTR ratio from 6.41% in 2012-13 to 7.56% in 2016-17.

[3] The states have been categorized into high, middle and low income groups on the basis of their average per capita income from 2012-13 to 2016-17. For details refer to Appendix 1B.

Figure 1. 1: SOTR (as % of GSDP): 2012-2016



1.4 Literature Review

1.4.1 Studies at International Level

Several empirical studies have estimated tax effort for countries using both cross section and panel data analysis. Lotz and Morss (1967) found that in high income countries tax effort is more closely linked to the political preferences than to the tax potential, but in the low-income countries the per capita GNP and degree of openness are major contributors to the tax effort. Bahl (1971) uses Representative Tax System (RTS) approach to calculate tax effort indices for forty-nine developing countries from 1966 to 1968. Using RTS method, the study found that tax effort is negatively linked to the share of agriculture whereas; mining and industry have a positive influence on it. Further, countries with a high tax to GDP ratio seem to have a higher tax effort index. Comparing the tax effort calculated using RTS method with that of regression approach, it was found that both approaches give roughly similar results. Chelliah et al. (1975) determined tax effort for forty-seven developing countries using regression analysis on the cross-section data for the period 1969-1971. They find no significant change in the tax effort ranking of the countries between 1966-1968 and 1969-1971. They observed that countries that exhibited strong tax performance in terms of higher tax effort index in the earlier period continued to do so, and that those countries who had low tax effort indices, in general, continued to score low. The study found that the relative position of a few countries changed dramatically which was attributable to a rise in tax on international trade. Tait et al. (1979) followed Chelliah et al. (1975)'s approach to calculate tax effort for the period 1972-76. Taking five year average of the given period, they observed that these countries have not improved their tax effort. However, they found that the countries having high tax ratio tend to score high tax effort and countries with low tax ratio have lower tax effort. Kincaid (1989) uses RTS method to calculate tax potential and tax effort for different States of the U.S. The study reveals that there is no necessary relationship between tax potential and tax effort across the States of the U.S. While some states with high tax potential are found to have high tax effort, some high tax potential states exhibited low tax effort. Similar results were found for states with low tax potential. Further, it was observed that the tax effort depends upon regional patterns. Regions with high moralistic culture tend to exhibit more tax effort and regions primarily dominated by agriculture sector tend to record low tax effort. Hy et al. (1993) used RTS to calculate tax effort for States in the U.S. They observed that most counties with low revenue potential made a greater effort to collect tax. These counties were considered to be doing a commendable job in raising revenues given their lack of economic resources. ACIR (1993) calculated tax effort for States in the U.S using RTS method for the year 1991. The study argues that states with historically high tax effort, especially in the Northeast and upper Mid-west, continued to have the highest tax effort in the country. Southern and Western states continued to have tax efforts below the national average. Further, changes in tax efforts between 1988 and 1991 confirm a lack of any strong regional pattern in tax effort changes. Stotsky and WoldeMariam (1997) use fixed effects estimator in a panel data model to calculate tax effort for forty-three sub Saharan African countries over the period 1990-1995. The findings show that countries with high Tax-GDP ratio tend to have relatively high tax effort. Martinez-Vazquez (2001), in studying Mexican tax system, determined tax efforts of thirty-two developing countries using regression approach for the period 1990-1996. The study reckons that Mexico is amongst the bottom third countries in terms of tax effort. Sobarzo (2004) calculates tax effort for Mexican states using RTS approach. Comparing the tax effort of Mexican states with national level, the study reveals that Mexican states have greater tax potential than the national level. Further, the result claimed that tax performance in medium-size cities in rich states is better than large capital cities. Several factors such as tax evasion, large informal sectors and other illegal activities are attributed to the low tax performance of the large cities. Brun et al. (2006) calculate tax effort for eighty-five developing countries from 1980 to 2003. Taking 3-

year average of the given time period, the study reported that tax effort has declined in 2000-2003 as compared to 1990-1994. The Asian and Latin-American countries have shown significant decline in tax effort for the said period. Wang et al. (2009) compute the relative tax effort using multiple regression approach for the provinces of China. Using data from 1986 to 2004, the study found that China has ideally utilized its tax potential and recorded high tax effort, little below 100 percent. Botlhole (2010) used a sample of forty-six sub-Saharan African countries to calculate tax potential and tax effort. He found that tax performance is below the potential level during the period 1990-2007. Brun et al. (2014) constructed a tax effort index using data of 124 countries spanning over 1980-2012. Using a random effects estimator, they observed that tax effort in sub-Saharan African countries has steadily declined until early 2000s. But tax effort in both Latin American and Asian countries has remained unchanged during the given years. Pessino and Fenochietto (2010) estimate tax potential and tax effort for ninety-six developing and developed countries using stochastic frontier analysis. Using data from 1991 to 2006, they found that countries have raised fewer revenues because of under exploitation of tax potential. Fenochietto and Pessino (2013) determine tax effort of 113 countries. They found that the average tax effort of high income countries is higher than that of both middle and low income countries. However, they observed that the tax effort of low income countries is higher than that of middle income countries. They also found that countries raising revenues primarily from natural resources exhibit poor tax performance. The high levels of exemptions and low tax rates explain, in part, why some developing countries have a low level of tax effort. Langford and Ohlenburg (2016) quantified the overall tax potential and tax effort for a cross-country sample of 85 non-resource rich countries covering a period of 1980-2010. The results suggest that the level of tax revenues collected by middle and low income countries is close to 60% of their potential, compared to an effort close to 70% on average in high income countries. Brun and Diakite (2016) extended Brun et al. (2014)'s study on tax effort for 1980-2014 retaining the methods and number of countries employed in the previous study. They found that low income countries have high tax effort. Further, the study claimed that resource dependent countries have lower tax effort than that of non-resource countries. Ueda (2017) examined VAT efficiency of European Union member countries by decomposing the changes in tax efficiency into changes in compliance and policy gaps from 2000 to 2014. The study observed that tax efficiency improves in advanced countries when the economy is in booming phase.

1.4.2 Studies at National Level

Nambiar and Rao (1972) estimated tax effort using regression approach for the period 1967-68. The study observed that states like Kerala, Assam, Tamil Nadu, Andhra Pradesh, Rajasthan and Maharashtra ranked high in tax effort, while Gujarat and West Bengal ranked low. It was argued that urbanization emerged as an important determinant of tax ratio. Sen and Tulasidhar (1997) calculated tax effort for 15 non-special category states using cross-section regressions for the time period 1991–1992 to 1993–1994. They found that the top five states that show tax effort above 100 percent are such as Kerala, Karnataka, Rajasthan, Uttar Pradesh and Tamil Nadu. This high performance is due to greater tax effort on account of sales tax and excise duty. There are bottom five states such as Bihar, Odisha, Assam, Madhya Pradesh, and West Bengal that have tax effort below 100 percent. This low performance is attributed to a very low tax effort on account of sales tax, excise duty and motor vehicle tax. Though three States exhibiting the lowest tax effort are Bihar, Assam and Orissa, all of them being from poor States, but there also states such as Punjab and Haryana which have low tax effort. Reddy (1975) employed regression approach to estimate tax effort of Indian States for the period 1962-64 and 1970-72. The study observed that Bihar, an underdeveloped state, was raising more revenue than its potential, while developed states like Karnataka, Gujarat and Andhra Pradesh were making less tax effort. Thimmaiah (1979) used both, RTS and Regression approaches to calculate revenue effort for five southern states in India using data from 1969-70 to 1973-74. The study revealed that all the five states did not utilize the overall revenue potential but some year to year improvement was evident. The revenue efforts of Pondicherry and Tamil Nadu were at the top followed by Karnataka and Andhra Pradesh in the middle level and Kerala fared the least. Rao (1981) observed that the average tax effort of all the states increased during 1957-58 to 1969-70. Of them, the backward states recorded an above average tax effort in all the years, while the developed states continually recorded index values below the all-state average. Dwivedi (1985) used regression analysis for measuring tax effort for the period 1973-76. The study reveals that most of the poor states made greater tax efforts during 1973-76 as compared to most rich states. On the contrary, there are some studies which point out that, as regards tax efforts, rich states perform better than poor states. Chelliah and Sinha (1982) used RTS Approach to measure tax effort for the period 1973-76 and found that most of the rich states made greater tax efforts than most of the poor States. West Bengal, with high taxable capacity, performed unsatisfactorily in terms of tax effort. Oommen (1987) estimates the relative tax effort of sixteen states using two measures of tax effort, namely, the tax–income ratio, and elasticity and buoyancy of tax revenue from 1970–1971 to 1981–1982. Using a step wise regression approach, the study found that southern states such as Tamil Nadu, Kerala, Karnataka and Maharashtra were seen to manifest much superior tax effort than that of some of the richer states of India. Jha et al. (1999) using a stochastic frontier model for fifteen major Indian states observed that that top five states that have shown high tax effort are mainly rich states and bottom five states are poor states. Coondoo et al. (2001) observed that tax performance of south-western states is highest among Indian states and the eastern states are worst performing states, which may be attributed to relatively larger taxable capacity in the former states. Purohit (2006) studied the tax effort and taxable capacity of both the federal government and sixteen state governments for the period 2000–2003. Using both RTS and regression approaches, the study revealed that sales tax effort is close to 100 percent in most of the states except Assam, Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The high effort is attributed to higher actual tax collection compared to the tax potential. Garg et al. (2017) measure tax effort of fourteen major Indian states from 1991–1992 to 2010–2011. While Gujarat, Karnataka, Maharashtra, Punjab, Haryana, and Tamil Nadu are among the best performing states, performance of Odisha, Bihar, West Bengal, and Uttar Pradesh is quite poor. Odisha exhibits an increasing trend in tax effort whereas Bihar and West Bengal recorded a decline in tax effort over time. Agarwal (2012) in her study found that there is no systematic relationship between income levels of states and tax effort. Using regression approach the study calculated tax effort of general category states of India for the period 1990-91 and 2004-05. The tax effort does not show an increasing tendency in all the States. While tax effort of Karnataka and Madhya Pradesh have consistently remained higher than other states; states like Gujarat, Kerala and Tamil Nadu that started with high tax efforts initially, have over time slipped in their positions. Odisha has improved its tax effort, whereas other states like Bihar and West Bengal have exhibited a deteriorating tax effort. Maurya et al. (2016) did not find any conclusive evidence that child states perform any better than their parent states. They observed that the size of the state is of no major consequence in determining revenue efficiency of the states, rather factors like efficient tax administration, developed industrial sector, and effective tax rates play an important role. Karnik and Raju (2015) analyzed the tax effort of seventeen Indian states for the period 2000–2001 to 2010–2011. They found that the tax effort in Indian States is very low, as the states have not exploited their tax bases adequately.

Apart from that, there are some reports on tax effort of Indian states submitted to the 14th Finance Commission of India. In case of Uttarakhand, using multivariate regression approach, it was found that Uttarakhand government's tax collections have consistently been close to the potential level. In case of Odisha, using a bivariate model, the tax effort of the state was ranked eleventh among general category states. Odisha has tapped 88 percent of its tax potential against 94 percent as in case of Jharkhand. In case of Maharashtra it was found that the sales tax effort and state revenue effort were close to 100 percent, suggesting that Maharashtra government has utilized its tax potential efficiently. Haryana has maintained its tax effort above 100 percent except for the four years (2005-08) where its tax effort was a little below 100 percent. The tax effort in Karnataka is 133 percent, indicating a full utilization of its tax potential. All these studies have used a regression approach to calculate tax effort.

1.5 Tax Capacity and Tax Potential

An IMF study by Bahl (1972) defines *taxable capacity as the total tax amount that would be collected if each country applied an identical set of effective rates to the selected tax bases, that is, as the yield of a representative tax system.* A World Bank study by Le et al. (2012) defines *taxable capacity as the predicted tax calculated using the estimated coefficients of a regression specification, taking into account the country specific characteristics.* Several literatures have used Potential tax and Tax capacity synonymously. Therefore, we consider using tax potential (tax capacity) in this study and define it as the maximum/optimal level of revenue that a state can collect if taxes are collected at their full efficiency. Since it is not directly observable, an empirical method is used for its derivation from the observed tax revenue data. Tax potential is in fact the predicted tax revenue calculated using a regression model or RTS method, while taking into account a country's specific macroeconomic, demographic, and other factors.

1.6 Data and Variables Descriptions

Since tax bases of SOTR and sales tax are largely dependent on several important factors, the study uses eight potential determinants which largely influence tax revenue of Indian states.

These are developmental expenditure, non-agriculture GSDP, electricity consumption, bank credit of scheduled commercial banks, urbanization ratio, literacy rate, road density, and rail route density. SOTR, sales tax, and sales tax exclusive of proceeds from sale of petroleum products are used as the dependent variables that are influenced by the above determinants. These determinants include factors representing both economic activity and the level of development in Indian states. The time period for the analysis of these eighteen Indian states is from 2000-01 to 2016-17. All the variables are sourced from EPW Research Foundation, Handbook of Statistics on Indian States (RBI), Ministry of Statistics and Programme Implementation (MOSPI) and Petroleum Planning and Analysis Cell (PPAC). The rationale for using these eight tax bases are given below:

Non-agriculture GSDP: To control for possible effects of the structure of the economy, we consider the variable non-agriculture GSDP (NAGRI). The sectoral composition of GSDP is expected to be one of the significant factors determining tax collection. Given the relative ease with which the industrial and services sectors can be taxed as compared to the agricultural sector, it is reasonable to expect that collection of tax revenues from these bases will rise. A low share of agriculture can be considered a determinant of higher tax potential. Therefore, Non-agriculture GSDP is expected to have positive association with tax potential.

Developmental expenditure: In order to control for quality of spending, we consider size of developmental expenditure (DE). Developmental expenditure includes spending on both social and economic sectors of the state. Spending on developmental sector creates income generating assets, engendering positive externalities. Therefore, higher the quantum of developmental expenditure, higher is the tax potential.

Electricity consumption: The higher the electricity consumption (ECON), higher the economic activity, as electricity is used as an input in production activities (Raza et al. 2016). Hence, greater electricity consumption is indicative of higher economic activities and greater tax potential.

Bank credit: Bank credit (CRED) plays a pivotal role in achieving sustained and high economic growth. Term loan, cash credit and bills of exchange facilitate business and commerce that create economic value addition. Hence, a larger quantum of bank credit of scheduled commercial banks is expected to have a positive effect on tax revenues (Mohanty et al. 2017).

Urbanization Ratio: Urbanization (URB) contributes to a higher average consumption of taxable commodities. Measured as the ratio of urban population to total population, urbanization ratio has the potential to increase tax revenues. (Nambiar and Rao 1972; Reddy, 1975; Nepram 2011; Sen 2015; Mohanty et al. 2017).

Literacy rate: The variable literacy rate (LR) controls for possible effects of education and awareness regarding tax policies and tax administration. A literate state manifests better tax compliance. Therefore, a higher literacy rate is expected to have a positive effect on the collection of tax revenue (Garg et al., 2017).

Road density: Road density (RD) is used as a proxy for the level of infrastructure facility. Measured as the ratio of total road length (kms) to total population (thousand), higher road density facilitates trade and commerce. Hence, road density is expected to be positively related with tax potential.

Rail network density: Similarly, railways facilitate the transportation of goods across the state. Density of railway network (RND), defined as the ratio of railway route (kms) to total population (thousand), generates tax potential through movement of taxable goods.

1.7 Methodology for calculating Tax effort

Tax effort is defined as actual tax revenue as a proportion of tax potential. *Tax potential* is the predicted tax revenue that can be estimated with regression analyses, taking into account a country's specific macroeconomic, demographic, and other factors. Tax effort provides a tool for measuring how effectively states are using their tax bases to collect revenue. A tax effort index close to or above 100 percent is considered as 'high', implying that the state utilizes its tax base optimally to raise tax revenues. Similarly, a tax effort index below 100 percent indicates that states may have some scope for improving tax revenues. Several methods have been proposed in the literature for the estimation of tax efforts – e.g. tax ratio approach, representative tax system

(RTS) approach, stochastic frontier approach and regression approach. But many of them have several shortcomings.

The main advantage of tax ratio approach is that it is easy to obtain and gives a quick overview of tax revenue trends across countries. However, as indicated by Musgrave (1987), this measure is more suitable for studies focusing on countries with similar economic structures and same level of income. The heterogeneity of economic structures and differences in the levels of development therefore, make the approach inappropriate for Indian states. This method fails to account for factors that influence tax potential such as the structure of income, distribution of income, and level of development.

Similarly, RTS method gives a better understanding of relative tax effort, but neither is this method free from limitations. The differences in tax potential among states are not well captured as the average effective tax rate tends to understate the tax potential of those states that already have higher effective tax rate (effective tax rate is defined as the ratio of tax to GSDP).

Further, tax effort calculations based on production frontier analysis are also not considered suitable. Here the underlying logic for estimation of tax potential assumes that the main objective is to maximize profit to the level represented by the production frontier. However, State governments may willfully not maximize their tax efforts due to political constraints.

Having perceived several limitations in these methods, the regression approach is found suitable for the estimation of tax effort in a panel data framework. There are several advantages of employing the regression approach. First, this approach incorporates greater number of tax bases while calculating tax potential. Second, state specific characteristics are also incorporated in order to estimate potential tax.

1.7.1 SOTR Effort

A panel data regression model is used to estimate the potential SOTR of Indian states. The estimation uses fixed effects model to capture state specific characteristics.[4] The regression equation (1) is estimated to identify potential determinants that explain a significant variation in SOTR.

[4] Hausman test suggests that fixed effects model is appropriate over random effects model.

$$\boldsymbol{lnSOTR_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \beta_5 ln(URBN)_{it} + \beta_6 ln(LR)_{it} + \beta_7 ln(RD)_{it} + \beta_8 ln(RND)_{it} + \epsilon_{it}} \quad \textbf{(1)}$$

Where, tax bases of SOTR are - Non-agriculture GSDP (NAGRI), Developmental Expenditure (DE), Electricity consumption (ECON), Bank credit of scheduled commercial banks (CRED), Urbanization ratio (URBN), Literacy rate (LR), Road density (RD) and Rail network density (RND). $\boldsymbol{\epsilon_{it}}$ is the error term. *i* is the number of states and *t* is the time period. $SOTR_{it}$ is the state's own tax revenue including petroleum tax revenue. It is assumed that these tax bases significantly influence State's own tax revenue collection in these states.

In estimating equation (1), it was observed that some tax bases are insignificant in explaining the variation in the SOTR. So, a final regression model is selected by dropping those insignificant tax bases, correcting for multicollinearity and finally, considering adjusted R-square as another criterion for model selection. The final regression model appears in the equation (1a) as follows:

$$\boldsymbol{lnSOTR_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \epsilon_{it}} \quad (\boldsymbol{1a})$$

The next step is to estimate potential SOTR for all eighteen states. The potential SOTR is the predicted SOTR, calculated using the estimated coefficients of the regression equation (1a), taking into account the state specific characteristics. Since estimated potential SOTR is in natural logarithms, the exponential function is used to convert log of SOTR to SOTR (in Rs. Crore). This is presented in following equation (1b).

Potential $\boldsymbol{\widehat{SOTR}_{it} = e^{\left(\widehat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(ECON)_{it} + \widehat{\beta_4} ln(CRED)_{it}\right)}}$ **(1b)**

Finally, SOTR effort is calculated as the ratio of actual SOTR to potential SOTR as shown in equation (1c).

SOTR effort = $\boldsymbol{\frac{Actual\,Tax}{Potential\,Tax}}$ **(1c)**

1.7.2 SOTR Effort of different income categories of states

A similar methodology is used for calculating tax effort of high, middle and low income category states of India. Income classification of the eighteen Indian states is done on the basis of 5-year average of per capita income of the respective states for the period 2012-13 to 2016-17. These income classifications are done to account for group-specific influences on revenue raising capacity of states. SOTR effort is calculated using fixed effects regression model, separately for high income states, middle income states and low income states. To arrive at the final regression model a procedure similar to that used in the calculation of tax effort of all states taken together, as elaborated in previous section, is used.

SOTR Effort of High income states

First, the final regression model as given in equation (2) is estimated for calculating potential SOTR.

$$\boldsymbol{lnSOTR_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \epsilon_{it}} \qquad \textbf{(2)}$$

Where, the explanation for tax bases of SOTR are same as mentioned in equation (1).

The next step is to estimate potential SOTR from the estimated coefficients of regression equation (2). This is presented in following equation (2a).

Potential $\boldsymbol{\widehat{SOTR}_{it} = e^{\left(\widehat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(ECON)_{it}\right)}}$ **(2a)**

Finally, SOTR effort is calculated as the ratio of actual SOTR to potential SOTR as shown in equation (2b).

SOTR effort = $\boldsymbol{\frac{Actual\,Tax}{Potential\,Tax}}$ **(2b)**

SOTR Effort of Middle income states

First, the final regression model as given in equation (3) is estimated for calculating potential SOTR.

$$\boldsymbol{lnSOTR_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \epsilon_{it}} \qquad \textbf{(3)}$$

Where, explanation for tax bases of SOTR are same as mentioned in equation (1).

Then potential SOTR is found by predicting SOTR using the estimated coefficients of the regression equation (3). This is presented below:

Potential $\boldsymbol{\widehat{SOTR}_{it} = e^{\left(\widehat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(ECON)_{it}\right)}}$ **(3a)**

Finally, SOTR effort is calculated as the ratio of actual SOTR to potential SOTR as in equation (3b).

SOTR effort = $\frac{\boldsymbol{Actual\,Tax}}{\boldsymbol{Potential\,Tax}}$ **(3b)**

SOTR Effort of Low income states

First, the final regression model as given in equation (4) is estimated for calculating potential SOTR.

$$\boldsymbol{lnSOTR_{it} = a_0 + \beta_1 ln(DE)_{it} + \beta_2 ln(AGRI)_{it} + +\beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \beta_5 ln(IND)_{it} + \epsilon_{it}} \quad \textbf{(4)}$$

Where, the new tax bases of SOTR are Industry GSDP (IND) and Agriculture GSDP (AGRI). Other tax bases are same as described in equation (1).

Then, the potential SOTR is calculated by predicting SOTR from the estimated coefficients of regression equation (4). This is presented in equation (4a).

Potential $\boldsymbol{\widehat{SOTR}_{it} = e^{(\hat{a}_0 + \widehat{\beta_1} ln(DE)_{it} + \widehat{\beta_2} ln(AGRI)_{it} + +\widehat{\beta_3} ln(ECON)_{it} + \widehat{\beta_4} ln(CRED)_{it} + \widehat{\beta_5} ln(IND)_{it})}}$ **(4a)**

Finally, SOTR effort is calculated as the ratio of actual SOTR to potential SOTR as shown in equation (4b).

SOTR effort = $\frac{\boldsymbol{Actual\,Tax}}{\boldsymbol{Potential\,Tax}}$ **(4b)**

1.7.3 Sales Tax Effort with Petroleum Tax Revenue

A fixed effects regression model is used to estimate the potential sales tax. The regression equation (5) estimates the potential sales tax of eighteen Indian states taken together using potential determinants which could significantly influence the sales tax collection.

$$\boldsymbol{lnSTax_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \beta_5 ln(URBN)_{it} + \beta_6 ln(LR)_{it} + \beta_7 ln(RD)_{it} + \beta_8 ln(RND)_{it} + \epsilon_{it}} \quad \textbf{(5)}$$

Where, tax bases for sales tax are - Non-agriculture GSDP (NAGRI), Developmental Expenditure (DE), Electricity consumption (ECON), Bank credit of scheduled commercial banks (CRED), Urbanization ratio (URBN), Literacy rate (LR), Road density (RD) and Rail network density (RND). ϵ_{it} is the error term.. *i* and *t* stand for number of states and number of years. $\mathrm{STax}_{\mathrm{it}}$ is the sales tax revenue inclusive of petroleum tax revenue. These tax bases significantly influence the sales tax revenue of the states.

After estimating the regression equation (5), some insignificant tax bases are found in the model. Therefore, a final regression model is selected by dropping those insignificant tax bases and correcting for multicollinearity and finally, selecting the model using adjusted R-square as another criteria. The final regression model is given in equation (5a).

$$\boldsymbol{lnSTax_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \epsilon_{it}} \quad \mathbf{(5a)}$$

After estimating the equation (5a), potential sales tax is calculated by predicting the sales tax using the estimated coefficients of the regression equation (5a). In the calculation of potential tax using a fixed effects model, the regression equation (5a) controls for the state specific characteristics. As the calculated potential sales tax is in natural logarithms, exponential function of the log of potential sales tax is converted to sales tax (in Rs. Crore). This is shown in the following equation (5b).

$$\text{Potential } \boldsymbol{\widehat{STax}_{it} = e^{\left(\hat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(ECON)_{it} + \widehat{\beta_4} ln(CRED)_{it}\right)}} \quad \mathbf{(5b)}$$

Finally, sales tax effort is calculated by taking the ratio of actual sales tax to potential sales tax in equation (5c).

$$\textbf{Sales Tax effort} = \boldsymbol{\frac{Actual\ Tax}{Potential\ Tax}} \quad \mathbf{(5c)}$$

1.7.4 Sales Tax Effort of different Income category of states

Sales tax effort for high, middle and low income states are calculated using a procedure similar to that used in calculating tax effort for eighteen states taken together. A fixed effects regression model is used to estimate the potential sales tax. Three different regression models have been used to calculate sales tax effort of the different income categories of states on the basis of the statistical significance of the variables.

Sales Tax Effort of High income states

First, the final regression model as given in equation (6a) is estimated for calculating potential sales tax.

$$\boldsymbol{lnSTax_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(CRED)_{it} + \epsilon_{it}} \qquad \textbf{(6a)}$$

Where, explanation of tax bases for sales tax is same as given in equation (5).

Then potential sales tax is found by predicting the equation (6a) and using its estimated coefficients in equation (6b).

Potential $\boldsymbol{\widehat{STax}_{it} = e^{\left(\hat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(CRED)_{it}\right)}}$ **(6b)**

Finally, sales tax effort is calculated by taking the ratio of actual sales tax to potential sales tax in equation (6c).

Sales Tax effort = $\boldsymbol{\frac{Actual\, Tax}{Potential\, Tax}}$ **(6c)**

Sales Tax Effort of Middle income states

First, the final regression model as given in equation (7) is estimated for calculating potential sales tax.

$$\boldsymbol{lnSTax_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(ECON)_{it} + \beta_3 ln(CRED)_{it} + \epsilon_{it}} \qquad \textbf{(7)}$$

Where, explanation of tax bases for sales tax is same as given in equation (5).

Then, potential sales tax is calculated as given in equation (7a)

Potential $\boldsymbol{\widehat{STax}_{it} = e^{\left(\hat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(ECON)_{it} + \widehat{\beta_3} ln(CRED)_{it}\right)}}$ **(7a)**

Finally, sales tax effort is calculated by taking the ratio of actual sales tax to potential sales tax as shown in equation (7b).

Sales Tax effort = $\boldsymbol{\frac{Actual\, Tax}{Potential\, Tax}}$ **(7b)**

<u>Sales Tax Effort of Low income states</u>

First, the final regression model as given in equation (8) is estimated for calculating potential sales tax.

$$\boldsymbol{lnSTax_{it} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \epsilon_{it}} \quad \textbf{(8)}$$

Where, explanation of tax bases for sales tax is same as given in equation (5).

Then, the potential level of sales tax is calculated as given in equation (8a).

Potential $\boldsymbol{\widehat{STax}_{it} = e^{(\hat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(ECON)_{it})}}$ **(8a)**

Finally, sales tax effort is calculated by taking the ratio of actual sales tax to potential sales tax in equation (8b).

Sales Tax effort = $\boldsymbol{\frac{Actual\,Tax}{Potential\,Tax}}$ **(8b)**

1.7.5 Sales Tax Effort without Petroleum Tax Revenue

In addition to SOTR effort and sales tax effort, sales tax effort exclusive of tax revenue from petroleum products is also calculated. The regression equation (9) is estimated using fixed effects model to identify potential determinants that explain significant variation in sales tax:

$$\boldsymbol{lnSTax_{it}^{WP} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \beta_5 ln(URBN)_{it} + \beta_6 ln(LR)_{it} + \beta_7 ln(RD)_{it} + \beta_8 ln(RND)_{it} + \epsilon_{it}} \quad \textbf{(9)}$$

Where, Non-agriculture GSDP (NAGRI), Developmental Expenditure (DE), Electricity consumption (ECON), Bank credit of scheduled commercial banks (CRED), Urbanization ratio (URBN), Literacy rate (LR), Road density (RD) and Rail network density (RND) are taken as tax bases. *i* is the number of states and *t* is the time period. $\mathrm{STax_{it}^{WP}}$ is the sales tax revenue excluding tax revenue from petroleum products. These tax bases have significant power in influencing the total collection of sales tax (excluding petroleum tax revenue).

From the estimated equation (9), insignificant tax bases are dropped and a final regression model is selected using adjusted R-square as another criterion for model selection. The model is also corrected for multicollinearity problem. The final regression model is given in the equation (10):

$$\boldsymbol{lnSTax_{it}^{WP} = a_0 + \beta_1 ln(NAGRI)_{it} + \beta_2 ln(DE)_{it} + \beta_3 ln(ECON)_{it} + \beta_4 ln(CRED)_{it} + \epsilon_{it}} \quad \textbf{(10)}$$

In the next step, the potential sales tax is calculated using the estimated coefficients of the regression equation (10), taking into account the state specific characteristics.

Then the exponential function is used to convert log of sales tax (without petroleum tax revenue) to sales tax (in Rs.crore). This is shown in the following equation (11).

Potential $\boldsymbol{\widehat{STax}_{it}^{WP} = e^{\left(\widehat{a}_0 + \widehat{\beta_1} ln(NAGRI)_{it} + \widehat{\beta_2} ln(DE)_{it} + \widehat{\beta_3} ln(ECON)_{it} + \widehat{\beta_4} ln(CRED)_{it}\right)}}$ **(11)**

Finally, sales tax effort is calculated as the ratio of potential sales tax to actual sales tax as shown in equation (12).

Sales Tax effort = $\boldsymbol{\frac{Actual\ Tax}{Potential\ Tax}}$ **(12)**

1.8 Empirical Analysis

In the study, tax potential is defined as the maximum amount of tax revenue a state could reasonably raise at a given point in time, conditional on its prevailing characteristics. Tax potential is inherently unobservable but can be estimated empirically. The extent, to which estimation can capture the true underlying tax bases, precisely depends on how effectively determinants are factored in the regression model. The selection of final fixed effects regression model is arrived by dropping insignificant determinants that are taken as proxy for tax bases, correcting for multicollinearity and considering the highest adjusted R-square of the model.

1.8.1 Determinants of potential SOTR/ Tax Capacity

The regression model given in equation (2) is estimated for eighteen Indian states taken together. The regression result given in Table 1.1 shows that the estimated coefficients have the expected signs and are statistically significant at 1 percent level. The model shows that there is positive and significant association between own tax revenue and non-agriculture GSDP, which suggests that a large non-agriculture GSDP base generates higher tax collection.

Table 1.1: Determinants of potential SOTR in all states (Fixed effects model)

Dependent Variable: SOTR	Coefficients	Std. error	t-statistics	p-value
LECON	0.24376	0.048	5.07	0.000
LDE	0.25209	0.033	7.59	0.000
LNAGRI	0.30504	0.081	3.73	0.000
LCRED	0.34978	0.037	9.32	0.000
Constant	-2.98725	0.680	-4.39	0.000
R^2	0.981			
Adj. R^2	0.979			
Diagnostic tests				
S.E of Regression				0.09867
Sum squared residual				2.74597
Akaike info criterion				-1.72427
Schwarz criterion				-1.45528
Hannan-Quinn criter.				-1.61667
Durbin-Watson stat				0.72879
F-statistic				1772.15
Prob(F-statistic)				0.00000

Table 1.2: Determinants of potential SOTR in high income states (Fixed effects model)

Dependent Variable: SOTR	Coefficients	Std. error	t-statistics	p-value
LDE	0.473	0.075	6.25	0.000
LECON	0.359	0.132	2.72	0.000
LNAGRI	0.555	0.106	5.22	0.008
Constant	-5.474	0.841	-6.50	0.000
R^2	0.979			
Adj. R^2	0.977			
Diagnostic tests				
S.E. of regression				0.103731
Sum squared resid				1.172849
Akaike info criterion				-1.61374
Schwarz criterion				-1.38020
Hannan-Quinn criter.				-1.51891
Akaike info criterion				-1.61374
F-statistic				1951.069
Prob(F-statistic)				0.000000

Similarly, increase in disbursement of bank credit, rise in developmental expenditure and electricity consumption have larger potential to augment SOTR collection. In the diagnostic tests, the standard error of regression model is found to 0.098 suggesting that the model is estimated with less error. The F-statistics is highly significant showing overall significance of the model. Three different regression models are estimated for high, middle and low income states to account for their group specific effects on SOTR. This classification gives additional insights into understanding the interaction between tax revenue and a host of important determinants that may differ from one income group to other. Income classification for the states is done on the basis of a 5-year average of per capita income of the respective states for the period 2012-13 to 2016-17[5].

Table 1.3: Determinants of potential SOTR in middle income states (Fixed effects model)

Dependent Variable: SOTR	Coefficients	Std. error	t-statistics	p-value
LDE	0.205	0.096	2.12	0.038
LECON	0.572	0.089	6.39	0.000
LNAGRI	0.823	0.151	5.43	0.000
Constant	-8.165	1.181	-6.91	0.000
R^2	0.980			
Adj. R^2	0.978			
Diagnostic tests				
S.E. of regression				0.097585
Sum squared resid				0.571372
Akaike info criterion				-1.71757
Schwarz criterion				-1.48723
Hannan-Quinn criter.				-1.62642
Akaike info criterion				0.89039
F-statistic				802.1844
Prob(F-statistic)				0.000000

[5] See appendix 1B for income classifications of Indian states.

Table 1. 4: Determinants of potential SOTR in low income states (Fixed effects model)

Dependent Variable: SOTR	Coefficients	Std. error	t-statistics	p-value
LDE	0.184	0.041	4.42	0.000
LECON	0.223	0.062	3.59	0.001
LCRED	0.422	0.047	8.88	0.000
LIND	0.310	0.078	3.98	0.000
LAGRI	0.190	0.087	2.18	0.003
Constant	-4.725	0.975	-4.85	0.000
R^2	0.982			
Adj. R^2	0.980			
Diagnostic tests				
S.E. of regression				0.100367
Sum squared resid				1.067788
Akaike info criterion				-1.66382
Schwarz criterion				-1.38206
Hannan-Quinn criter.				-1.54942
Akaike info criterion				1.078094
F-statistic				992.6801
Prob(F-statistic)				0.000000

The results reported in Table 1.2, Table 1.3 and Table 1.4 indicate that the estimated coefficients have expected signs and they are statistically significant. While determinants like developmental expenditure, electricity consumption, and non-agriculture GSDP explain variations in SOTR in both high and middle income states, in the low income states variations in SOTR are better explained by determinants like developmental expenditure, electricity consumption, bank credit, industry GSDP and agriculture GSDP. On an average, one percent rise in non-agriculture GSDP and electricity consumption is expected to increase SOTR in middle income states by 0.82 percent and 0.57 percent, respectively. In the high income states, one percent increase in both non-agriculture GSDP and electricity consumption is expected to help states increase SOTR by 0.55 percent and 0.35 percent. In the low income states SOTR is largely influenced by bank credit and industry GSDP followed by electricity consumption and developmental expenditure. The credit expansion and higher size of industry GSDP can augment SOTR collection of states by 0.42 percent and 0.31 percent. The adjusted R^2 is very high, suggestive of the robustness of the model. The diagnostic tests establish that the model is estimated with less error (S.E of regression) and points out at the high significance of the model as suggested from F-statistics.

1.6.2 SOTR effort analysis

SOTR effort is defined as actual SOTR as a proportion of potential SOTR. Potential SOTR is the predicted SOTR, calculated using the estimated coefficients of the regression model shown in Table 1.5.

Table 1.5: SOTR Effort

SOTR Effort (2012-13 to 2016-17)		
States	**Tax Effort**	**Rank**
Goa	169.56	1
Haryana	101.88	9
Maharashtra	61.18	18
Kerala	124.96	4
Gujarat	90.14	15
Karnataka	98.92	11
Tamil Nadu	85.38	16
Punjab	97.85	12
Andhra Pradesh	102.26	8
Rajasthan	91.33	14
Chhattisgarh	115.18	6
Odisha	110.08	7
Jharkhand	93.93	13
Madhya Pradesh	124.82	5
Assam	140.16	2
West Bengal	76.63	17
Uttar Pradesh	101.41	10
Bihar	127.92	3
Average of all states	**106.3106**	

Tax efforts for eighteen Indian states are calculated taking 5-year average of annual tax efforts from 2012-13 to 2016-17 (Table 1.5). It is evident from Table 1.5 that there is a large variation in tax effort index. The range of the tax effort index is found to be varying from 61.18 percent (Maharashtra) to 169.56 percent (Goa). Tax efforts of Goa, Assam, Bihar, Kerala, Madhya Pradesh, Chhattisgarh, Odisha, Andhra Pradesh, Haryana and Uttar Pradesh are above 100, while that of Punjab, Gujarat, Jharkhand, Karnataka, West Bengal, Rajasthan, Maharashtra and Tamil Nadu are below it. For further reference, a year wise calculation of tax effort for the states is given in Appendix 1A.

1.8.2 Income classification of States and SOTR effort

It is argued that only a similar group of states should be considered in the regression model in order to avoid overstating or understating of potential SOTR. This limits the impact of such biased estimates on tax effort calculations. Therefore, Indian states are divided into high, middle and low income states on the basis of average per capita income for the period 2012-13 to 2016-17.

Table 1.6: SOTR Effort in High, Middle and Low income states

SOTR Effort (2012-13 to 2016-17)			
Classification	**States**	**Tax Effort**	**Rank**
High Income States	Goa	234.21	1
	Haryana	101.91	10
	Maharashtra	66.85	18
	Kerala	137.61	4
	Gujarat	74.91	15
	Karnataka	89.58	12
	Tamil Nadu	81.58	14
	Average	**92.07**	
Mid Income States	Punjab	105.99	6
	Andhra Pradesh	105.14	7
	Rajasthan	73.24	16
	Chhattisgarh	130.35	5
	Average	**103.68**	
Low Income States	Odisha	104.64	8
	Jharkhand	100.65	11
	Madhya Pradesh	101.98	9
	Assam	156.30	2
	West Bengal	68.38	17
	Uttar Pradesh	82.10	13
	Bihar	146.69	3
	Average	**108.68**	

Table 1.6 reveals that low income states perform relatively better than high and middle income states. The average SOTR effort of low income states is 108.68 percent, higher than 103.68 percent of middle income states and 92.07 percent of high income states. In low income category, five out of seven states have tax effort above 100 percent, except West Bengal and Uttar Pradesh. In middle income states, average tax effort is 103.68 percent, higher than 92.07

percent of the high income states. Among the middle income states, Chhattisgarh, Punjab, and Andhra Pradesh are the better performing states.

Similarly, states in high income category have performed poorly during 2012-13 to 2017-18. Thus, it is clear that the states in low income category have put in greater effort to tap potential tax followed by middle and high income states. These results are in line with the findings of Rao (1981), and Dwivedi (1985) who argued that poor Indian States have made greater tax efforts than most rich States.

1.8.3 Determinants of potential sales tax (inclusive of petroleum tax revenue)

To determine potential sales tax same dependent variables as used in SOTR model, are used in the regression model. Using a fixed effects model for estimation[6], a robust model is arrived at after controlling for multicollinearity and dropping insignificant determinants. The model with highest adjusted $\boldsymbol{R^2}$ is taken to be the final model. The results of final model are given in Table 1.7. It shows that a large amount of variation in sales tax can be explained by non-agriculture GSDP and scheduled commercial bank credit, followed by electricity consumption and developmental expenditure. All these determinants are statistically significant at 1 percent level. In the diagnostic tests, the standard error of regression model has a value of 0.097 which suggests that the model has been estimated with less error. Further, three different regression models are estimated for high, middle and low income states to account for group-specific impact on sales tax. Table 1.8, Table 1.9 and Table 1.10 report the results of factors determining potential sales tax for high, middle and low income states. The estimated coefficients have expected signs and are statistically significant. Non-agriculture GSDP, electricity consumption and disbursement of bank credit significantly determine potential sales tax. The diagnostic tests show that all three models are estimated with less error which is indicative of good model fitting.

[6] Hausman test confirms that fixed effects model is appropriate over the random effects model.

Table 1.7: Determinants of potential Sales tax with petroleum tax revenue (Fixed effects model)

Dependent Variable: Sales tax	Coefficients	Std. error	t-statistics	p-value
LECON	0.29204	0.047	6.14	0.000
LDE	0.19546	0.032	5.95	0.000
LNAGRI	0.44623	0.080	5.52	0.000
LCRED	0.32443	0.037	8.74	0.000
Constant	-4.8188	0.672	-7.16	0.000
R^2	0.982			
Adj. R^2	0.981			
Diagnostic tests				
S.E. of regression				0.097630
Sum squared residual				2.687942
Akaike info criterion				-1.745638
Schwarz criterion				-1.476643
Hannan-Quinn criter.				-1.638034
Durbin-Watson stat				0.742433
F-statistic				1816.337
Prob(F-statistic)				0.000000

Table 1.8: Determinants of potential Sales tax in high income states (Fixed effects model)

Dependent Variable: Sales Tax	Coefficients	Std. error	t-statistics	p-value
LDE	0.4041	0.053	7.49	0.000
LNAGRI	0.5342	0.130	4.11	0.008
LCRED	0.2029	0.064	3.13	0.000
Constant	-3.6682	0.909	-4.03	0.000
R^2	0.986			
Adj. R^2	0.985			
Diagnostic tests				
S.E. of regression				0.084086
Sum squared resid				0.770678
Akaike info criterion				-2.03366
Schwarz criterion				-1.80012
Hannan-Quinn criter.				-1.93883
Akaike info criterion				0.726497
F-statistic				2939.496
Prob(F-statistic)				0.000000

Table 1. 9: Determinants of potential Sales tax middle income states (Fixed effects model)

Dependent Variable: Sales Tax	Coefficients	Std. error	t-statistics	p-value
LECON	0.279	0.091	3.06	0.003
LNAGRI	0.722	0.109	6.58	0.000
LCRED	0.366	0.064	5.72	0.000
Constant	-6.498	1.083	-6.00	0.000
R^2	0.987			
Adj. R^2	0.986			
Diagnostic test				
S.E. of regression				0.083277
Sum squared resid				0.416100
Akaike info criterion				-2.03468
Schwarz criterion				-1.80434
Hannan-Quinn criter.				-1.94354
Akaike info criterion				0.83093
F-statistic				1355.701
Prob(F-statistic)				0.000000

Table 1.10: Determinants of potential Sales tax in low income states (Fixed effects model)

Dependent Variable: Sales Tax	Coefficients	Std. error	t-statistics	p-value
LDE	0.110	0.052	2.09	0.039
LECON	0.410	0.068	6.02	0.000
LNAGRI	1.334	0.112	11.88	0.000
Constant	-12.31	0.804	-15.30	0.000
R^2	0.975			
Adj. R^2	0.973			
Diagnostic tests				
S.E. of regression				0.118859
Sum squared resid				1.525759
Akaike info criterion				-1.34082
Schwarz criterion				-1.10602
Hannan-Quinn criter.				-1.24548
Akaike info criterion				0.84747
F-statistic				782.3685
Prob(F-statistic)				0.000000

1.6.5 Sales Tax Effort (inclusive of petroleum tax revenue) Analysis

The potential sales tax is obtained from the estimated coefficients of significant variables. Sales tax effort for the eighteen states is calculated taking a 5-year average of annual sales tax effort from 2012-13 to 2016-17 (Table 1.11). Tax effort index is found to be varying from 49.06 percent to 196.33 percent. States like Assam, Goa, Kerala, Jharkhand, Andhra Pradesh, Odisha, Haryana, Chhattisgarh, and Bihar have tax effort above 100 percent. States such as Madhya Pradesh, Punjab, Gujarat, Uttar Pradesh, Rajasthan, Tamil Nadu, Karnataka, and Maharashtra have tax efforts below 100 percent. The year wise calculation of sales tax effort is given in Appendix 1C.

Table 1.11: Sales Tax Effort (inclusive of petroleum tax revenue)

Tax Effort (2012-13 to 2016-17)		
States	**Tax Effort**	**Rank**
Goa	174.31	2
Haryana	109.63	7
Maharashtra	49.06	18
Kerala	155.49	3
Gujarat	94.49	12
Karnataka	79.51	16
Tamil Nadu	86.83	15
Punjab	95.50	11
Andhra Pradesh	121.14	5
Rajasthan	89.66	14
Chhattisgarh	106.61	8
Odisha	113.38	6
Jharkhand	125.19	4
Madhya Pradesh	99.70	10
Assam	196.33	1
West Bengal	70.27	17
Uttar Pradesh	90.78	13
Bihar	102.98	9

1.6.6 Income classification of States and Sales tax effort

Table 1.12 shows that there is no significant difference between high and middle income states in terms of tax effort. The average sales tax effort of high income states is 105.7 and average sales tax effort of middle income states is 105.09. This finding is a departure from the observation made earlier from SOTR effort, where it is observed that middle income states put greater effort for collecting revenue than high income states. However, low income states perform relatively better in terms of tax effort as compared to both high and middle income states. The average Sales tax effort of low income states is 120.21 percent. Among low income group states the tax effort of Assam is the highest at 269.67 percent. If we exclude Assam, the average sales tax effort declines to 95.30 percent which is lower than both middle and high income states. However, there are states in the low income category that have tax effort above 100 percent. These states are Jharkhand, Odisha and Bihar.

Table 1.12: Sales Tax Effort in High, Middle and Low income states

Sales Tax with petroleum tax revenue effort (2012-13 to 2016-17)			
	States	**Tax Effort**	**Rank**
High Income States	Goa*	118.97	5
	Haryana	112.96	8
	Maharashtra	67.19	16
	Kerala	139.78	3
	Gujarat	109.75	10
	Karnataka	86.30	15
	Tamil Nadu	105.02	11
	Average	**105.71**	
Mid Income States	Punjab	87.84	14
	Andhra Pradesh	126.06	4
	Rajasthan	88.01	13
	Chhattisgarh	118.43	6
	Average	**105.09**	
Low Income States	Odisha	116.03	7
	Jharkhand	141.49	2
	Madhya Pradesh	99.94	12
	Assam	269.67	1
	West Bengal	49.28	18
	Uttar Pradesh	53.54	17
	Bihar	111.52	9
	Average	**120.21**	

In high income category, Kerala (139.78), Goa (118.97), Haryana (112.96), Gujarat (109.75), and Tamil Nadu (105.02) have tax effort above 100 percent. In the middle income category, Andhra Pradesh (126.05) and Chhattisgarh (118.43) have performed relatively better. The year wise calculation of sales tax effort is given in Appendix 1D.

1.6.7 Determinants of Potential sales tax (exclusive of petroleum tax revenue)

In this section, sales tax potential is calculated by excluding petroleum tax revenue from sales tax (Sales tax WP). The results show that electricity consumption, non-agriculture GSDP and developmental expenditure explain the sales tax revenue raising capacity of the states (Table 1.13). The diagnostic test suggests that the model has less estimation error. i.e S.E of Regression is 0.09.

Table 1.13: Determinants of Potential Sales tax without petroleum tax revenue (Fixed effects model)

Dependent Variable: Sales tax WP	Coefficients	Std. error	t-statistics	p-value
LECON	0.4929	0.084	5.84	0.000
LDE	0.1349	0.052	2.57	0.012
LNAGRI	0.4599	0.126	3.64	0.000
Constant	-2.8160	1.195	-2.35	0.021
R^2	0.776			
Adj. R^2	0.725			
Diagnostic tests				
S.E. of regression				0.096451
Sum squared residual				0.809343
Akaike info criterion				-1.666897
Schwarz criterion				-1.1453
Hannan-Quinn criter.				-1.4554
Durbin-Watson stat				1.1619
F-statistic				442.51
Prob(F-statistic)				0.0000

1.6.8 Sales Tax (exclusive of petroleum tax revenue) Effort Analysis

Sales tax WP effort for all states is calculated taking 5-year average of annual sales tax WP effort from 2012-13 to 2016-17 (Table 1.14).

Table 1. 14: Sales Tax (exclusive of petroleum tax revenue) Effort

Sales Tax WP Effort (2012-13 to 2016-17)		
States	**Tax Effort**	**Rank**
Goa*	113.88	5
Haryana	104.28	6
Maharashtra	84.77	15
Kerala	196.62	1
Gujarat	89.93	10
Karnataka	101.97	8
Tamil Nadu	121.80	4
Punjab	89.41	11
Andhra Pradesh	135.38	3
Rajasthan	77.04	17
Chhattisgarh	79.93	16
Odisha	104.01	7
Jharkhand	87.47	13
Madhya Pradesh	76.52	18
Assam	157.21	2
West Bengal	85.43	14
Uttar Pradesh	94.41	9
Bihar	87.85	12

The tax effort index is found to be varying from 77.04 percent to 196.62 percent. The ranking of the states in respect of their relative tax performances shows that states such as Kerala, Assam, Andhra Pradesh, Tamil Nadu, Goa, Haryana, Odisha, Karnataka, Uttar Pradesh, Gujarat, and Punjab have high tax effort. This result is a major departure from the tax effort result of SOTR and sales tax which includes petroleum sales tax revenue.

The tax effort ranking on the basis of sales tax and SOTR (both inclusive of petroleum tax revenues), indicates that low income category states perform better than high and middle income category states. Thus, it indicates that petroleum tax revenue plays an important role in low income category states.

Table 1.15 gives a comparative view of sales tax effort of the eighteen states exclusive and inclusive of taxes on account of petroleum products.

Table 1.15: Comparative view of Sales Tax Effort (with and without petroleum tax)

States	Tax Effort(w/o petroleum tax)	Tax Effort (with petroleum tax)
Goa*	113.88	174.31
Haryana	104.28	109.63
Maharashtra	84.77	49.06
Kerala	196.62	155.49
Gujarat	89.93	94.49
Karnataka	101.97	79.51
Tamil Nadu	121.80	86.83
Punjab	89.41	95.50
Andhra Pradesh	135.38	121.14
Rajasthan	77.04	89.66
Chhattisgarh	79.93	106.61
Odisha	104.01	113.38
Jharkhand	87.47	125.19
Madhya Pradesh	76.52	99.70
Assam	157.21	196.33
West Bengal	85.43	70.27
Uttar Pradesh	94.41	90.78
Bihar	87.85	102.98

1.9 Summary and Conclusion

The study calculates tax effort for SOTR, sales tax and sales tax without petroleum for eighteen Indian states over 2000-01 to 2016-17. A multivariate fixed effect regression model is used in calculating tax effort. From the analysis, the study arrives at some insightful conclusions.

First, in terms of SOTR effort while Goa, Assam, Bihar, Kerala, Madhya Pradesh, Chhattisgarh, Odisha, Andhra Pradesh, Haryana, and Uttar Pradesh are among the better performing states, performance of West Bengal, Rajasthan, Maharashtra, and Tamil Nadu are not encouraging. In terms of income classifications, the low income states turned out to be relatively better performing states as compared to high and middle income states.

Second, in Sales tax effort states like Assam, Goa, Kerala, Jharkhand, Andhra Pradesh, Odisha, Haryana, Chhattisgarh, and Bihar have performed better. It is also found that average sales tax effort of low income states is higher than both high and middle income states. Third, it is found that Kerala, Assam, Andhra Pradesh, Tamil Nadu, Goa, Haryana, Odisha, Karnataka, Uttar Pradesh, Gujarat, and Punjab perform better when sales tax doesn’t include petroleum taxes.

Projection of Petroleum Tax Revenue: 2019-20 to 2024-25

2.1 Methodology

Petroleum Tax Revenue of eighteen Indian states is projected in the following steps. First, Average Tax to GSDP ratio is obtained by taking 3-year average of Tax-to-GSDP ratio from 2015-16 to 2017-18.

Second, using Holt's (1957) exponential smoothing method GSDP is forecasted from 2019-20 to 2024-25. It is argued that a simple moving average method assigns equal weights to all data points which isn't accurate, as recent observations provide more relevant information than the observations in the past. Therefore, the exponential moving average method which follows a decreasing weighting system for distant observations is chosen for forecasting GSDP. Holt method provides good prediction when there is no seasonality along with the presence of a linear trend in a univariate time series data.

The forecasting procedure for Holt's method can be specified as follows:

Level equation: $$\boldsymbol{L_t = \alpha y + (1 - a)(L_{t-1} + b_{t-1})} \quad \textbf{(1)}$$

Trend equation: $$\boldsymbol{b_t = \beta(L_t - L_{t-1}) + (1 - \beta)b_{t-1}} \quad \textbf{(2)}$$

Where, y is GSDP; $\boldsymbol{L_t}$ is the estimated level of GSDP*;* $\boldsymbol{L_{t-1}}$ is the lagged value of $\boldsymbol{L_t}$**.**

$\boldsymbol{\alpha}$ is a smoothing constant used in estimation of level of GSDP; $\boldsymbol{\beta}$ is smoothing constant for trend estimate; $\boldsymbol{b_t}$ is the estimate of the slope of GSDP at *t*; $\boldsymbol{b_{t-1}}$ is the lagged value of $\boldsymbol{b_t}$; $\boldsymbol{m}$ is the period to be forecasted.

GSDP is forecasted for *m* period by adding $\boldsymbol{L_t}$ and $\boldsymbol{b_t}$ which is taken from equation (1) and (2).

Forecast equation: $$\boldsymbol{y^{\wedge}_{t+m} = L_t + mb_t}$$

Third, the tax revenue on account of petroleum products is projected taking forecasted GSDP multiplied with tax-to-GSDP ratio. The petroleum tax revenue is projected from 2019-20 to 2024-25.

2.2 Empirical Analysis

(i) Table 2.1 shows that the average tax to GSDP ratio is highest in Madhya Pradesh (1.87%) and lowest in West Bengal (0.96%) in the last three years (2015-16 to 2017-18). Other states that have high tax to GSDP ratio are Rajasthan (1.74%), Uttar Pradesh (1.62%), Andhra Pradesh (1.60%), etc. This analysis is also depicted in figure 2.1. The projections of tax revenue (on account of petroleum tax) from 2019-20 to 2024-25 and five year annual growth rate of tax revenue for corresponding years are given in Table 2.2.

Table 2.1: Average Tax to GSDP ratio of states

States	Average Tax to GSDP ratio (2015-16 to 2017-18)
Andhra Pradesh	1.60%
Assam	1.29%
Bihar	1.38%
Chhattisgarh	1.48%
Goa	1.20%
Gujarat	1.55%
Haryana	1.58%
Jharkhand	1.49%
Karnataka	1.21%
Kerala	1.41%
Madhya Pradesh	1.87%
Maharashtra	1.25%
Odisha*	1.17%
Punjab	1.55%
Rajasthan	1.74%
Tamil Nadu	1.27%
Uttar Pradesh	1.62%
West Bengal	0.96%

Note: * indicates that the tax ratio for 2017-18 is obtained after excluding Rs. 2934.80 Cr from total collection deposited by IOCL as deferred tax.

Figure 2. 1: Tax revenue from petroleum products (as % of GSDP)

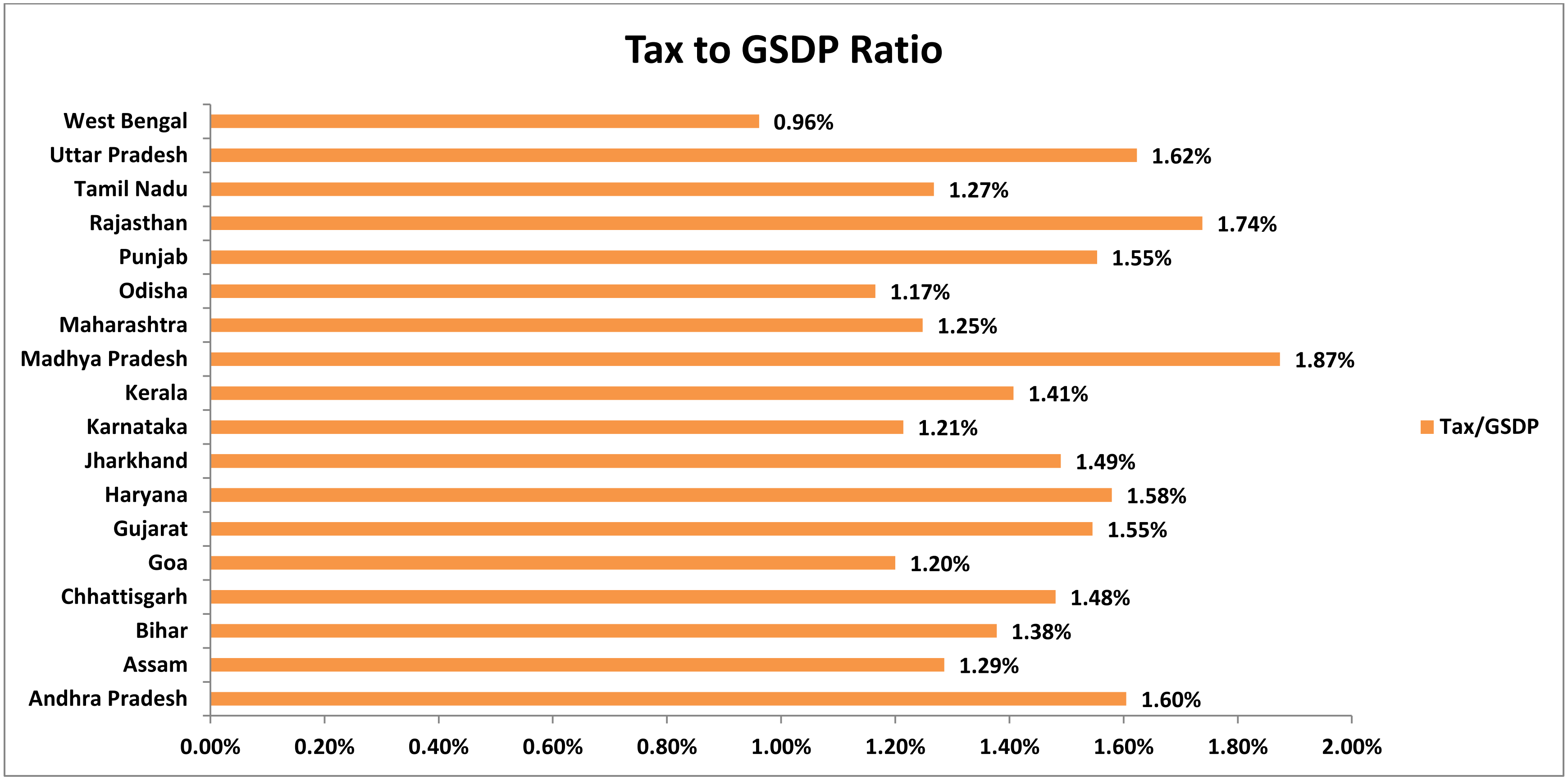


Table 2.2: Projected Tax Revenue from Petroleum products

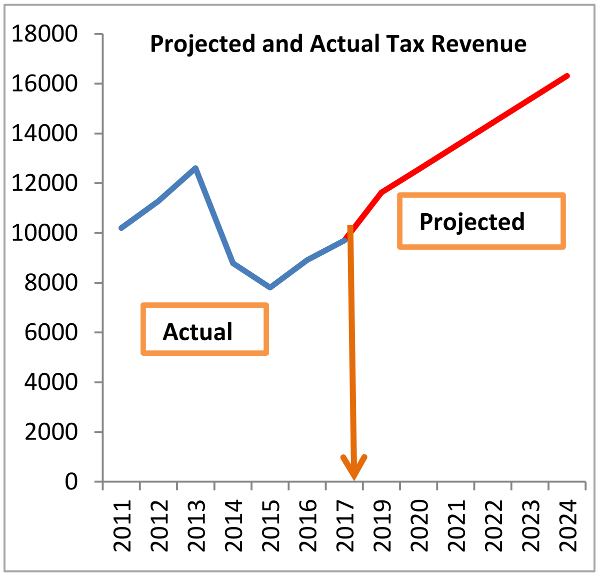
	Projected Revenue from Petroleum products (in Rs. Crore)						
States	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**Annual Average growth rate (2020-21 to 2024-25)**
Andhra Pradesh	11622	12559	13496	14434	15371	16308	7.01%
Assam	3105	3275	3444	3614	3784	3954	4.95%
Bihar	5944	6457	6971	7484	7997	8510	7.45%
Chhattisgarh	3688	3863	4038	4213	4388	4563	4.35%
Goa	709	735	761	788	814	841	3.48%
Gujarat*	19042	20502	21962	23422	24882	26342	6.71%
Haryana	8478	9013	9548	10083	10619	11154	5.64%
Jharkhand	3217	3326	3436	3546	3656	3766	3.20%
Karnataka	13771	14737	15703	16669	17635	18601	6.20%
Kerala	7960	8352	8745	9137	9530	9923	4.51%
Madhya Pradesh	10950	11661	12372	13083	13794	14505	5.79%
Maharashtra	27713	29339	30965	32590	34216	35842	5.28%
Odisha	4354	4513	4672	4831	4991	5150	3.42%
Punjab	6414	6728	7042	7355	7669	7983	4.47%
Rajasthan	12467	13177	13888	14599	15310	16020	5.14%
Tamil Nadu	15375	16147	16919	17691	18463	19235	4.58%
Uttar Pradesh	18859	19878	20897	21917	22936	23956	4.90%
West Bengal	8059	8638	9216	9795	10373	10951	6.33%

Note: * Tax revenue is projected after doing data smoothening of the actual tax revenue with the help of regression method.

(ii) State-wise Tax Revenue Projections from Petroleum Products & GSDP (in Rs. Cr)

A comparative figure of projected and actual GSDP and trends in projected tax revenue compared to actual tax revenue are given in figure 2.2 to 2.19.

Figure 2.2: **Andhra Pradesh**



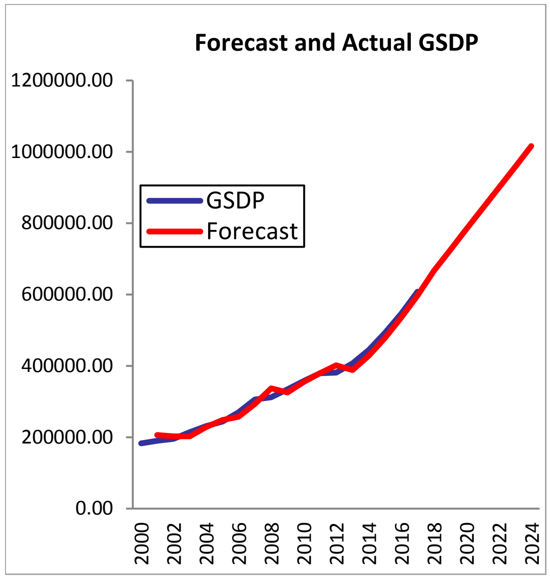
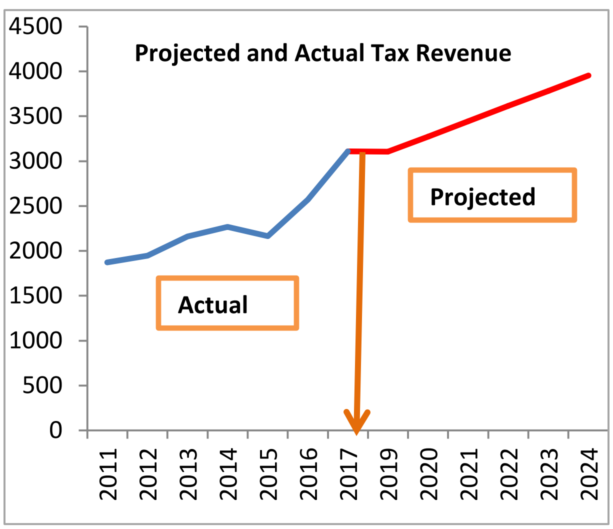


Figure 2.3: **Assam**



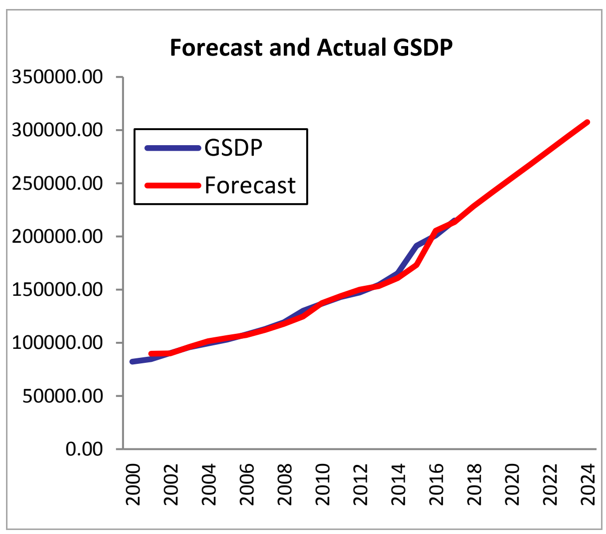
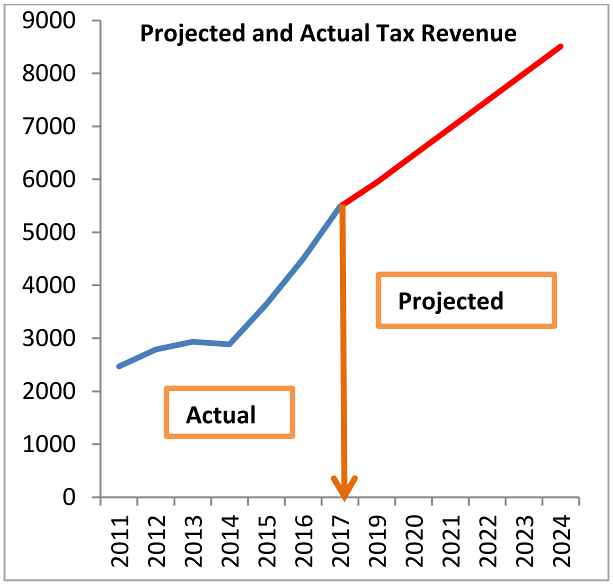


Figure 2.4: **Bihar**



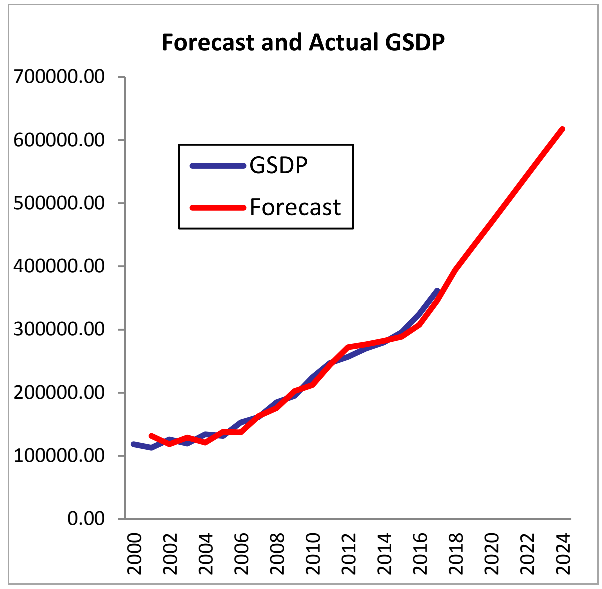
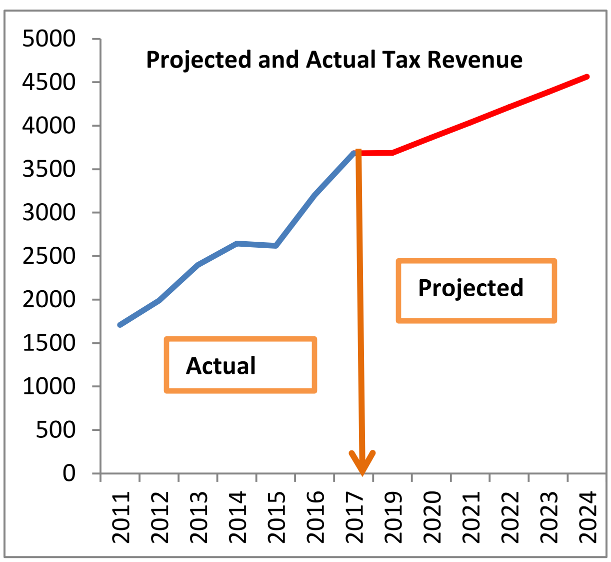


Figure 2.5: **Chhattisgarh**



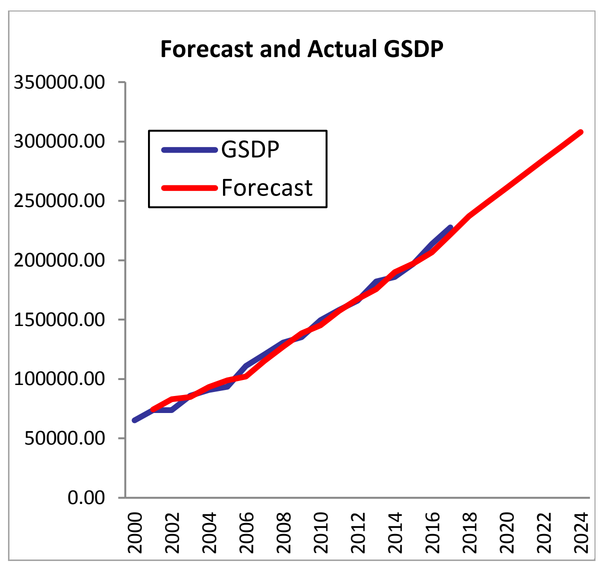


Figure 2. 6: Goa

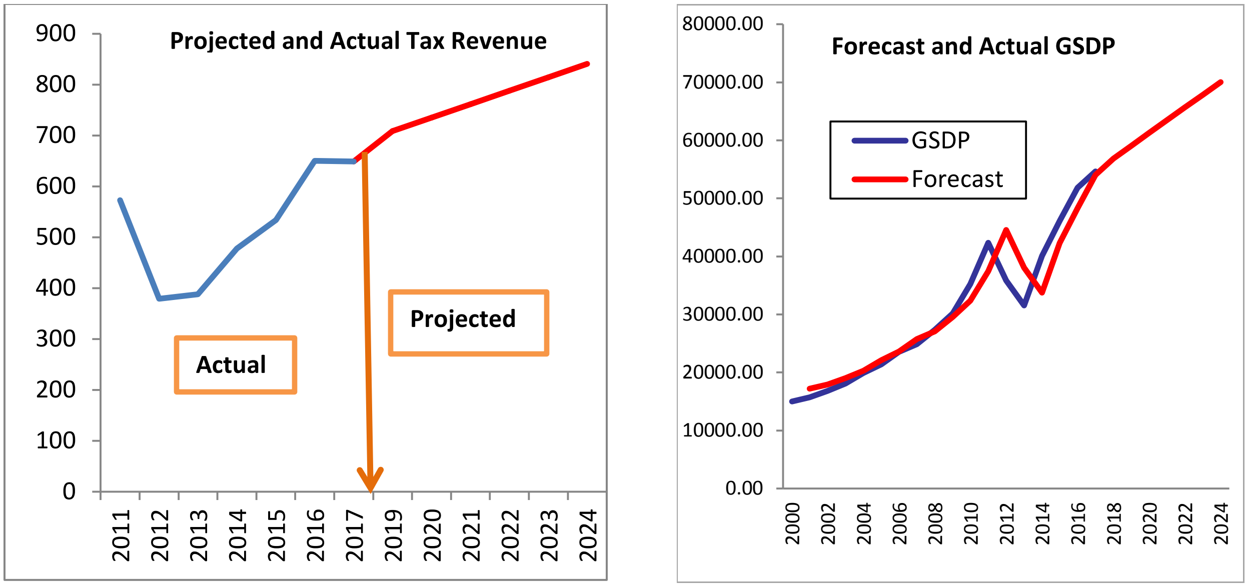


Figure 2. 7: Gujarat

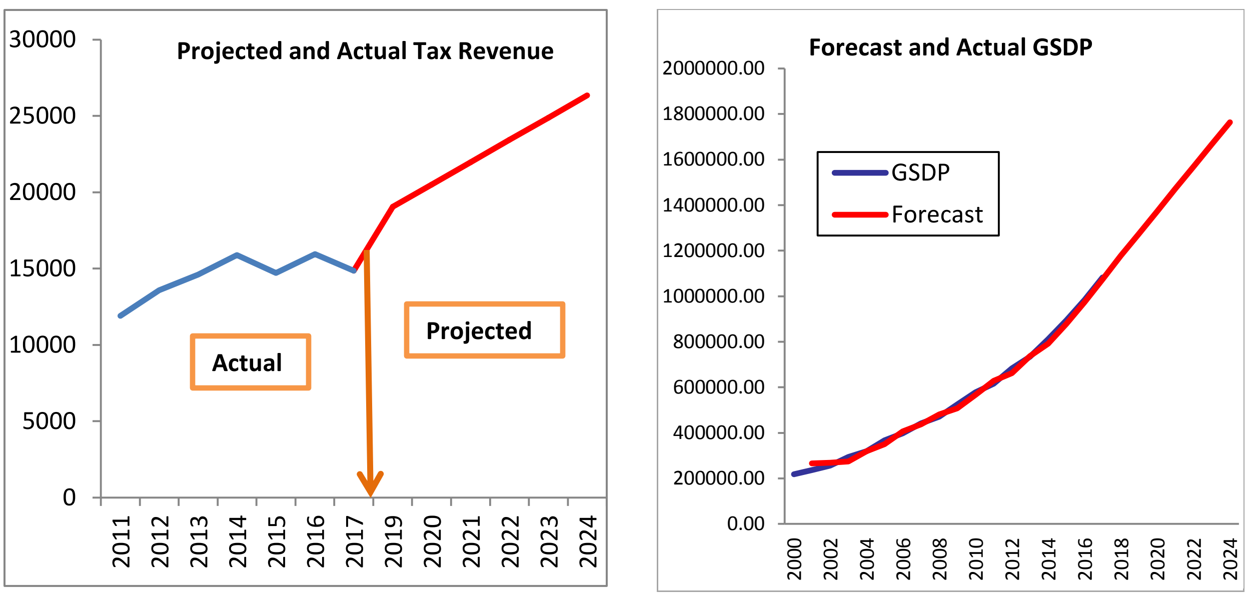
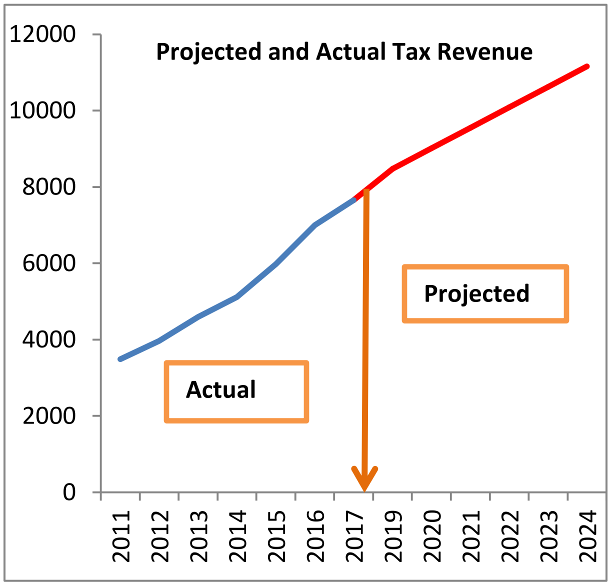


Figure 2. 8: **Haryana**



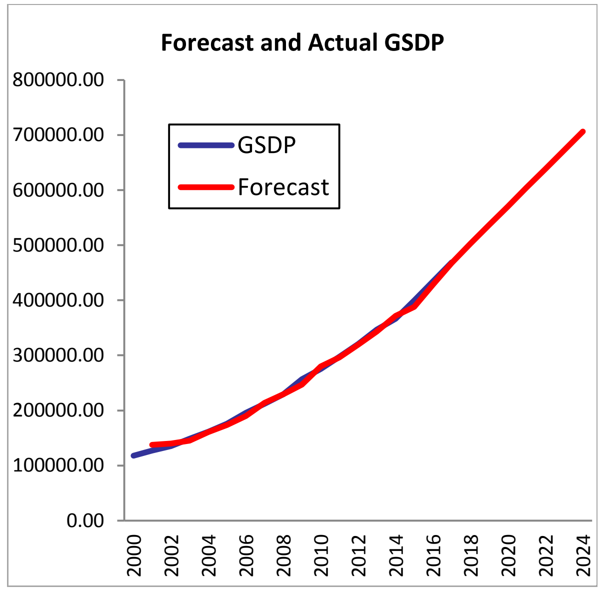
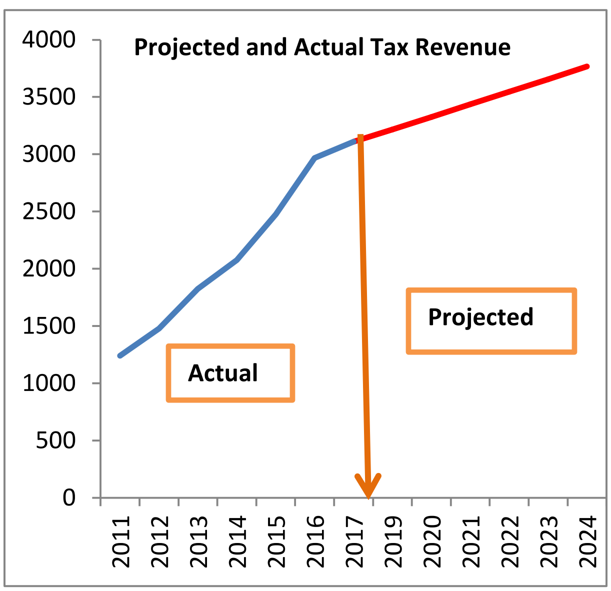


Figure 2. 9: **Jharkhand**



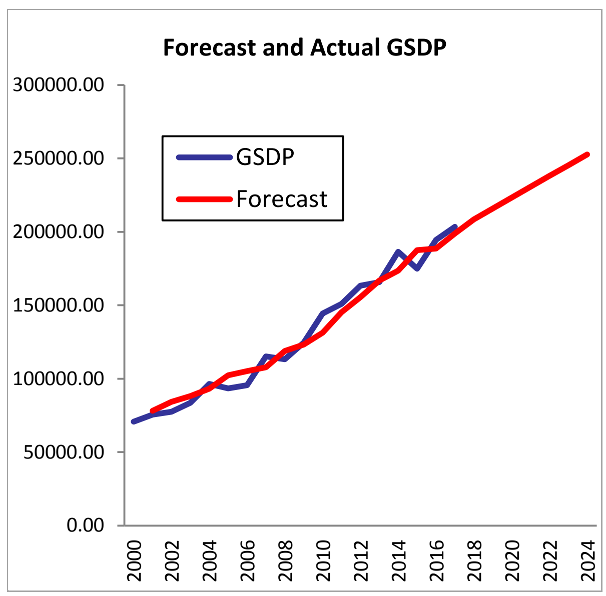
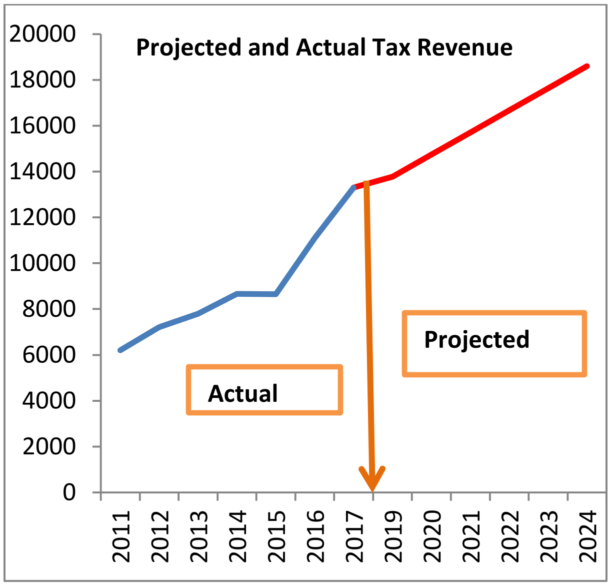


Figure 2. 10: Karnataka



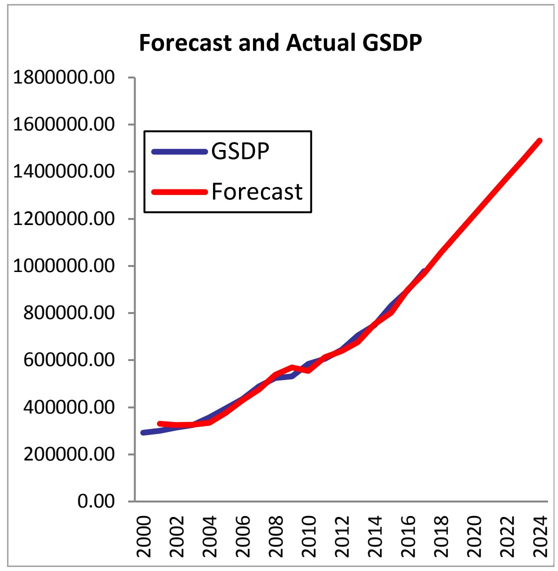
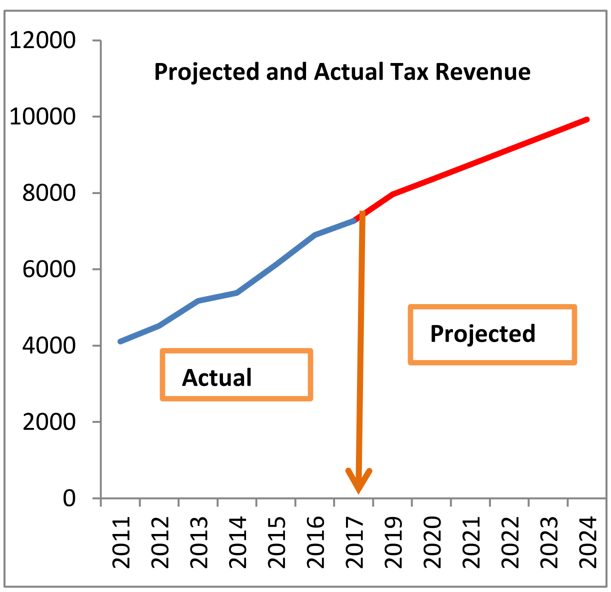


Figure 2. 11: Kerala



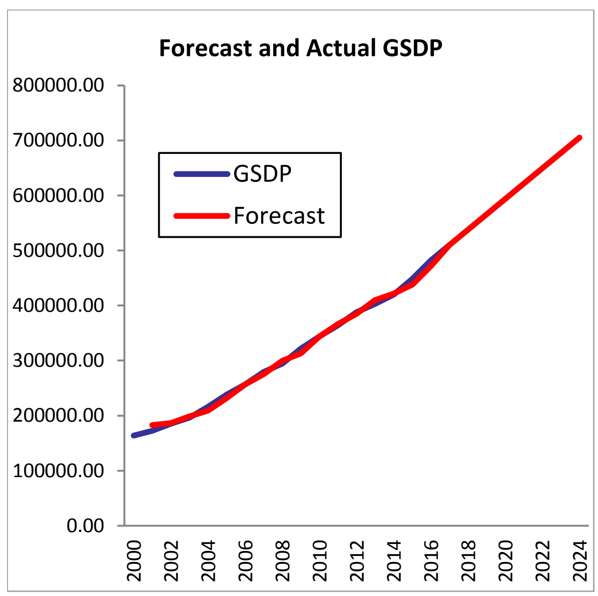
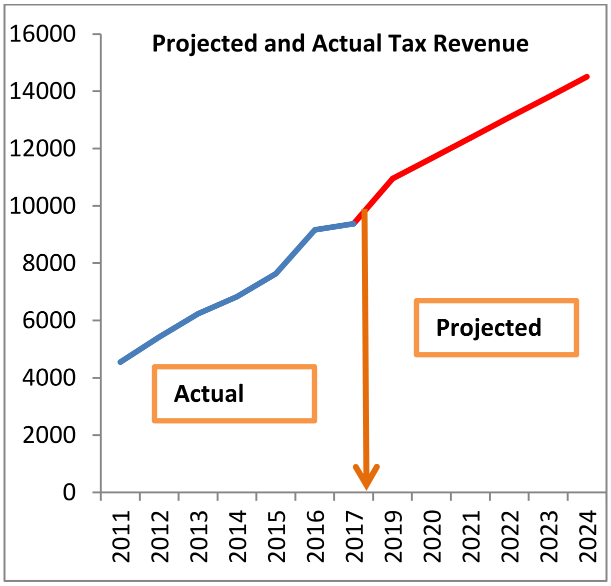


Figure 2.12: **Madhya Pradesh**



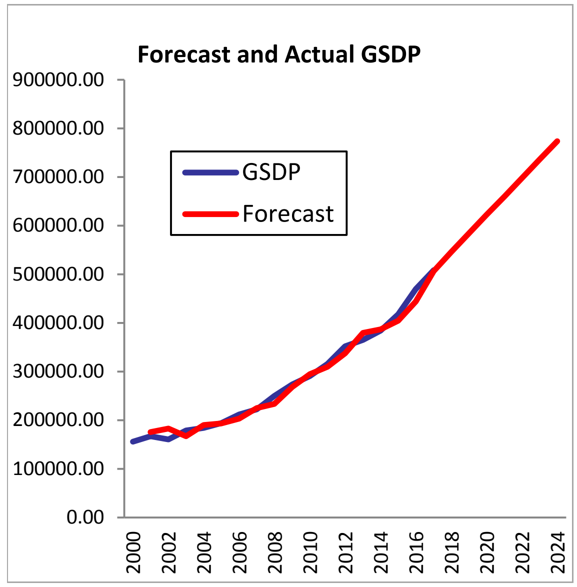
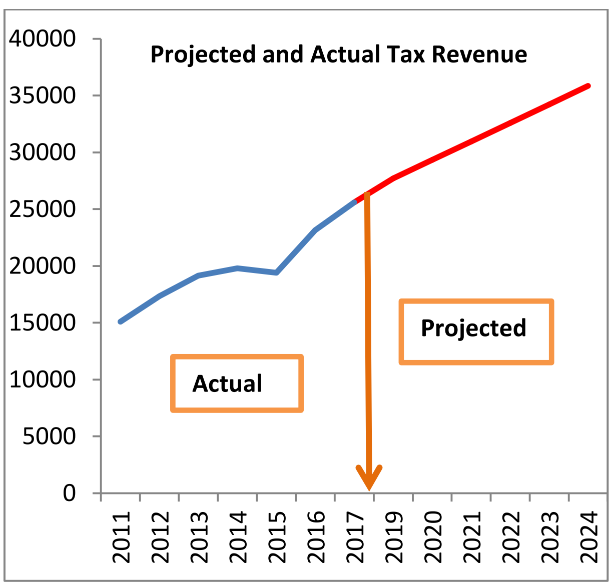


Figure 2.13: **Maharashtra**



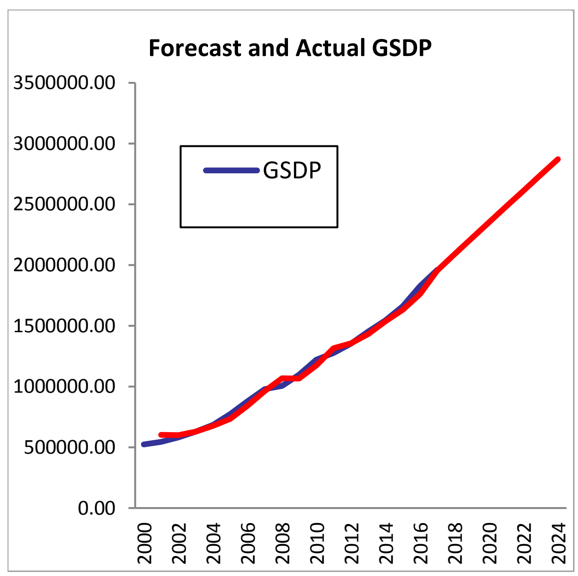
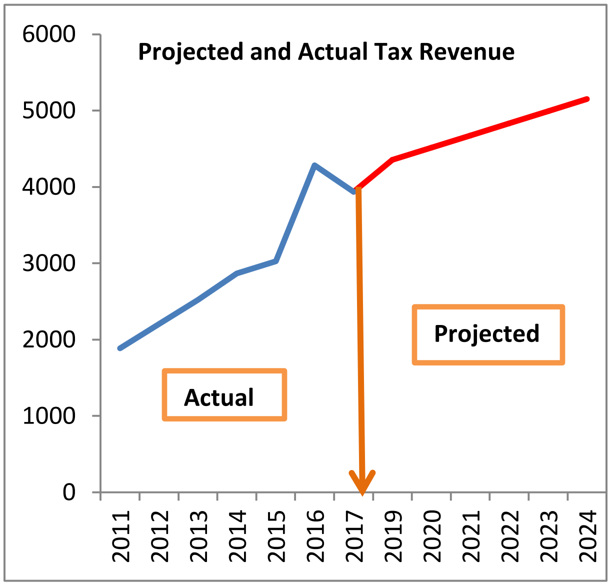


Figure 2. 14: Odisha



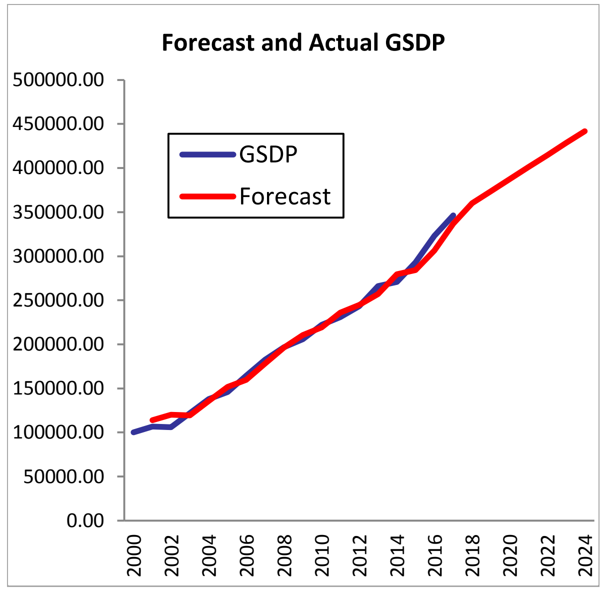
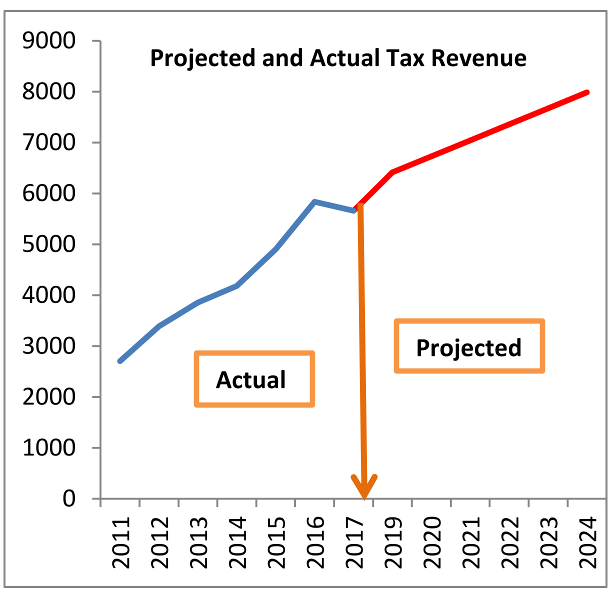


Figure 2.15: Punjab



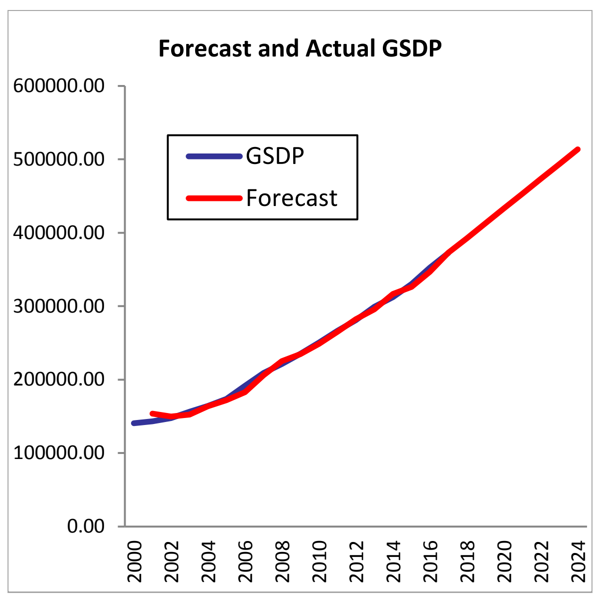


Figure 2. 16: **Rajasthan**

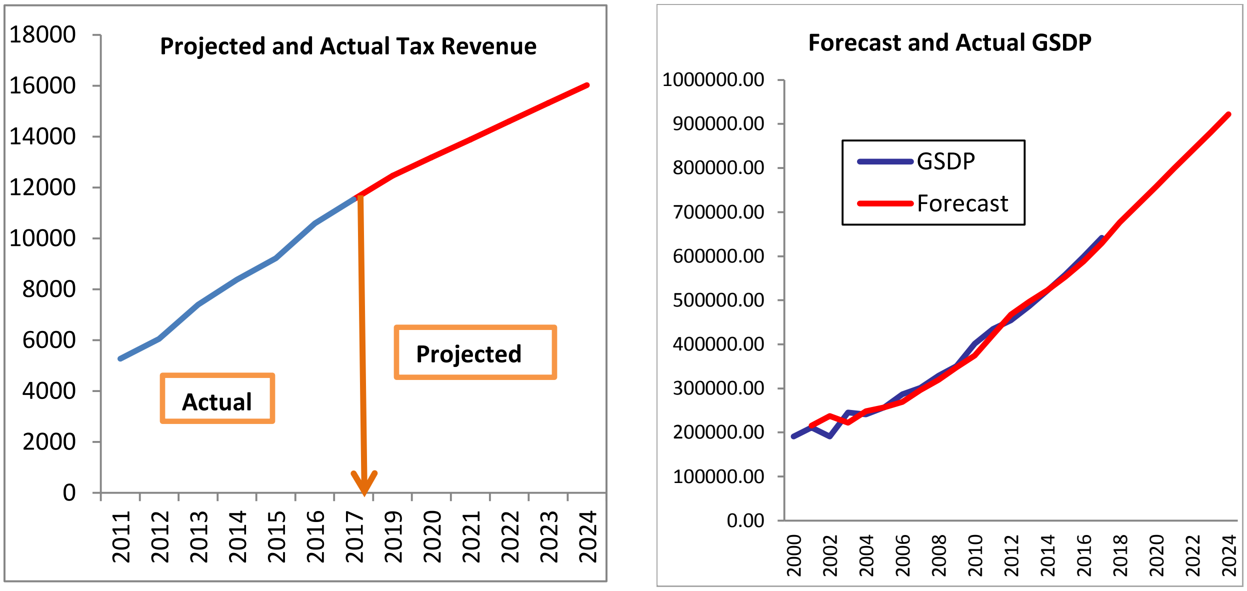


Figure 2.17: **Tamil Nadu**

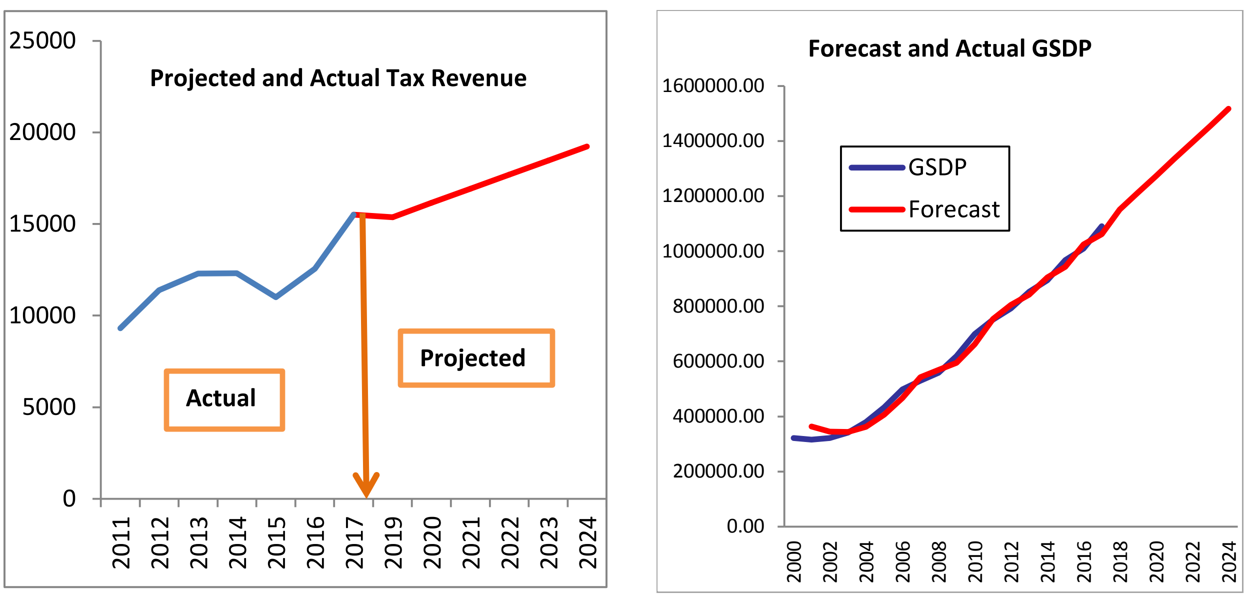
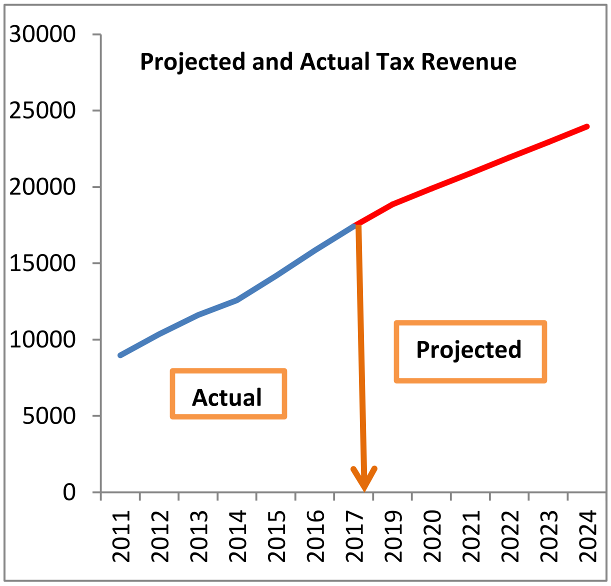


Figure 2.18: **Uttar Pradesh**



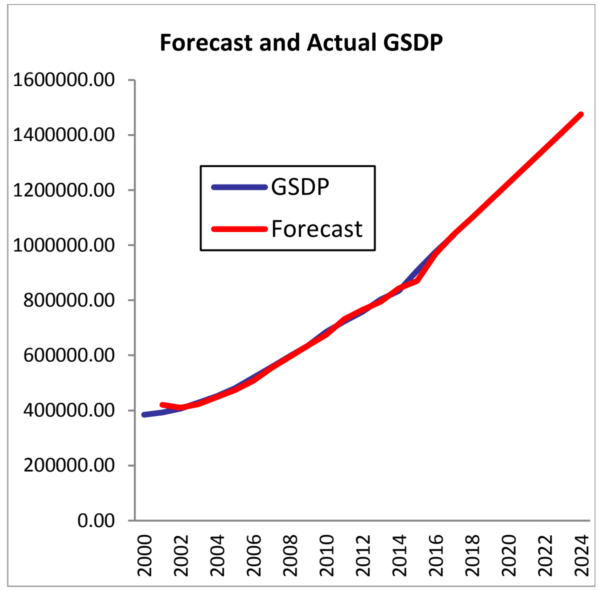
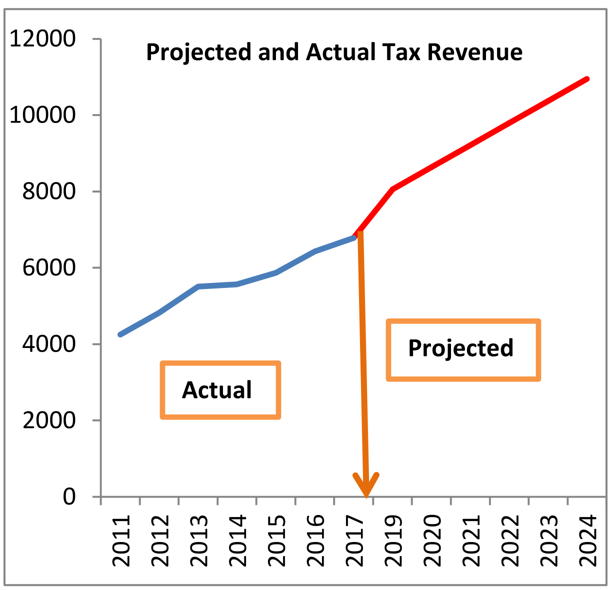
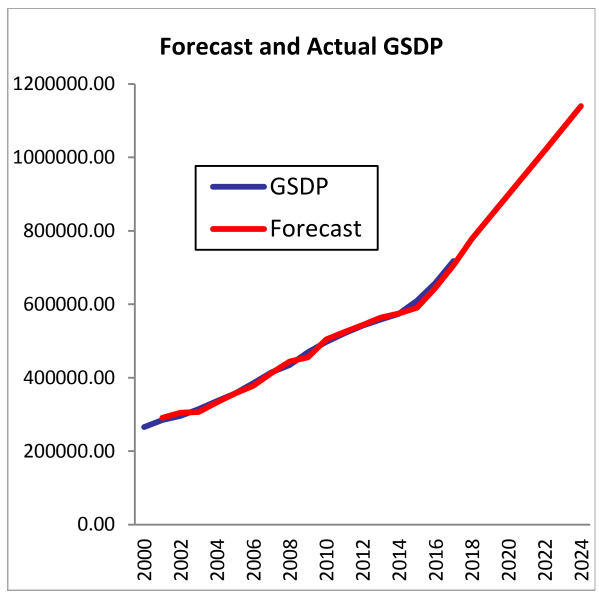


Figure 2.19: **West Bengal**





Measures taken by the individual states to widen and deepen SOTR

3. 1 Andhra Pradesh

FY 2018-19

GST/VAT/Sales Tax

- Special drives were conducted to ensure that no business activities with turnover above Rs. 20 lakh were left unregistered.

Stamps and Registration Fee

- Online issuance of Encumbrance Certificate and Certified Copies free of cost was started from 1st January, 2018. This measure was taken towards bringing the registration services closer to the citizens.
- The provision of e-stamping through Stock Holding Corporation of India has been started, giving additional option to the citizens for payment of stamp duties.

FY 2017-18

VAT/Sales Tax

- Efforts were made to enhance commercial tax collection by using information technology to widen the tax base and also make it easy for assessment and payment of taxes by dealers.
- Internal processes like calculation of interest and penalty, refunds, audits, vehicle checks at the check posts/ on the road, calculations for unilateral assessments, calculating mismatches and issue of notices were made IT based.
- Tabs were employed for vehicle checks and the live data was made available online. Transit pass vehicles passing through AP were photographed and monitored through GPS at entry and exit check posts.
- Comprehensive Financial Management System (CFMS) on the SAP platform was introduced.

State Excise

- A novel programme 'Navodayam', with the object of eradication of illicit distillation, was launched during February 2016 and has met with unprecedented success. 10 districts were declared illicit distillation-free districts and a drive to make the entire State free from illicit distillation was underway.
- HPFS (Hedonic Path Finder System) and IT enabled "Track and Trace System" was implemented successfully covering the entire supply chain of liquor and beer in the State.
- Amendments to the new Excise Policy were introduced in the House during the session.

Stamps and Registration Fee

- Over the past year, the Government has substantially increased transparency level in land registration activity. Towards this end Registration Data Base was integrated with Revenue Data Base and Local Bodies Data Base for easy mutation of properties after registration.
- Andhra Pradesh was the first state to integrate Aadhar with the registration process.
- Online verification of property was allowed through the website of Registration Department. Furthermore, 'anywhere registration' was introduced wherein any property within the State can be registered in any office of the State.
- An Online system of payment of Stamp Duties was initiated. This brought transparency in paying duties and reduced the burden of usage of stamp papers and handling of large amounts of cash by the citizen and sub-registrars.

FY 2016-17

VAT/Sales Tax

- To improve VAT collection, measures like invoice tracking, modernization of check posts, deployment of technology, tax analytics, etc. were instituted.

Motor Vehicle Tax

- System of online applications and registration of vehicles was introduced to reduce the citizen footprint in the Transport offices.

Stamps and Registration Fee

- Technology solutions make it easier for citizens to use the land registration services. Measures like ‘anywhere registration’ and ‘e-Stamping’ were introduced towards this end.

FY 2015-16

Land Revenue

- An initiative has been taken to integrate the Revenue and Registration Records.
- The Government has also started issuing e-Pattadar pass books.
- New software called ‘Sarkar Bhoomi’ has been launched for preparing an inventory of Government lands.

3.2 Assam

FY 2018-19

State Excise

- A number of reform measures including streamlining the license fee structure, rationalizing the number of Dry Days, regulating the opening and closing time of Liquor shops etc., have been implemented.
- The Assam Excise (Amendment) Bill, 2018 was introduced stringent punishment for certain kinds of offences.

Motor vehicle Tax

- Online dealer point registration facility, online licensing, application & fee deposition have been introduced to increase the tax revenues.
- Further, the On-Demand Transport Technology Rule 2017 has come into effect for the regulation of Web based Taxis and aggregators which has generated additional revenue.

Electricity Duty

- Electricity Duty is levied at 5% on ad-valorem basis as against the previous specific duty which is currently at 20 paisa per unit.

FY 2017-18

VAT/Sales Tax

- Online issuance of statutory forms like Delivery Note has been started.
- On the eve of GST implementation, the existing State specific charges levied by oil companies on petroleum products on account of entry tax will get subsumed into VAT so that State does not suffer any financial loss and consumers also do not pay any additional tax. As a result, the tax revenue from petroleum products will be augmented without putting any additional burden on our consumers.

- The State Government has signed an MOU with CBEC/CBDT for sharing information or data on dealers' transactions for bringing efficiency and effectiveness in tax administration.

State Excise

- New Assam Excise Rules 2016 has been notified from 1st September, 2016 which, inter-alia, has shifted the point of levy of excise duty to first point to ensure that only duty paid liquor comes out from manufactories and this has curbed leakage of excise revenue. Besides, MRP based tax has been introduced in case of liquor.
- Policy on production of traditional/heritage alcoholic liquor at commercial level is being made ready.
- Cabinet has also approved amendment in Excise Rules for according status of bonded warehouse to CSD Canteens to enable them to pay excise duty at the time of sale.
- Barcode containing holographic label on the liquor bottles is being implemented after completing the formalities like floating the tenders.
- e-Governance has been taken up under the ASPIRe (Assam State Public Finance Institutional Reforms) Project and all kinds of revenue collection, permits, licenses have been made online and fully digital.
- To deal with the menace of illicit liquor, it is contemplated to make certain offences non-bailable.

Motor Vehicle Tax

- Certain provisions of Assam Motor Vehicle Rules, 2003 have been amended for augmenting revenue. This includes restructuring of fees for Conductor License, Duplicate driving License, Trade License of M.V. Dealers, Agent License, Inspection fee of vehicles on arrival at Dealers point, Registration permission of new model of vehicles.
- Auction of Fancy/choice Registration mark has been introduced.
- Assam Motor Vehicle Taxation Act, 1936 has been amended for effective taxation on ad-valorem basis in case of 2 Wheeler/3 wheeler (Private)/Ambulance (commercial use).
- Online Dealer point registration of vehicle has been successfully initiated.

Land Revenue and Registration

- Online land re-classification was introduced in order to facilitate allocation to industries.
- In eight districts, Mouzadar system replaced Tahsildari system. Sale permission was made online and time bound. Land revenue activities were made online in an integrated manner. Mouzas were computerized. Collection of land revenue is being monitored online.

FY 2016-17

VAT/Sales Tax

- Tax base has been broadened by roping in all the liable dealers and organizations under all Acts.
- Timely payment of tax/TDS by the liable dealers/ departments is being ensured.
- Outstanding tax liabilities of big dealers and trend in revenues of important commodities are being closely tracked.
- Stringent actions like issue of warrant of arrest, attachment of property against habitual defaulters are being taken.
- Regular vigilance activities have been stepped up by forming flying squads at road/railway/airlines/ transporters' godowns and dealers' premises and porous points towards curbing evasion and avoidance of taxes.
- Check-gates operation has been streamlined to check the evasion of taxes.
- Online requisition of delivery note, road permit and dispatch note has been introduced, which can be availed by furnishing details of consignment to be shipped along with consignor, vehicle and transporter details.
- Online application for registration under the Other Taxes on Income and Expenditure (Professional Tax), Luxury Tax (Hotel and Lodging Houses), Amusement and Betting Tax Online refund applications has been introduced for its dealers, tax payers.
- Online refund applications have been introduced.
- Integration with SBI e-pay for collection of taxes has been introduced. This facility has enabled dealers to pay taxes through banks other than the six authorized banks (SBI, IDBI, Union Bank, United Bank, HDFC and ICICI).

- Data centre of the commercial tax department has been renovated and its capacity has been enhanced. In addition to that, existing hardware (that includes server, field level, and networking) has been also upgraded.
- e-services like e-registration, e-payments, e-return, e-issuance of 'C' & 'F' forms amongst others have been introduced to facilitate trade and commerce.
- In order to promote ease of doing business in Assam, to ensure efficient and timely tax collection and to reduce the compliance cost, the Commercial Tax Department has geared itself to adopt a new software system. The NISG (National Institute of Smart Governance) has already been engaged to prepare a DPR for the new software under a World Bank assisted initiative.
- Towards GST preparedness, the state has decided to adopt the Model-2 wherein both the front end and the backend GST software being developed by GST Network (GSTN) through Infosys will be made available to the State. This will help both the department and the trade & industry to have access to a quality IT system.
- To detect and tackle the cases of evasion of taxes and malpractices, a 'Tax Surveillance Wing' has been established.
- To encourage the customers to obtain bills / invoices for goods purchased, the Government proposes to introduce "Submit Bill, Get Prize Scheme". This will enhance compliance on the part of the sellers /dealers, resulting in more revenue to the State exchequer. Further, it is proposed to ban use of thermal paper for issue of bills or cash memos to the buyers.
- Tax rate on readymade gold ornaments which are mainly imported from outside has been hiked from 1% to 2%.
- Entertainment tax rates on admission charges as well as on the service charge collected from the cine-goers have been hiked from 15% to 20% and from 20% to 30%. This will also help the State Government to garner more revenue from Non Assamese Films.
- Rationalization of tax rates on cigarettes based upon the length has been introduced.
- Rationalization in entry tax rates was introduced to protect local trade & industry.
- Shifting of point of tax collection on Foreign Liquor under VAT to collect VAT on liquor on first point of transaction made within the State was introduced.

State Excise

- A committee has been constituted to suggest rates of taxes, both under Excise and VAT for liquor, keeping in mind the associated health hazard and trade diversion.
- The extant excise rules were replaced by the new Assam Excise Rules, 2016 w.e.f. 1st September, 2016. This was to enable the State Excise Department to realize excise duty at the manufacturer point and to curb the movement of non-duty paid liquor. License fee of Country Spirit Retail shops was enhanced. Further, penalty on defaulters was hiked upto 300% of the duty involved.
- The Government decided to provide incentives to the best performing officers for increase in collection of Revenue.
- It was decided to promote Heritage liquor (tribal brews) as licensed item which would be sold through permitted shops and establishments. Besides, government considered licensing of local brews in order to bring in more competition along with increasing income levels of traditional families.

Motor-Vehicle Tax

- The State has introduced Choice/Fancy Registration Mark which will be available for auction over the reserve fee as prescribed against each segment. For instance the reserve fee for number "0001" would be Rs.1,00,000/- for personalized vehicle and Rs. 20,000/- for commercial vehicle and for number "0002" to "0009", the reserve fee would be 50,000/- for personalized vehicle.
- A flat rate of 6% of original cost of 2/3 wheeler personalized vehicles was introduced.

Stamps and Registration Fee

- In order to bring buoyancy in collection, the existing zonal valuation of commercial plots in the heart of urban areas was revalued.
- A court fee stamp for filing tenders in case of State Government and its undertakings was hiked to Rs. 100.
- Rationalization of stamp duty for registration of property in case of women as sole holders or for joint holding. Registration fees were hiked in case of male as sole holders.

- Coverage of e-stamping was expanded to cover ten more districts from the existing two districts.

FY 2015-16

VAT/Sales Tax

- A state of the art IT-enabled taxation system with online tax compliance facilities was created so as to ensure minimum contact between the tax payers and the tax collecting officials. In this process, the ease of business was increased. By doing so alone, leakages were arrested and tax collections was expected by 4-5% of the total collections i.e., to the tune of about Rs 350 crore during the year 2015-16.
- It was firmly resolved to penalise black-marketeers and Government officials facilitating such elements. An Act was enforced to confiscate the properties of such officials who amassed personal wealth disproportionate to their known sources of income. In addition, they would be asked to upload the photographs of their owned residential houses on the website to act as deterrence for those involved in corrupt activities at the cost of state revenues.
- To encourage the tea exports, earlier benefit of Rs 6 per kg of made tea from Agricultural Income Tax was given if exported through Inland Container Depot (ICD), Amingaon upto 2014-15. To encourage the export of tea through the ICD, this benefit was extended to the tea industry for three more years i.e, upto 2017-18.
- There was a need to increase the sale of tea through the prestigious Guwahati Tea Auction Centre (GTAC) to ensure more competition and increase the levels of tax compliance. Accordingly, VAT on private sale of tea was increased from 1% to 2% while retaining the rate of 0.5% of VAT on auction sale in GTAC.
- Assam Agriculture Income Tax (AAIT) Act stipulates the taxation of several agricultural commodities including tea. In the past it had allegedly hampered the efforts of progressive farmers to produce high value crops like vegetables, horticulture, floriculture, etc. In order to boost agriculture and incentivize these farmers, all agriculture commodities were exempted from tax under AAIT Act. However, Government continued the taxation under this Act for tea without proposing any additional burden.

- Earlier Input Tax Credit (ITC) had been disallowed in case of inter-State sales of goods made out of locally bought/manufactured goods. This had been done to compensate the loss of revenue on account of reduction of CST rate to 2% from 4%. However, this resulted in trade diversion and made the local traders less competitive. After careful consideration ITC disallowance was withdrawn with the objective of prompting activity of manufacturing and trade in Assam.
- Earlier, the raw materials sourced from outside of the State but not locally available had been exempted from Entry Tax. I reiterate that the same facility would continue and take steps to ensure that the necessary orders are issued at the earliest.
- Industry status was given to the Hotel business and the plant and machinery to be imported from outside were exempted from Entry Tax.
- Smoking is injurious to Health. Therefore, a cess of Rs.1 per pack of cigarettes was imposed to raise funds for improving Health Services in Assam.
- The system of taxation on the liquor sold in the bars and restaurants was very complex and difficult to administer and therefore resulted in less compliance. Therefore, the tax system was rationalized by putting a turn-over tax on the liquor consumed at the rate of 6% on the whole without any credit.
- To encourage the local jewellery over the rest and also incentivize the local goldsmiths in Assam. VAT on Locally handmade jewellery made out of gold and silver of these items was reduced from 1% to 0.5%.
- For the benefit of women, tax on any item being used by the women was not increased. Further, to encourage women artisans, embroidery or jari, chumki, beads, etc. from was exempted from payment of VAT. Glass bangles and sarees not exceeding the value of Rs. 500 were exempted from VAT.
- Articles of student use like pens, pencils and school bags were exempted from tax.
- Drugs being used in cancer treatment and medicinal oxygen were exempted from VAT.
- Luxury Tax on hotels and restaurants was restructured to improve the ease of business and also increase the tax compliance. Besides, relief was given to the low budget hotels. Accordingly, the existing slab for exemption of luxury tax on room tariff was increased from Rs 1000 up to Rs 2000/-. However, the next slab would be from Rs 2000/- up to Rs.

5000/- with rate of luxury tax of 10% and for the room tariff of more than Rs 5000/- , the luxury tax would be at the rate of 14%.

Entry Tax

- The vehicles supplied by Government of India as part of the central government schemes for the purpose of official use of the State Government were taxed under Assam Entry Tax. Since this was for Government use, such vehicles were exempted from Entry Tax.

State Excise

- Fees and taxes on liquor were substantially hiked with a view to discourage alcoholism and spread of bar and liquor shops.
- Various license fees were hiked and application fee was introduced. Additional revenues on this account were pegged at Rs. 600 crore.
- To increase the competitiveness of the local entrepreneurs and help them to export liquor to other states Accordingly, the Export fee of IMFL was reduced from existing Rs 50/- per case to Rs. 5/- and was made at par with the neighboring states like Meghalaya.

Motor Vehicle Tax

- Since motor vehicle taxes had remained unchanged since 2011 and permit fees had not been changed in the last 11 years, certain revisions were enforced. For the benefit of the low income groups, no changes were proposed to MV Tax on Non-Transport (Personalized) two wheelers and three wheelers.
- MV Taxes on three wheeler transport vehicle (commercial)-passenger and goods, commercial three wheeler and four wheeler vehicles with passenger carrying capacity upto 30 persons, tax on tractors, trailors, mechanical crane mounted on motor vehicles were not hiked.
- One Time Tax (OTT) on all new four wheeler vehicles costing up to Rs 12 lakhs was raised by: just 1% from the existing rates; 1.5% over the existing rates for vehicles costing between Rs 12 lakhs and upto Rs 15 lakhs; 2% for those costing Rs 15 lakhs and upto Rs 20 lakhs; by 4% for those costing Rs 20 lakhs and upto Rs 30 lakhs; and by 6% for those costing above Rs 30 lakhs.

- As regards old vehicles required to be registered in Assam on transfer from other States, the OTT fixed earlier in 2011 is not proposed to be changed. However, it has been experienced that OTT being fixed after allowing for depreciation for vehicles which are less than 5 years old and those 5-10 years old and not provided anything for vehicles above 10 years and up to 15 years. Now I propose to cover such vehicles for imposing OTT after allowing for depreciation @ 12% per annum of tax payable.
- The annual MV tax on commercial vehicles with passengers carrying capacity more than 30 persons was increased from Rs 12000/- plus Rs 110/- per every additional seat more than 30 to Rs 14,400/- plus Rs 130/-; for Omni Tourist Bus from Rs 15000/- to Rs 18000/- ; for Deluxe/Super Express Bus from Rs 12000/- plus Rs 120 for every seat above 31 to Rs 14,400/- plus Rs 145 and for All Assam Super Deluxe Contract Carriage from Rs 50000/- to Rs 55000/-.
- The annual tax of vehicles used for carriage of Petroleum Products, LPG, CNG and Hazardous goods was increased as follows: For authorized to carry less than 9 MT, the rate was increased to Rs 12000/- from Rs 10,000/-; for more than 9 MT and up to 12 MT, the rate was increased to Rs 14,400/- from Rs 12000/-; for 12 MT and above, the rate was increased to Rs 16,500/- plus Rs 500/- for every additional MT from Rs 14,000/- plus Rs. 450/-.
- Permit fees were raised marginally. This would result in additional revenue of Rs 15 crore.

3.3 Bihar

FY 2018-19

GST/VAT/Sales Tax

- ❖ Continuous efforts were made to clear all the dues on account of pending refund claims. Co-operation of the exporter community was solicited to ensure that they exercise due diligence while filing GSTR 1 and GSTR 3B returns as well as Shipping Bills.
- ❖ Extensive outreach programmes were conducted along with issuance of guidance circulars, advisories, FAQs, advertisements etc. An alternative procedure involving manual interface was provided where the errors could not be corrected online.
- ❖ The efforts have shown positive results. The exporting community was assured that all their eligible refund claims will be sanctioned without any delay. Further, the export bodies were also requested to put out only verified figures in their press communication as unsubstantiated reports would cause needless alarm amongst the exporters.
- ❖ With taxpayers self-assessing and availing ITC through return in FORM GSTR-3B, the last date for availing ITC in relation to the said invoices issued by the corresponding supplier(s) during the period from July, 2017 to March, 2018 is the last date for the filing of such return for the month of September, 2018 i.e. 20th October 2018.

Stamps and Registration Fee

- ❖ 25 new data centre with modern archives were created in regional offices in 2018-19, taking the total to 330.
- ❖ Using aerial photography maps for land survey in 35 districts were drawn.
- ❖ Pilot project on online portal for observation of compensation payment was initiated Patna and Vaishali districts.
- ❖ Online registration application was mandated for registration under Society Registration Act, 1860 and Self Help Groups and Indian Partnership Act, 1932.
- ❖ e-stamping and e-collection system were introduced at all registration offices.

State Excise

- 68280 licenses were issued to promote palm tree products.

FY 2017-18

VAT/Sales Tax

- For better accessibility new regional commercial tax office was established at Supaul district of Bihar.
- All regional offices of commercial tax department were digitized to facilitate online registration, payment of tax, road permit for state and inter-state transport etc.
- Tax rate on commodities list on schedule III of Bihar Value Added Tax ACT, 2005 was hiked from 5% to 6% and from 14.5% to 15% for indeterminate or uncategorized commodities.
- GST Cell was constituted and training of officials by trainers was done towards the implementation of GST regime.

State Excise

- The production, distribution and sale of country liquor was banned with effect from 1st April 2016. Further, foreign liquor was banned with effect from 5th April 2016.
- Bihar Prohibition and Excise Act, 2016 was introduced on 2nd October 2016 to prevent illegal sale of alcohol.
- For making the ban on fake sale of judicial commodities effective, the sale system of court-fee stamps was made by the franchising system in the state's district and the bureau courts and all the subdivision courts including the Patna High Court.

Motor Vehicle Tax

- Government of Bihar vide notification dated September 26, 2017 amended the Bihar Motor Vehicle Rules, 1992. Vide this amendment license fees payable under Bihar Motor Vehicle Rules, 1992 were revised as under-
  - Conductor’s licence Rs. 170/-
  - Fee for temporary registration certificate and time extension Rs. 20/-

        - for 2/3 wheelers Rs. 130/-
        - for L.M.V. Rs. 280/- o for M.M.V. Rs. 480/-
        - for H.M.V. Rs. 680/-
    - Fee for inspection of Motor Vehicle at the time of transfer of ownership Rs. 500/-
    - Fee for test for grant of learners license Rs. 170/-
    - Fee for test for grant of driving license Rs. 500/-
    - Fee for issuing medical certificate Rs. 100/-

Stamps and Registration Fee

- The provision of 1% with a maximum limit of Rs. 2000 as concession was introduced to promote online payment of stamp duty.
- 'May I Help You' booths were set up in all registration offices to assist with queries related to registration of documents.
- Registration fee on educational and medical treatment loans was reduced from 2% and 1% respectively to 0.5%.
- 5% concession was provided upon registration of transfer deed on the name of women.
- Records related to documents or deeds of Registration office since 1795 were made fully digitized.

Land Revenue

- Online filing dismissal process was introduced in 45 urban areas with effect from 1st December 2017.
- Land records of 30 districts were computerized and land records of rest of the districts were planned to be updated by December 2017.
- In 305 of the 534 regional offices, new data centres with modern archives were established with the objective of storing land and revenue related records.

FY 2016-17

VAT/Sales Tax

- Tax rate of 10 commodities was raised from 5% to 13.5%. For uncategorized commodities under Bihar Value Added Tax ACT, 2005 the rates were raised from 13.5% to 14.5%.
- Tax on petrol and Diesel was hiked from 20% to 30%.
- The Bihar Taxation Dispute Resolution Act, 2015 was implemented for a period of three months for settlement and lump sum resolution in matters related to old dues.
- The Bihar Taxation Dispute Resolution Act, 2016 was introduced to resolve old pending cases.
- All transit services were transferred to the same website i.e., www.biharcommercialtax.gov.in for the convenience of businessmen and entrepreneurs. Macro Excel Based VAT Return Templates were introduced which enabled to correct errors being made in online returns.
- The Central Sales Tax rate on the intermediate sale of the items manufactured by the registered small and medium industries, the registered micro-industries was reduced to 1 percent.
- The road license (D-VIII) fee was increased to Rs 2 lakh due to increase in the movement of goods.

Professional Tax

- Professional tax base was further expanded while amending the Bihar Professional Tax Act.

State Excise

- Free of cost payment gateway was initiated to collect taxes charged against prohibitory products.
- Tax payment through challan, debit/credit card and net banking facilities were introduced for general public.

Motor Vehicle Tax

- Transport department introduced e-payment gateway to facilitate hassle-free tax payment by the commercial vehicle owners through the State Bank of India portal. Tax payment through internet banking debit card or credit card of all commercial banks was to be initiated.
- Two fully computerized Automated Inspection & Certification Centres were established under the 12th Five Year Plan. This resulted in issuance of fully computerized and self-generated vehicle condition certificate.

Land Revenue

- Land records were updated through Cadastral survey to prepare khatian for fixing rent.
- Data Center-cum-modern archives were established, so that the land records of each zone could be easily accessible to the land owners. In this regard, modern equipments were installed at all the data centers and modern archives.
- Under the digitization process of survey maps, digitization was completed for Cadastral survey of all 38 districts and revisional maps of 28 districts.
- Revenue maps of all districts were completed and the work of digital revenue map supply of all the sadar regions of the remaining districts was underway.

FY 2015-16

VAT/Sales Tax

- Towards prevention of tax evasion and to augmenting tax collection posts for 901 commercial tax inspectors were created.
- In order to promote tax filling and tax payment, highest tax paying businessmen were given cash prize under Bhamashah Samman Yojna.

State Excise

- PET bottles were mandated for the production and distribution of country liquor in order to prevent illegal sale.

- e-challan was introduced to prevent tax fraud and payment of license fee through fake challans.

Stamps and Registration Fee

- Fracking system was introduced at the high court, district and session court for the sale of court-fee stamps to prevent sale of fake ones.
- Registration process was computerized at all the registration offices. Further, to strengthen the registration process, Score-3 software was introduced.

FY 2014-15

VAT/Sales Tax

- The amount of road permit on-line facility used for provincial transaction was raised from Rs.50,000 to Rs.75,000 and it was raised to Rs.1 lakh for businessmen using electronic invoicing approved by commercial tax department.
- Reimbursement of VAT to businessmen was made online and direct.

Motor Vehicle Tax

- Transport department introduced e-payment gateway to facilitate hassle-free tax payment by the commercial vehicle owners. This facility was started in 11 districts through the State Bank of India portal.
- To promote women empowerment women were fully exempted from paying motor vehicle tax on commercial vehicles such as taxi, motor cab, maxi cab etc.
- Persons with disabilities were exempted from paying motor vehicle tax.

Stamps and Registration Fee

- The work of supply, installation, wiring and networking of hardware was undertaken for the purpose of updating and distribution of the Khatian.
- Online filing process was initiated to make data available online.
- Government decided to remit 100% stamp fee parable for registration of lease deeds executed by state governments/ Bihar State Sugar Corporation Limited for the purpose of reviving closed sugar mills or establishing new units.

3.4 Chhattisgarh

FY 2017-18

VAT/Sales Tax

- Consumers would get 0.5 percent tax relief in case of payment through digital mode except for specified articles like cement, steel, coal, diesel, petrol, kerosene, motor vehicle, pan masala, tobacco products. This arrangement was to operate till the time GST is implemented.

FY 2016-17

VAT/Sales Tax

- Cycle and cycle parts, brooms, mops, brushes and wipers were exempted from VAT.
- In order to create a level playing field for local retailers competing with online retailers, VAT on mobile phones was reduced from 14% to 5%.
- VAT rate on iron ore, pig iron, sponge iron, iron ore pellets, ingots, billets and ferro-alloys was reduced from 5% to 2% in order to promote state's steel industry.

FY 2015-16

VAT/Sales Tax

- Traders having an annual turnover of up to Rs. 1 crore were exempted from filing quarterly returns.
- e-payment of taxes was made compulsory for all tax-payers. VAT on rerolled products was reduced to 4%.
- All industrial inputs, including lubricants, light diesel oil, and electrical panels, were brought in the 5% VAT slab.
- Exemption from Entry Tax to the micro, small and medium enterprises sector was extended to investments in plant and machinery up to Rs. 5 crore, as against the existing exemption limit of Rs. 1 crore.
- Bio-toilets were exempted from VAT and Entry Tax.

- In order to incentivize fast-track construction of affordable housing, precast and monolithic concrete products have been exempted from tax.
- VAT on aviation turbine fuel was reduced to 4%.

FY 2014-15

VAT/ Sales Tax

- VAT on bicycle and its parts manufactured by local industries were reduced from 5 per cent to 2 per cent.
- With a view to make small and medium scale iron & steel industries competitive, Central Sales Tax on goods manufactured by them was reduced from 2 per cent to 1 per cent.
- With a view to encourage use of U.P.V.C. as an alternative to wood for making doors and windows, VAT on U.P.V.C. was slashed from 14 per cent to 5 per cent.
- With a view to make soybean based local industries competitive, VAT of 5 per cent on soybean used as raw material in these industries was waived.
- To encourage cottage industries set up by Self -Help Groups (SHGs) in the State, products manufactured by them were exempted from VAT.
- Tractor trolley to be made tax free.
- With a view to encourage self-certification and voluntary compliance among dealers, requirement for inspection before registration was done away with from 1st January 2014. Dealers could obtain registration on the basis of self-certified affidavits.
- Dealers who were not required to pay tax under any taxation act, dealing in tax-free goods, were exempted from registration and departmental purview under VAT Act.
- Small dealers, doing sale and purchase with annual turnover of upto Rs.10 lakh, were already exempted from registration under VAT Act. The annual turnover limit of Rs.10 lakh, determined in 2006 was increased to Rs.20 lakh. This rationalisation exempted nearly 20,000 small dealers from department's purview.

Entry Tax

- Entry tax was waived on "Iron Ore Pellets" and "Billets" imported by small and medium steel industries from outside the State to ensure adequate supply of raw materials to them.

- Entry tax on "Coking Coal" imported by Bhilai Steel Plant was reduced from 6 per cent to 1 per cent.
- Entry Tax on Bauxite was reduced from 3 per cent to 1 per cent.
- In order to facilitate speedy expansion of communication network, Entry tax payable by Telecommunication companies was reduced from 4 per cent to 1 per cent.

Stamps and Registration Fee

- In order to facilitate revival of sick industries, Stamp duty of 5 per cent on purchase of such industries, being levied then, was waived.
- Stamp duty was waived for exchange of plots and buildings of same value within the State; in case of difference in the value, stamp duty at 5 per cent of the difference was to be levied.

3.5 Goa

FY 2017-18

VAT/Sales Tax

- In view of the enhanced spending and provisions made for various existing and new initiatives in the budget, VAT rate on Motor Spirit was enhanced to 15%.
- Reimbursement of VAT on aviation turbine fuel, in excess of 01% was introduced. A detail scheme was formulated in this regard.
- As a green initiative, VAT on sale of electric vehicles was exempted.
- Input Tax Credit was allowed on sale of mineral ore.

State Excise

- A levy was introduced on the molasses being used by the sugar industry. A licensing fee of Rs. 25,000 was imposed on possession and sale of molasses. Further, a fee of Rs. 25,000 for processing the application was also fixed.
- Levy of an additional fee of Rs.1 lakh was imposed on the manufacturer of high bouquet spirits importing concentrated alcoholic beverages for the purpose of sales to other manufacturers within or outside the State. An export fee of Rs.10 per bulk litre would be levied on the sale.

Motor Vehicle Tax

- The moratorium on registration on rent-a-bike or two wheeler taxis was lifted.
- Electric vehicles were exempt from paying motor vehicle tax.
- For old four wheeler vehicles of more than 15 years old, whose registration was cancelled, Road Tax paid on the old vehicle was allowed to be adjusted against registration of a new vehicle.

Stamps and Registration Fee

- Processing fee of Rs. 10,000 was imposed on processing documents for registration of partnership firms. The same for all types of societies and registration of women self-help groups was rationalized.

Land Revenue

- Digitization of all property transactions was initiated in order to maintain inventory of all property transactions and to streamline the registration of properties.

FY 2016-17

VAT/ Sales Tax

- The rate of VAT on Motor Spirit was hiked from 15 percent to 22 percent.
- The rate of VAT Aviation Turbine Fuel was hiked to 18 percent.
- VAT rate on Re-gasified Liquefied Natural Gas used by industries was hiked from 20 percent to 30 percent.
- VAT on luxury cars and SUVs was hiked from 12.5 percent to 15 percent.
- Under Goa VAT Act, 2005, while preferring Second Appeal before the Administrative Tribunal, the appellant dealer has to deposit an amount of 50% of the disputed dues. But for filing First Appeals before the authority concerned, no such money is collected in the absence of an enabling provision in the Goa VAT Act, 2005. Therefore, Goa VAT Act, 2005 was amended to provide for such deposit at the rate of 10% of the disputed dues, in First Appeal.
- A settlement scheme was formulated to reduce the disputes in various courts and with appellate authorities.
- Rules related to ITC were revisited and amended.

Entry Tax

- The levy of Tax on Entry of Goods in respect of empty glass bottles used for beer and alcoholic drinks carbonated or having strength below 10% v/v was introduced.

State Excise

- Excise Duty on Indian Made Foreign Liquor (IMFL) and Beer other than milk punch and wines manufactured in the State of Goa or imported from the rest of India or from outside India and sold in the State of Goa was hiked along with other license and excise fees.
- Import fee on bottled wine was hiked.

- A license fee of Rs. 5000 for permission for manufacturing, possession and sale of liqueur chocolates, liqueur creams and similar products was introduced.
- The transfer fee for transfer of license for manufacturing IMFL or Beer or Wine was hiked from the existing Rs.5 lakh to Rs.10 lakh.
- The fee for establishment license for a distillery or brewery and winery with natural fermentation was increased.
- Government had revised the annual license fees for retail sale of liquor, for consumption on the premises, mid-way through the year. Consequently, this revision brought about difficulty in assessment and recovery of the dues and the Hoteliers had been put to difficulty. Therefore permit the payment of the fees for this year by adjusting the fees paid or payable for the last year. In case of short recoveries, the payment will be permitted to done as per the notification issued mid-way last year.

Motor Vehicle Tax

- The Motor Vehicle Tax collected at the time of registration, the infrastructure development cess on purchase of vehicles, green tax on vehicles completing 15 years, passenger tax on stage carriages and annual Motor Vehicle Tax were rationalized and enhanced.
- A facilitation-cum-inspection fee was introduced in order to provide better services by the Registering Authorities during inspection of new vehicles at the dealers premises.

Stamps and Registration Fee

- Stamp duty was rationalized in favour of Co-operative Housing Society to pay only 0.6% stamp duty to the members or purchasers of units, who had already executed the agreement of sale as per the Stamp Act.
- Total exemption in Stamp Duty and Registration Fee was granted on conveyances in favour of Co-operative Housing Societies formed by such member or unit holders who had purchased the unit by proper Sale Deed.
- Fees charged for various acts performed under Civil Registration Code enforced in Goa were rationalized.

- A processing fee of Rs. 5,000/- was imposed on application made by Foreign Nationals of Non-Indian Origin, for seeking permission for sale or purchase of property before the Committee constituted under FEMA and a fee of Rs. 1,000/- was charged on any NoC or Letter issued by the Committee.

Land Revenue

- Based upon three categories of areas, Conversion fee was marginally revised.
- Fees for disposal of mutation cases were marginally revised.
- A system of mandatory mutation of land records was introduced to maintain an updated land record and proper inventory of properties, vis-à-vis, the transactions.

Luxury Tax

- Luxury taxes applicable on hotels were rationalized.

Entertainment Tax

- Entry fee in Casinos was revised from Rs.700 to Rs.1000 per person charged under the Goa Entertainment Tax Act, 1964.

FY 2015-16

State Excise

- In order to standardize the collection of excise duty for various types of liquors, 'liqueur spirits' was included under IMFL for the purpose of collection of excise duty.
- The fee for permit/no objection certificate for the purpose of import as well as export of excisable items was hiked from the existing Rs.500 to Rs.1000. In the case of any amendment or any alterations, of the permit/NOC so granted, an additional fee of Rs.500 shall be levied.
- The license fee for possession of rectified spirit/extra neutral alcohol/denatured spirit by industrial units, other than liquor manufacturing units is raised from existing Rs.20000 to Rs.30000 per annum. Similarly, a processing fee of Rs.25000 is levied for obtaining license for possession of rectified spirit/extra neutral alcohol/denatured spirit by industrial units.

- Collection of Rs.2000 per application made for the purpose of transportation of liquor from custom bonded warehouse to other States up to check post.
- Changes in the notification relating to license fees for manufacture of liquor by units other than beer and wine manufacturing units, from existing Rs.70000 to Rs.1 lakh for micro and small enterprise and from existing Rs.2 lakhs to Rs.3 lakhs for those units which are not classified as micro and small enterprise.

Motor Vehicle Tax

- Issuance of Motor Driving License as well as Registration Certificates in Smart Card format and levy a processing fee of Rs.50 per document.
- Enhancing fees for choice vehicle registration numbers in the range of Rs.1000 to Rs.15000 for various types of vehicles, by amending the Goa Motor Vehicle Rules, 1991, with effect from 1st April, 2015.
- The fee for issue of duplicate motor tax book was raised from the existing Rs.5 to Rs.100.

Entertainment Tax

- Enhancement of the rate of tax on water sports or jet skiing and boat rides with carrying capacity of less than 10 persons, parasailing, motor cart riders or any other similar activity.
- Any tax liability exceeding Rs. 20,000 was mandated to be paid online.

FY 2014-15

VAT/ Sales Tax

- Previously VAT liability of Depot of Canteen Stores Department and Indian Naval Canteen Services located in Goa had been reduced to the extent of 50%. It was noticed that for some items there was an imbalance of Input Tax Credit (ITC) being availed. Therefore, ITC was restricted to the extent of their output liability.
- Tax rate on tobacco and tobacco products including cigarettes and other tobacco products was increased from 22% to 25%.
- VAT rates on aerated and carbonated non-alcoholic beverages other than those manufactured by Small Scale Industries were revised to 15%.

- VAT rate on LED bulbs and tubes was revised to 8% from 12.5%.

Entry Tax

- Owing to a preferential tax regime in Goa, certain industries like cable manufacturers had shifted their units to the State. However, on account of increase of the entry tax on copper rods, electrolytic grade continuous cast type refined copper wire etc., used as raw material by such industries, to 5 percent resulted in disparity on CST rates for inter-state sales that led to refund of the amounts collected as entry tax. Therefore, entry tax was reduced to 1% in Schedule I of the Goa Tax on Entry of Goods Act, 2000.
- The goods imported from outside which are processed by the dealer in one of its unit, in a particular local area and even if it was used as a input in another unit, situated in different local area; the same was subjected to tax under the provisions of this Act, at a high rate of 5%. This creates an unnecessary tax burden and had a cascading effect on the prices of the end product. Therefore, the entry tax payable on such movement of goods was reduced to at a nominal rate of 0.5% from the existing 5%.

Entertainment Tax

- At present for large scale ticketed events the entertainment tax was levied at the rate of 25%. This charge was on the sale of ticket, which amongst the basic fare, had other freebies like free food and free liquor components which were not being covered. In some cases it is observed that invitee passes were issued without charges, and the organizer subsumes all the sponsorship in cash or kind, on such invitee passes. To cover all such sponsorships, all such events under the Goa Entertainment Tax Act, 1964.

Luxury Tax

- While carrying out certain amendments to the Goa Tax on Luxuries Act, 1988 in relation to tax on accommodation for commercial purposes, certain difficulties were being faced by those receiving lease rentals. Relevant provisions were revisited and amendments were carried out in this regard.
- Considering the requests of local hospitality entrepreneurs, the concessional rate of 60% of tax liability was continued during the months of June to September of this year.

- To strengthen the Goa Tax on Luxuries Act, 1988 measure were taken to improve enforcement, closure of business for non-payment of tax and filing returns and provisions for payments of disputed amount as a pre-requisite for filling appeals.

State Excise

- To keep pace with the inflation, the excise duty rate was marginally increased on Indian Made Foreign Liquor and Beer other than Milk Punch and Wines manufactured in the State of Goa or imported from the rest of India or from outside India and sold in the State of Goa, so also country liquor manufactured with rectified spirit or extra neutral alcohol.
- Excise License for retail sale of liquor in packed bottles and license for wholesale of liquor would be granted, only to the applicant who had been a resident in the State of Goa for the last 15 years.

Motor Vehicle Tax

- Fees for issue of "Authentication Certificate" of Motor Driving License were revised to Rs. 500, and for the issue of status report or extract of Motor Driving License and particulars of Registration Certificate it was revised to Rs. 200.
- Exemptions were granted to the truck / tipper and barge owners, for providing services for mineral ore transportation only. As and when the mining transportation activity resumes, this exemption would be withdrawn and the truck / tipper and barge owners would be paying the dues on pro-rata basis for the remainder of the period of this year.

Stamps and Registration Fee

- Slabs of the registration fees were rationalized to make them at par with the ceilings prescribed for stamp duty, with minor changes, but maintaining upper slab of 08%.
- One-time measure of relief was provided, to settle the issues of unauthorized constructions of houses, to bring about regulations to regularize, the houses constructed without due authority; on payment of such fees, taxes, penalties and other charges, which will be determined as part of the regulations.

- For certain projects relating tourism and industry a conversion fees was imposed on the entire plot of land and not only for the plinth area which was desired to be converted. An appropriate legislation was enacted for this purpose.

3.6 Gujarat

FY 2018-19

State Excise

- ❖ Upward revision of excise duty on spirit, mild, beer, strong beer and wine.
- ❖ The present rates of excise duty on foreign liquor being imported in the State by C.S.D. Canteen for military personnel for spirit, wine and beer have been revised upwards.

FY 2017-18

Motor Vehicle Tax

- ❖ Rationalization of tax rates on private sector vehicles, buses for educational institutes, stage carriage buses, maxi cabs, construction equipment vehicles, tractors has been effected towards increasing buoyancy.
- ❖ Simplification of tax administration for the convenience of the vehicle owners.
- ❖ The option of lump sum tax payment was made available to the owners of the old vehicles registered before 1st April 2017.
- ❖ With effect from 1st May 2017 facility of e-payment of MV tax through cyber treasury was implemented.

Stamps and Registration Fee

- ❖ e-payment facilities for stamp duty and registration fees was implemented.

FY 2016-17

VAT/Sales Tax

- ❖ An amnesty scheme was declared to recover outstanding under the Sales Tax Act and the Value Added Tax Act.
- ❖ In case of recovery of outstanding arrears, except in the cases of tax evasion, interest and penalty were decided to be remitted on full payment of outstanding principal tax amount.

- In cases of outstanding recovery in the cases of tax evasion, full amount of principal tax and interest; and 25% of penalty amount will have to be paid.
- Measures were taken to recover the outstanding arrears and to dispose of the disputed cases in order to unlock the tax revenues.
- Levy of tax at the rate of 5% including additional tax on industrial salt used in manufacture of goods. The tax revenue of the State was estimated to increase approximately to the extent of Rs.10 crore annually.

Motor Vehicle Tax

- The tax rate on vehicles purchased by Companies, Firms, Institutes, Associations, Trusts, Government departments, Boards-Corporations, Local Self Governments, etc was revised upwards. The tax revenue of the State was estimated to increase approximately to the extent of Rs.50 crore annually.
- The rate of tax on luxury cars/SUVs with price more than Rs.15 lakh and luxury two wheelers with price more than Rs.2.5 lakh was revised upwards. The tax revenue of the State was estimated to increase approximately to the extent of Rs.30 crore annually.

FY 2015-16

VAT/Sales Tax

- Rationalization of tax rates have been effected in case of oral contraceptives, imitation jewellery, Aviation Turbine Fuel, cotton roving purchased by Khadi Gramodhyog Board approved institutes. These measures were intended at expansion of tax net.
- Technical textiles for industrial use have been brought under the tax net. The estimated revenue increase on account of this measure was Rs. 80 crore.

FY 2014-15

VAT/ Sales Tax

- Measures were taken to obviate the loss of revenues to the State on account of interstate sales of LPG for domestic uses. The estimated increase in revenues from inter-state sale of LPG for domestic uses was pegged at Rs. 150 crore. The domestic prices within the state remained unchanged.

- Owing to the ambiguity in the purview of the works contract some dealers had not paid the tax liability. However, the Supreme Court judgement reinforced that taxes be paid at the rate of 0.6% as per the Gujarat Value Added Tax Act, 2003 in case of works contract. As a result, the coverage of the works contract dealers has expanded. To give them relief, interest and penalty on such liability were waived off for both, registered and unregistered dealers.

Motor Vehicle Tax

- Upward revision of Motor Vehicle Tax on goods carriage vehicles based on their gross vehicle weight. The expected increase in revenue due to this was pegged Rs. 40 crore for that financial year.
- Upward revision of motor vehicle tax on omni buses as per their seating capacity.

Stamps and Registration Fee

- Stamp Duty on the transfer of immovable property was hiked from the existing 1% of market price to 3.5%. This was also made applicable to the partnership deed. The increase in revenue on account of this measure was estimated at Rs. 20 crore in that financial year.

Entertainment Tax

- Towards strengthening the finances of the local bodies the powers to collect and retain the Entertainment Tax on cable T.V. was delegated to them. It was expected that the local bodies would get additional revenue of about Rs.9.00 crores as a result of this measure.

3.7 Haryana

FY 2018-19

GST/VAT/Sales Tax

- ❖ Training officers, various stakeholders, such as dealers, industries, business associates, etc., to facilitate smooth migration of existing tax payers to GST.
- ❖ 2.35 lakh dealers who were earlier registered under VAT, Central Excise and Service Tax in Haryana, successfully migrated to GST. Additionally, 1.47 lakh new dealers were registered, increasing the total number of registered dealers in the State to 3.82 lakh.
- ❖ Haryana has completed the backend module work and the infrastructure integration with GSTN. State Data Centre and Helpdesks have been established.
- ❖ Two major schemes, namely "The Haryana One Time Settlement Scheme for Recovery of Outstanding Dues 2017" and "The Haryana Alternative Tax Compliance Scheme for Contractors 2016" were introduced to improve resource position of the State.
- ❖ No increases were introduced in the existing rates of taxes under the Haryana Value Added Tax (HVAT) Act, 2003 neither were any new taxes introduced in these Budget Estimates.
- ❖ In order to provide relief to the industries using natural gas for manufacturing, rate of value added tax on sale of natural gas was reduced from 12.5 per cent to 6 per cent.

FY 2017-18

VAT/Sales Tax

- ❖ For the purpose of development of IT Infrastructure for implementation of GST, the Excise and Taxation Department hired a System Integrator for the purpose of development of the requisite software and deployment of hardware.
- ❖ All the officers of the Department were trained with regard to the GST provisions alongside the migration of the existing dealers under VAT to GST.
- ❖ No changes were proposed to the existing tax rates under the Haryana Value Added Tax (HVAT) Act, 2003 neither were any new taxes introduced in the Budget.

- Bio diesel (B-100) and solar devices and parts used in installation of solar power projects were made tax-free by exempting them from the levy of VAT.

Stamps and Registration Fee

- A “G-triangulation project”, Gurugram district for integration of revenue records with GIS (Geographic Information System) was introduced.
- Under the State Resident Database (SRDB), about 1.58 crore citizen records from the Aadhaar repository were collected.
- 29 e-services of various Departments were integrated with SRDB to exchange data.

FY 2016-17

VAT/Sales Tax:

- To give boost to the footwear industry, tax rate on footwear having MRP above Rs.500/- was reduced from 12.5 per cent to 5 per cent and exempting shoe uppers from VAT. This will encourage setting up of more footwear industries in the State.
- In order to encourage agro- based industries in the State, ‘Khal’, ‘Binola’, ‘Besan’ and ‘cotton yarn manufactured in the State were exempted from tax. Further, tax on Vermicelli (Sewian) was reduced from 12.5 percent to 5 per cent to give incentive to industries, which use agriculture produce of the State for manufacturing.
- Tax rate on sale of electrical vehicles was reduced from 12.5 per cent to 5 per cent to promote clean environment.
- In order to provide relief to households and to encourage the Micro and Small Enterprises in the State, “Chhota Toka” (leafy vegetable cutter for kitchens) was exempted from payment of tax.
- An amnesty scheme was introduced for granting relief in respect of tax, interest, penalty and other dues to the affected registered dealers whose goods were lost or destroyed during the reservation agitation in February 2016.
- To encourage the customers to obtain bills / invoices for goods purchased, the Government introduced “Submit Bill, Get Prize Scheme”. This would enhance compliance on the part of the sellers / dealers, resulting in more revenue to the State exchequer.

- ❖ Online facility of e-Registration, e-Payment of tax and e-Filing of returns, e-tendering and issuance of C-Forms was introduced.

State Excise

- ❖ E-Permits and e-Pass systems for the excise licensees were launched to streamline the movement of liquor and to curb its illegal business in the State.

Stamps and Registration Fee

- ❖ e-GRAS (Online Government Receipts Accounting System) was integrated with e-stamping.

FY 2015-16

VAT/Sales Tax

- ❖ Budget Estimates for 2015-16 did not contain any proposal either for imposition of new taxes or for any upward revision of the existing tax rates.
- ❖ VAT on bio-fertilizers was abolished to promote bio-fertilizer use for the sake of the environment and soil health.
- ❖ VAT rate on LED lights, pipe-fittings and prefabricated steel structures was reduced to 5 percent in view of the need to encourage usage of these in the context of the development strategy. These concessions were aimed at strengthening buoyancy of tax receipts in the following year because of simplified administration and better compliance.

State Excise

- ❖ A comprehensive IT-enabled system for online interface with assesses was introduced.
- ❖ E-tendering for auction of excise vends was introduced.

Stamps and Registration Fee

- ❖ An e-stamping system for the online generation of stamp paper for property registration was underway.

FY 2014-15

VAT/Sales Tax

- VAT on goods sold through CSD canteens to serving defense personnel and ex-servicemen were reduced from 5% to 4%. Similar concession was granted to the personnel of central-para military forces also.
- For the facilities of industry and trading community, VAT D-3 Form was abolished w.e.f. 1st January 2014.
- The limit for issuing cash memo by registered dealer has been raised from Rs.300 to Rs. 1000.

3.8 Jharkhand

FY 2018-19

GST/VAT/Sales Tax

- The State established a Centre for Fiscal Studies to conduct studies concerning augmentation of revenue collection through broadening of tax base and to propose various revenue measures.

FY 2017-18

VAT/Sales Tax

- In order to encourage digital payments, the government provided tax concession upon installation of e-POS machine till 31st March 2017.
- State government transactions above Rs.5000 would be through digital platform.

Stamps and Registration Fee

- Policy related to lease arrangement and lease renewal of lowland has been amended.
- Government organized capacity building training of village heads and provisioned digital equipment for facilitating online mutation and online tax collection.

FY 2016-17

VAT/Sales Tax

- Tax Redressal Scheme, 2015 was extended till FY 2016-17.
- For the simplification of registration procedure under Jharkhand VAT Act, 2005 the security amount for intra-state sales was done away with, while the security amount for import/manufacturing business was slashed from Rs. 2 lakh to Rs. 50,000.
- To encourage self-assessment under Jharkhand VAT Act, 2005, the time period for self-assessment was extended from 31st January to 15th March.
- Jharkhand VAT Act 2006 was amended to align with the change in threshold of gross turnover fom Rs 40 lakh to Rs. 60 lakh.

- The department aims to augment revenues through provision of online facility and introduction of usage of hologram.
- An Expenditure Management Committee was established for effective allocation of revenues.
- The State established an Integrated Financial Management Information System with the main objective of achieving computerization of state wide financial transactions and efficient monitoring and facilitation of a Single Window interface across various functions.
- To increase effectiveness and responsiveness of financial management system a new treasury code was introduced. All treasury operations were made online through cyber-treasury.

Land Revenue

- Land bank was established in each district.
- Geo-maps and land records were digitized.
- Registration and revenue departments were integrated to facilitate online receipts for registration, mutation and taxation.

FY 2015-16

VAT/Sales Tax

- To promote iron and steel based micro, small and medium enterprises, VAT rate on on pig iron, steel scraps, iron ore, pellet, Ferro alloys was reduced from 5% to 2.5%.
- Dharamshalas and Community halls were exempted from Luxury Tax.
- Tax rate on ply wood, black board and flush door and laminates was reduced from 14% to 5%.
- Measures were taken to strengthen the Business Intelligence Unit.

Motor vehicle Tax

- Smart card facility has been introduced by transport department for issuance of driver license certificate, vehicle registration certificate and permit.
- Provision of free driver license for women has been started.

Stamps and Registration Fee

- Registration of immovable property in the name of women holders would be eligible for a 10% concession.

Land Revenue

- Computerization of land records, data entry digitization of map survey, re-survey modern record room was emphasized on as part of the National Land Records Moderization Programme.
- Emphasis was given on online mutation of land.

FY 2014-15

VAT/Sales Tax

- To promote entertainment industry, tax rate was reduced on cinema halls and multiplexes in urban and rural areas.
- Four Temporary check posts were set up in the state to curb tax pilferage and to strengthen tax intelligence system.
- Tax rate on U.P.S. was raised from 5% to 14% in order to augment revenues.
- Tax on motor sport has been rationalized.
- To ensure seamless tax refunds amendments in Jharkhand VAT Act, 2005 and Jharkhand VAT Rules, 2006 were effected.
- VAT rate on motor-parts was reduced from 14% to 5% with the view of encouraging motor-parts making units and ancillary industrial units.

State Excise

- Keeping in view the welfare of people, excise duty on alcoholic beverages was raised.
- License fee on hotels, bars and restaurants serving liquor was hiked.

Motor vehicle Tax

- e-payment, web based tax token and registration facilities were introduced for efficient collection of motor vehicle tax.
- On account of computerization of data on vehicles, identification of illegal activities of operators has been made possible. Measures were taken to strengthen these facilities.
- One time tax was introduced for vehicles like tractors, trolleys and private small vehicles in rural areas. This measure would obviate the need of the vehicle owners to frequent the department for payment of taxes. Moreover, this would also reduce the tax burden on them.

Stamps and Registration Fee

- Pilot project of e-stamping facility was introduced in Ranchi. Subsequently, it was extended to other parts of the state. E-payment facility was also extended across the state. Certified copies of sale deeds were made available online. On account of these measures the state has raised greater revenues.

3.9 Karnataka

FY 2018-19

GST/VAT/Sales Tax

- Legal requirements of GST due to IT glitches have thrown up various challenges for trade and industry. Karnataka, by effectively advocating resolving the same, was instrumental in constitution of Group of Ministers (GOM) to monitor and resolve IT challenges faced in implementation of GST.
- Implementation of e-way bill was expected to bring about qualitative change in tax compliance and thus streamline GST collections. Effective representation of the State's interest in the GST Council meetings was made and the concerns of the trade and industry have been continuously represented.
- Sales tax rate on sale of ATF to Small Aircrafts was reduced from 28% to 5%, which would play an important role in providing connectivity to remote and unconnected places in the country to support UDAN scheme of the Union Government.

Professional Tax

- The Karnataka Tax on Professions, Trades, Callings and Employment Act, 1976 was amended;
    a. to enhance the turnover limit for levy of profession tax in certain class of persons in tune with threshold limit for registration as prescribed in the Karnataka Goods and Services Tax Act, 2017.
    b. to amend proviso to section 3 to bring in clarity by excluding companies, firms, HUF, corporations, societies, clubs and associations with regard to the exemptions available to senior citizens.

State Excise

- Subsequent to the Hon'ble Supreme Court Order regarding location of shops on Highways, during the months of July, August and September, more than 3000 Excise licenses' were affected and were not renewed and closed. The order of the Hon'ble

Supreme Court was implemented and such non-renewed and closed licences were renewed in the subsequent months. For the reason stated, existing rates of Additional Excise Duty on IML was increased by 8 per cent from 2nd slab to 18th slabs as per Annexure-I.

- Effective enforcement and regulatory measures were emphasized towards augmenting state excise revenues.

Stamps and Registration Fee

- SURABHI (Sukshma Rakshana Abhilekagalu) project was launched to digitize Heritage/Legacy records in a phased manner at an approximate cost of Rs.25 Crore.

Land Revenue

- Section 94c and 94cc were inserted to the Karnataka Land Revenue Act, 1964 providing for regularization of unauthorized residential constructions on government lands.
- Rule 97 of the Karnataka Land Revenue Rules, 1966 was amended to regularize the unauthorized occupation of government gomala lands, as a onetime measure.
- A special court was set up to deal with the offences under the Karnataka Land Grabbing Prohibition Act, 2011.
- Section 94 D was inserted by amending Section 94 of the Karnataka Land Revenue Act in order to issue ownership rights to the residents of unrecorded habitations located on government lands.
- Section 38-A was inserted by amending Section 38 of the Karnataka Land Reforms Act, 1961 in order to provide ownership rights to the residents of unrecorded habitations located on private lands.
- Non-agricultural income limit to purchase agricultural lands was raised from Rs. 2 lakhs to Rs.25 lakhs.
- GIS database of BBMP was integrated with ‘KAVERI’ software in order to prevent undervaluation of immovable properties.

FY 2017-18

VAT/Sales Tax

- The state had actively participated in exercise for formulating the policy framework for GST. Even before introduction of GST, it introduced various e-initiatives, like e-UPaSS, to help smooth transition in the State. As a result, taxpayers in Karnataka showed exemplary enthusiasm in getting themselves migrated to GST. Due to their initiative and the support of the Government, Karnataka achieved highest level of migration in the country.
- For smooth transition to GST, a massive outreach programme was undertaken through more than 100 workshops and roadshows for interaction with taxpayers and professionals in making them aware about the proposed tax reform. Steps were also taken for building adequate capacity within the Commercial Taxes Department. 3000 officers and staff of the department were trained.
- Tax exemption on paddy, rice, wheat, pulses and products of rice, Ragi Rice (processed Ragi) and wheat was continued. Further, flour of Navane, Same, Aaraka and Baragu (Siridhanyagalu), husk of coconut and pulses were also exempted.
- The limitation period for assessment and reassessments pertaining to tax periods of 2012-13 and 2013-14 were ending along with that for 2010-11 and 2011-12 respectively. This would put undue pressure on taxpayers as well as the tax administration. To ease this pressure, necessary amendments to section 40 of the KVAT Act, 2003 were effected to extend the period of limitation for assessments or reassessments pertaining to tax periods of 2012-13 and 2013-14 by one year. Besides, section 40 was amended to exclude period taken for disposal of revision proceedings in computing the period of limitation for assessment or reassessment.
- In view of transition to GST regime, Karasamadhana scheme was introduced to waive 90% of penalty and interest on payment of full tax and remaining 10% of penalty and interest by 31st May 2017. This would enable trade and industry to clear their pending tax liabilities and start with a clean state in GST.

State Excise

- The Administrative fee of Rs. 2 per litre on export and Re. 1 per litre on import levied on Spirit (excluding Ethanol) was withdrawn.
- As a measure of rationalization, Additional Excise Duty on the 5^{th} and 11^{th} slabs was increased by 6% and on the remaining 15 slabs by 10% and 16% as per Annexure-I. In view of these changes, VAT on liquor including beer, fenny, liqueur and wine was removed with effect from 01.04.2017. With this and with effective enforcement and regulatory measures, the department had estimated to generate revenue amounting to Rs.18050 crore.

Motor Vehicle Tax

- Motor Vehicle Taxes on two wheelers had not been enhanced since 2010. Therefore, taxes on two wheelers costing more than one lakh was enhanced from the present rate of tax 12% to 18% on the cost of the vehicle. Additional revenue to the Government of Rs.60 crores was expected from the proposal.

Stamps and Registration Fee

- Karnataka Stamp Act, 1957 was amended to
  - rationalize Article 37 in the Schedule to the said Act.
  - to amend Article 20(4), consequent upon change in the Companies Act, 2013, for amalgamation of companies.
  - to amend Section 30, to specify the persons who are liable to pay the stamp duty on certain instruments.
  - to amend Section 52-A, to prescribe the time limit for use of stamps and refund of stamps.

Land Revenue

- To prevent organized attempts to encroach Government land and lands of Government owned agencies, the Karnataka Prohibition of Land Encroachment Act, 2011 was enacted and a special court was set up to prosecute the offences committed under the Act.

- ❖ A Special Cell was created in the revenue department to convert many residential areas without documents of title into revenue villages where people of backward classes like Lambani (Banjara), Golla, Bhovi, Nayaka, Soliga, Kadu Kuruba etc., were residing.
- ❖ A new software 'Parihara' was introduced to transfer input subsidy and payment of other compensation amounts directly to the account of farmers.
- ❖ Under the Digital Land Records Management Project (DLRMP), the following programmes were undertaken with the assistance of Government of India:
    - Old revenue record rooms in all taluk offices were modernized.
    - Parcel Maps of all taluks of the State were digitized using 'Bhoo Nakshe or Colab Land' software developed by NIC.
    - 'Aakaarbundh', an important document, was digitized. A special software was developed for this purpose.

FY 2016-17

VAT/Sales Tax

- ❖ For smooth implementation of GST, electronic updating of validated PAN of the registered dealers was underway. For the implementation of e-UPaSS (Electronic Uploading of Purchase and Sales Statement), the hallmark of new tax regime, more than 140 interactive sessions were organized in co-operation with trade and industries associations. A module to train Tax Practioners was developed and training was conducted in the Fiscal Policy Institute.
- ❖ A scheme was launched to recognize and honour five diligent tax payers in each of Bengaluru based divisions and three each from VAT divisions other than Bengaluru who had a consistent track record for immediately three preceding years.
- ❖ Towards the continuous effort to expand e-initiatives to all aspects of tax administration
    - A dedicated module for transportation of goods was developed that woul allow transporters to upload the details of goods being transported online for hassle-free movement of goods and to bring in much required transparency in the on-road vigilance.
    - mobile application for the benefit of small dealers was developed.
    - issue of online refunds to the eligible dealers was introduced.

- online service of statutory proceedings using digital signature certificates was initiated.

- Tax relief measures:
  - Tax exemption on paddy, rice, wheat, pulses and products of rice and wheat for one more year from April 2016
  - Exemption of Ragi Rice (Processed Ragi) for one Year from April 2016
  - Exemption of VAT on Jowar Roti which is native food of North Karnataka and Ragi Roti which is native food of South Karnataka
  - Exemption of Aluminium house hold utensils other than pressure cookers and cutlery for benefit of the poor.
  - VAT on cotton falling under section 14(ii) of the CST Act, 1956 was reduced from 5% to 2% to fulfil the long standing demand of cotton trade.
  - Handmade paper and hand-made paper boards including handmade paper products manufactured and sold by a dealer recognized by the Karnataka Khadi and Village Industries Board were exempted as an eco-friendly measure.
  - VAT rate on Chatnipudi prepared from: Groundnut, Nigar seeds, Copra, Bengal gram, Garlic, Flax seeds and fried gram which are part of North Karnataka native dish was reduced from of 14.5% to 5.5%
  - VAT rate on office files made of paper and paper boards was reduced from 14.5% to 5.5%
  - VAT on Adult Diapers was slashed from 14.5% to 5.5% to help senior citizens
  - VAT on articles of nickel, titanium falling under heading of HSN 7505, 7506 and 8108 was reduced from 14.5% to 5.5% to encourage Aerospace industry.
  - VAT on Hand operated Rubber sheet making machine was reduced from 14.5% to 5.5%,
  - VAT on “set top boxes for viewing Television content” was reduced from 14.5% to 5.5%
  - VAT on surgical gowns, masks, caps and drapes of single use made of non-woven fabrics was reduced from 14.5% to 5.5%

- VAT on Multi-Media Speakers without monetary limit was reduced from the 14.5% to 5.5%.
- VAT on Helmets was reduced from 14.5% to 5.5% to make them cheaper for common man
- VAT on LED Bulbs was slashed from 14.5% to 5.5% as electricity saving measure
- Sale of crude oil was exempted from VAT to bring crude oil sold from caverns located at Padur in Udupi District and Mangaluru in Dakshina Kannada District on par with crude oil directly imported by Indian Refineries.

❖ VAT on aerated and carbonated non-alcoholic beverages whether or not containing sugar or sweetening matter or flavor or any other additives including soft drinks and soft drinks concentrates was hiked from 14.5% to 20%.

❖ Rationalization Measures:

- Sub-section 3 of section 10 of Karnataka Value Added Tax Act, 2003, was amended to bring in clarity so as to have effect from 1.4.2015.
- Section 10 of the Karnataka Value Added Tax Act, 2003, was amended to assess the dealers who were statutorily required to upload but fail to upload such purchase and sales statement by disallowing input tax.
- The Karnataka Value Added Tax Act, 2003, was amended to provide for submission of Form VAT 240 electronically and to levy penalty for non-compliance.
- Section 38 of the Karnataka Value Added Tax Act, 2003, was amended to include cases relating to the dealers who file incorrect and incomplete returns.
- Section 72 of the Karnataka Value Added Tax Act, 2003, was amended for levy of penalty under the circumstances of filing revised returns resulting in tax liability of more than 5%.
- Entry 4 of VI schedule of the Karnataka Value Added Tax Act, 2003, was amended to include only structural works contract of iron trusses, purlines and the like.

- In the backdrop of falling crude prices in the international market, keeping the resources of the State in mind for the welfare needs of the State, rate of tax on petrol was hiked from 26% to 30% and diesel from 16.65% to 19%.
- Acting on reports of cases of illegal tax refunds claimed in the guise of interstate sale of cigarettes against ‘C’ form without actually effecting such sales, restrictions were imposed on input tax claim relating to interstate sale of cigarettes against ‘C’ form, charged in excess of two percent on such purchase of cigarettes.
- In view of introduction of GST and abolition of CST, notifications issued under the CST Act, 1956 which were issued before the introduction of VAT reducing the rates to 1%, were repealed as input tax rebate was also available for interstate sale of goods.

Entry Tax

- The KTEG Act, 1979 was amended to reduce mandatory payment of disputed tax and other amounts to 30% to get stay from First Appellate Authority and Karnataka Appellate Tribunal.
- KTEG Act was also amended to facilitate the dealers to file appeal to the first appellate authority electronically.

Professional Tax

- Profession Tax Act and Rules was revised in tune with present business practices, commercial laws and procedures so as to make the law citizen centric and hassle free. A Committee headed by an Additional Commissioner of Commercial Taxes was formed to study and submit a report thereon.
- As part of ‘ease of doing business’ section 5 of the Act was amended to issue registration certificate within 3 days.

State Excise

- The rate of Excise Duty on IML was hiked from the existing Rs.45 to Rs.50 and Excise Duty on Beer from the existing Rs.5 to Rs.10. The existing rate of Additional Excise Duty was increased by 4 per cent to 12 per cent across all the 17 slabs on IML.

- Additional Excise Duty on Beer was increased from 135% to 150%. Levy of an administrative fee of Rs.2 per litre on export and Re.1 per litre on import of Spirit (excluding Ethanol) was introduced.
- 17 slabs of declared prices on IML were revised by increasing each of them by Rs.35. The gap between the license fees of different categories of liquor vending licences was reduced. The fees were increased by 25%.
- In order to encourage Wine production and marketing and keeping in view the upliftment of grape growers, Excise rules were amended to the effect that, in the process of manufacturing fortified wine, fortification would be carried out by adding only grape spirit or pure fruit brandy instead of neutral spirit or rectified spirit.
- In order to protect consumers and to regulate the implications of liquor consumption, the concept of 'responsible drinking' was widely publicized in partnership with Liquor Manufacturing Associations (as a part of their Corporate Social Responsibility). The objectives included providing complete information about drink-and-drive, consumption of illicit liquor, underage drinking, binge drinking and different varieties of liquor.

Motor Vehicle Tax

- As the Motor Vehicle Taxes had not been revised since 2010. Accordingly, the tax rates were revised upwards:
    - Taxes on Private Stage Carriage vehicles from Rs.600 to Rs.900 per seat.
    - Taxes on Private City Service stage carriage from Rs.300 to Rs.450 per seat.
    - Taxes on Contract Carriages from Rs.1000 to Rs.1500 per seat.
    - Taxes on All India Tourist Omni Buses from Rs.2750 to Rs.3500 per seat.
    - Taxes on Stage carriages operating on special permit from Rs.1000 to Rs.1500 per seat.
    - Eco-friendly Transport and non-transport electric vehicles were fully exempt from payment of taxes.

Stamps and Registration Fee

- Karnataka Stamp Act, 1957 was amended:
  - for remission of stamp duty on instruments specified in Notification No. RD 71 Mu No Mu 2014 (dated:10-02-2016) with effect from 10-02-2016.
  - to revise/rationalize certain Articles in the schedule to the said Act. This measure resulted in collection of more than Rs.100 crore revenues to the Government.

Luxury Tax

- Section 3-E was amended to provide relief to class of facilities in hospitals.
- Section 7-A was amended to empower authorities to re-assess escaped tax by including types of luxuries chargeable to tax but not specified in that section.

Entertainment Tax

- Multi System Operators (MSOs) and Direct to Home service providers (DTHs) were already paying an Entertainment Tax at 6% from the year 2006, under section 4-G. The levy had remained unchanged ever since. Considering the rapid changes over the years in this field, section 4-G was amended to increase levy from 6% to 10%.

Betting Tax

- Facilitation of filing of returns and payment of tax electronically under Betting Tax Act.

Agricultural Income Tax

- Agricultural Income Tax on growers of coffee, tea, rubber and other plantation crops was abolished with effect from 1st of April 2016.

FY 2015-16

VAT/Sales Tax

- The State Government worked closely with the Empowered Committee of State Finance Ministers on various issues relating to introduction of Goods and Services Tax Act.

Necessary steps were taken for preparing the stake holders, especially the trade and industry, for smooth transition to GST.

- Inspite of falling crude prices the state did not resort to increase in VAT rate on petroleum products. However, because of better tax effort the State achieved the targeted collection.
- The state effected simplified administrative measures in order to encourage trade and commerce. Measures like e-governance initiatives and the initiative of online uploading of purchase and sales details made tax compliance easier and tax administration more effective.
- These initiatives led to systemic verification of correctness of input tax rebate claims aimed at prevention of disputes and also speedy settlement of refund claims.
- Tax Reliefs:
    - Registration limit was increased from the current Rs.7.5 lakhs of annual turnover to Rs.10 lakhs as a relief to small dealers.
    - Tax exemption on paddy, rice, wheat, pulses and products of rice and wheat was extended for one more year from April 2015.
    - Footwear costing upto Rs.500 per pair was exempted from tax.
    - Hand made products like floor mats, table mats and runners, utility bags made of banana fibre excluding rubberized banana fibre products were exempted from tax, aiming at promoting economic activities among the rural poor and women organizations by harnessing the banana bark fibre and other agricultural waste by converting them into utility products.
    - VAT on Wick stoves was reduced from the present 14.5% to 5.5% to benefit the poor sections of the society which use Kerosene as fuel.
    - VAT on M-Sand (Manufactured Sand) manufacturing machinery/ equipment as well as M-sand was reduced to 5.5% to encourage setting up of M-Sand units as a viable alternative to mining of Sand from Riverbed.
    - VAT on Industrial Cables namely, High Voltage Cable, XLPE Cables, Jelly Filled Cable, Optical Fibre Cable and PVC Cable was reduced to 5.5%, conceding the long pending request of Electrical Industry.

- Pre-Sensitized Lithographic Plates used in printing industry and Packing materials like Pallets, Box Pallets and other Load Boards, Pallet Collars were brought within the ambit of notified industrial inputs and packing materials so as to attract lower rate of tax on par with the lower tax rate prevailing in neighboring States.
- VAT on Mobile Phone charger was reduced to 5.5% whether sold along with mobile phones in sealed pack or otherwise.
- Solar PV Panels and Solar Inverters were exempted from VAT to promote Solar energy generation.

❖ With the objective of discouraging the use of Tobacco Products and at the same time prevent illegal trade diversion VAT on Cigarettes, Cigars, Gutkha and other manufactured Tobacco was enhanced from 17% to 20%.

❖ The benefit from the steady fall in Crude Oil prices in the International Market was passed on to the consumers without raising the VAT rates. However, this had significant impact on the State's revenue collection as tax is levied ad valorem. The State had restrained itself from interfering with the tax rates on Diesel and Petrol though several States including few neighboring States increased the rates to safeguard tax revenues. Therefore, tax rate on Diesel and Petrol was hiked by a modest 1% keeping in view the need for resources for the larger interest of the society.

❖ Single first appeal against re-assessment was provided for several tax periods of one financial year.

❖ The period prescribed for disposal of appeal by KAT was enhanced from the existing 180 days to 365 days from the date of stay order.

❖ To facilitate the dealers to claim input tax credit of previous months in the returns filed during subsequent months, sub section 3 of section 10 of KVAT Act, 2003 was amended to allow claiming of input tax credit for a period of five months from the month in which it had accrued.

❖ Refund claim of a portion of output tax, paid at the earlier stage by selling goods at a price lower than the purchase price in the guise of business practices in certain commodities, defeats the very objective of VAT Act that aims to widen tax base through value addition at each point of sale. In order to safeguard revenue section 11 of KVAT

Act, 2003 was amended to limit input tax credit to the extent of output tax paid on particular commodities.

- The dealers would be enabled to file an appeal electronically against any order or proceedings affecting him under the provisions of the Karnataka Value Added Tax Act. Further, in order to bring in more transparency and accountability, the orders passed by the Appellate Authority were to be uploaded on to the computer system and thereafter a copy of such order would be served on the appellant.
- For the dealers who are claiming concessional rate of tax or exemption on the interstate sale/stock transfer are now required to produce the CST statutory forms. Henceforth, the details of such statutory forms would be uploaded online which would be linked to the turnover declared in their returns. This would avoid production of these forms at multiple places by the dealers, causing undue hassle.

Professional Tax

- The effective age of senior citizens was reduced from the current 65 years to 60 years to extend the benefit of exemption from payment of Profession Tax.
- Persons drawing salary less than Rs.15,000 per month were exempted from payment of professional tax as against the existing limit of Rs.10,000 per month.

State Excise

- The rate of Additional Excise Duty was increased by 6 per cent to 20 per cent across all the 17 slabs.
- In the past, three Karasamadhana Schemes had been introduced in the years 2002, 2006 and 2010 to liquidate the excise arrears pending since 1946. A new Karasamadhana Scheme was launched to collect the arrears related to Toddy and Arrack. Under the Scheme, those who pay the principal amount in respect of Arrack/Toddy rentals would be given relief in respect of interest dues.

Stamps and Registration Fee

- Sulabha Nondani scheme was introduced in order to provide online time slot booking for registration of documents in any of the sub-registrar’s office, facilities for calculating and online payment of stamp duty and registration fee, by the parties themselves. Sulabha Nondani Software was established to provide facility for downloading the formats of sale deed, transfer deed etc. and certified copies of registered documents and encumbrance.

- Kaveri software was integrated with Bank Software in order to facilitate farmers to have agricultural loan mortgage deeds, discharge deeds and encumbrance certificate, filed online without visiting the sub-registrar's office.
- Karnataka Stamp Act 1957 was amended in order to provide for the reforms/reliefs to make Banks, Financial Institutions etc., liable for payment or collection of proper stamp duty payable on optionally registerable documents, such as mortgage by way of deposit of title deeds (DTD), Pawn or Pledge, etc., and to file online returns thereon, in order to ensure better compliance of the payment of proper stamp duty.
- Composition/consolidation of duties was provided in respect of certain instruments to facilitate payment of stamp duty.
- Stamp duty was levied on Chit Agreements and the Limited Liability Partnership instruments.
- Stamp duty rates were rationalized in respect of certain articles in the schedule of Karnataka Stamp Act, 1957.
- Suitable amendments were effected to the Registration Act, 1908 so as to rationalize the levy of registration fees. 1 percent ad valorem registration fee was levied on the amount or value of the purchase money in respect of agreement for sale without the possession of the property being delivered subject to a maximum of Rs. 200.
- 1 percent advalorem registration fee was charged on the market value of the property or the consideration whichever was higher, in respect of agreement for sale, wherein the possession of the property was delivered or was agreed to be delivered and 1 percent advalorem registration fee in respect of document of sale executed in pursuance of such agreement for sale, subject to a maximum of Rs.500/-
- Optionally registerable documents such as mortgage by way of deposit of title deed, court orders, decrees, etc., affecting immovable property would be required to be compulsorily filed online under section 89 of Registration Act, 1908.

Additional Revenue of about Rs.125 crore was expected from the above mentioned changes and rationalization of duties and fees.

Land Revenue

- Wrong entries in Khata, Mutation, R.T.C. etc., were rectified in 3.69 lakh Pahanis by conducting 3547 Revenue Adalats.
- Action was taken to prevent the formation of unauthorized layouts in rural areas by integrating the 'Kaveri' software of revenue department with the 'e-Swattu' software of Rural Development and Panchayat Raj department.
- About 2.20 crore pages of valuable revenue documents were preserved by indexing and cataloguing.
- Out of 13 lakh acres of encroached land, 69625 acres of encroachment was evicted. This included 1400 acres of invaluable land in Bengaluru Urban district and 4462 acres of land in Bengaluru Rural district.
- To achieve transparency, simplification of revenue administration and to make easy access of the services to the public, the following information technology initiatives were taken up:-
    - Development of software for the management of process of conversion of land online. Order copies were made available through bhoomi and nada kacheri kiosk centres.
    - A special software for management of all information relating to revenue appeals was implemented. Apart from making orders passed in the office of DC/AC, available mutation process was undertaken online.
    - A completely software based online system was implemented to receive the applications and issue certificates regarding domicile and eligibility certificates under Article 371 (j) of the Constitution.

FY 2014-15

VAT/Sales Tax

- Tax exemption on paddy, rice, wheat, pulses and products of rice and wheat was extended for one more year from April 2014.
- Tax on scented areca nut powder other than mixtures was reduced from 14.5% to 5.5%

- The registration limit was increased from the current Rs.5 lakhs of annual turnover to Rs.7.5 lakhs as a relief to small dealers and to prepare ground for introduction of GST which envisage higher threshold for registration
- The penalty payable was waived for default in filing of returns by small dealers who have no tax liability and opt for cancellation of their registration
- The minimum sale value fixed for obtaining electronic delivery note (e-SUGAM) was increased from Rs.20000 to Rs.25000
- Works contractors were exempted from compulsory registration provision
- Suitable administrative measures were taken to enable dealers to rectify mistakes in the returns which have no tax implication.
- Single second appeal was provided against re-assessment for several tax periods of one financial year.
- Owing to the inability of Excise Tax on liquor to capture substantial value addition that takes place in retail sale of liquor by clubs, lodging houses, star hotels, bar and restaurants, a VAT of 5.5% was introduced on liquor sold by bar and restaurants operating in urban areas and by clubs, lodging houses and star hotels.
- Filing of annual statements by dealers was provided in order to avoid disputes in the information provided by them in electronic returns.
- Facility for filing of monthly returns by dealers and deemed acceptance of such returns as under VAT Act.

State Excise

- As part of additional revenue mobilization measures, additional Excise Duty on Beer was hiked from 122% to 135 %, license fee of Primary Distillery, Indian Liquor Manufacturing Distillery and Brewery was increased by 50%. Besides, the License fee of MSIL retail liquor shops (CL-11C) was hiked from Rs.1 lakh to Rs.3 lakhs.
- Fee for shifting of shops from one place to another, was increased from 25% to 50% of the license fee charged on the license in respect of such shops.

Motor Vehicle Tax

- Rs. 500 per seat per quarter was levied for the Motor Cabs costing more than Rs.15 lakhs and registered in other states and entering Karnataka by obtaining tourist vehicle permit, instead of life time tax.
- It is found that the vehicles are being registered in other States with lower rate of life time tax but plying in the State to avoid payment of life time tax levied in Karnataka. In order to prevent revenue loss from this, Motor Vehicle Taxation Act was amended.

Stamps and Registration Fee

- Stamp duty was exempted in respect of subsequent sale deed executed in respect of the alternate site allotted by the Bangalore Development Authority, consequent to the denotification of the land.
- Stamp Duty was exempted on instruments executed between concerned persons under the Aerospace Policy 2013-23.
- Remission and reduction of Stamp Duty was provided on instruments specified in the Government notification dated: 23-04-2003, with retrospective effect.
- Stamp Duty on Award relating to movable properties was reduced from 5%, with rates ranging from 0.25% to 0.75%, on slab basis.
- Stamp Duty was levied at uniform reduced rate of 2% on all Joint development agreements and their consequent Powers of Attorney
- Stamp Duty on instrument relating to Delivery Order was reduced from 0.5% to 0.1% on the value of goods imported into the State, and stamp duty was exempted on goods imported into the State that are exempted from Customs Duty.

Land Revenue

- A new software called ‘Namma Bhoomi’ having state of the Art technology was developed for modernizing the existing system and establishing a Complete Land Record Administration and Management Tool. The system would be made more effective for making land administration farmer friendly by decentralizing the land related services from taluk level to Hobli level using the new software.

3.10 Kerala

FY 2018-19

State Excise

- Surcharge, social security cess, medical cess and rehabilitation cess and to rationalize the sales tax rates accordingly. The sales tax rates of IMFL having price up to Rs.400/- will be fixed at 200 percent and for price above rupees four hundred will be fixed at 210 percent were dispensed with. The tax rate of beer was fixed at 100 percent.

- Further, a special fee of Rs.87.70 per proof litre was imposed according to the Abkari Act, on FMFL. A special fee of Rs.1.25 per bulk litre was imposed on Foreign Made Wine. Additional tax revenue of Rs.60 crore was expected from this measure.

Motor Vehicle Tax

- On reports of Police and Motor Vehicles Department indicates that around 1500 luxury vehicles and 2000 other cars which should have been registered in Kerala were registered in Puducherry under bogus addresses and are used in Kerala, an amnesty scheme was declared for them. If they remit the amount which was payable had the vehicle been registered in Kerala, the Government would re-examine the legal action proceedings against them. It is expected that vehicle owners who have registered their vehicles in Puducherry and which is permanently used in Kerala would avail this opportunity by paying tax in the State and exempted from legal proceedings. This amnesty scheme was operational only up to 30 April 2018. It was expected that this measure would fetch the government additional revenue to the tune of Rs. 100 crore.

- If a vehicle registered in other State, is being used in Kerala for more than one month up to one year, tax at a rate equal to 1/15th of the one-time tax levied from similar vehicles registered in Kerala, will be levied for one year. If any transport vehicle registered in other State is seized in the State for not remitting tax due to Kerala, two times tax of the existing rate is levied from such vehicles. Rs. 2 crore in additional revenues were expected from this measure.

- As per the extant tax structure, the rate of tax of Heavy Goods Vehicles was more than that of Tipper Vehicles having same weight. The quarterly tax rate of Tipper Lorries having RLW (Registered Laden Weight) more than 20 tonnes was hiked by 35 percent. This measure was expected to augment the revenue of the Government by an additional Rs. 8.40 crore.

Stamps and Registration Fee

- A comprehensive scheme was introduced to dispose off all under-valuation cases reported between 1986 and 2017 March. All cases where the deficient stamp duty was up to Rs.5000/- were completely exempted. In rest of the cases, if 30% of the deficient stamp duty amount was remitted, further proceedings were to be dropped. For this a Settlement Commission was constituted in all districts. An additional Rs. 300 crore was expected from this measure.
- A stamp duty of minimum Rs.1000/- or 0.25% of sale value, whichever is higher was imposed on Gift, partition, settlement and release deeds. An additional Rs. 25 crore was expected from this measure.
- Court fee at the rate of 2% was imposed on the arbitration amount in arbitration proceedings under Chitty Act.
- The fee for obtaining certified copy of documents from Sub Registrar Offices was increased to Rs.5 per page in case of documents of more than 10 pages.
- For agreements executed for public works or service level agreements, stamp duty at 0.1 percent of was imposed on the total contract value subject to a maximum of Rs.1 lakh.
- Contracts for advertising and for conferring rights of telecast or broadcasting with an intention to make profit were subjected to stamp duty at the rate of Rs.500.
- In the absence of guidance for valuation of buildings other than flats or apartments, a tendency to undervalue the buildings has been observed. Hence, the valuation rules as per Income Tax Act were enacted for valuation of all buildings other than flats or apartments.
- In order to reduce the price variation between the market value and fair value of land in Kerala, the existing fair value was increased by 10 percent.
- The existing stamp duty on Power of Attorney for transfer of immovable property between family members was increased from Rs.300 to Rs.600.

- Documents relating to surrender of leases before the lease period were subject to a stamp duty of Rs.1000 (in case of non-agricultural commercial purposes).

FY 2017-18

VAT/Sales Tax

- ‘Amnesty Schemes’ were announced for settling the arrears up to the period of 2010-11.
- Special Amnesty Scheme was announced for presumptive dealers. The period to file option and pay arrears as per that scheme will be extended up to June 30, 2018. Further, this scheme was extended to unregistered dealers also. Such dealers against whom assessments or other statutory proceedings was initiated can also settle their cases as per this scheme.
- Reform measures were taken to dispose of pending cases at different level of Appellate authorities u/s 57 of Finance Act 2014.
- Special schemes were introduced for completing pending assessments and re-assessments in a time bound manner. Necessary amendments were made in VAT Act empowering Govt. to issue guidelines for completing assessments in a fast-track mode.
- There were certain disputes in determining the nature of works contract involved in the installation of kitchen cabinet works, aluminium fabrication works, air-conditioning plant installation. In these cases, the tax determined under compounding scheme was re-assessed and taxed at scheduled rate. Interest and penalty were also imposed. As the Constitutional Bench of the Hon’ble Supreme Court has widened the scope of the definition of works contract, one time settlement scheme for such cases was declared.

FY 2016-17

VAT/ Sales Tax

- The Department established a Cyber Forensic Unit for better enforcement.
- To promote billing culture, the ‘Lucky VAT Scheme’ introduced in 2007 was re-launched with the aid of mobile phones and information technology. As a first step towards this, a mobile application was developed whereby public could submit photos of invoices or bills and similar documents received by them while making the purchase.

Along with the same, they would have to key-in minimal details. One percent of the bills so received were to be selected for prizes by monthly draw using computer. The prize of five times the tax shown in the bill, subject to the ceiling of Rs.50000 was to be given out.

- ❖ The tax on wheat and wheat products were done away with. But this exemption was not transferred to the customers by way of price reduction. Wheat products are mainly sold in packets. Even though the tax rate was reduced, the trade continued with the same MRP and retail price. Since, reduction in tax rate did not benefit the consumer, and MRP is calculated inclusive of tax, 5% tax was imposed on wheat products like atta, maida, sooji and rava sold in packages with MRP. It was estimated that this measure would fetch the government an additional Rs. 50 crore in revenues. Besides, the tax rate of 'Basmati Rice' sold in packets with MRP was increased to 5%. It was estimated that this measure would fetch an additional Rs. 10 crore to the government.
- ❖ A tax at the rate of 14.5% was levied as "Fat Tax" on burgers, pizza, tacos, donuts, sandwiches, burger-pattys, pasta, bread fillings and other cooked food items sold by branded restaurants. It was estimated that additional revenue from this move would be around Rs.10 crore.
- ❖ VAT on textile was raised to 2% from 1%.
- ❖ Disposable tumblers of plastic were subject to 20% tax.
- ❖ In 2014, the tax rate of washing soap bars and cakes manufactured using coconut oil was reduced to 1%. It is common knowledge that washing soaps are not made using coconut oil. To prevent the misuse of this concessional rate, the tax rate will be increased to 5%.

Motor Vehicle Tax

- ❖ The tax rate of all categories of goods vehicles was increased by 10%. This measure would add an estimated Rs. 20 crore to the government revenues.
- ❖ Modification in the quarterly tax rate of newly registered stage carriages according to their floor area in the following manner:
    - o Ordinary stage carriages other than city/town service - Rs.1300/Sq.metre.
    - o Ordinary Stage carriages plying as city/town service - Rs.1360/Sq.metre.
    - o Fast Passenger and other higher class service - Rs. 1400/Sq.metre.

- New tax structure for Specially Designed Vehicles: Tax on Mobile Restaurant, Mobile Canteen, Mobile Theatre, Mobile Workshop, Mobile Bookstall, Mobile ATM, Mobile Shop, Mobile Exhibition Van, Mobile Office Vehicles, Mobile Digitization Unit, and Cash Van was imposed on the basis of the floor area at the quarterly rate of Rs.300/Square meter.
- Green Tax to old vehicles:
  - Private vehicles having four or more wheels Rs.400 each at the time of every renewal of Registration
  - Light transport vehicles having four or more wheels Rs.200/- each at the time of every renewal of fitness
  - Medium Transport Vehicles Rs.300/- each at the time of every renewal of fitness certificate
  - Heavy Transport Vehicles Rs.400/- each at the time of every renewal of fitness certificate
  - Other Transport Vehicles Rs.400/- each at the time of every renewal of fitness certificate.
- One Time Settlement Scheme for vehicles which are under tax arrears over a long period:
  - Transport vehicles which are under tax arrears for 5 years or more - 30% of the tax arrears during the last 5 years.
  - Non-Transport vehicles which are under tax arrears for 5 years or more - 20% of the tax arrears during the last 5 years
  - The Government initiated action to confiscate vehicles and cancel the registration if the tax arrears are not remitted within in a period of six months.

Stamps and Registration Fee

- Stamp Duty rates for Gift, Settlement, and Partition and Release deeds among family members was increased from 2% to 3%.
- Stamp duty rates on all sale deeds were raised from 6% to 8% against periodic revision of fair value of land.

- ❖ As per Article 23 of the Schedule to the Kerala Stamp Act, Stamp duty for certified copy or extract was uniformly fixed at Rs. 50 in place of the varying rates of Rs. 20 and Rs. 50.
- ❖ The stamp duty rates for affidavits and notarial instruments were revised to Rs. 50 and Rs. 100 respectively.

FY 2015-16

VAT/ Sales Tax

- ❖ Rice, rice products, wheat, maida, atta, suji, rava were already exempted from tax. On account of downward trend in the inflation rate and the consumer price index a levy 1% tax on rice, rice products and wheat and 5% tax on maida, atta, suji and rava was proposed. Additional revenue of Rs.110 crore was expected from it. Goods sold to PDS would continue to be tax free.
- ❖ An additional tax of Rupees one per litre was imposed on petrol and diesel. The additional amount received from it was to be used for constructing buildings for the weaker sections of the society who did not have an independent dwelling house. Additional revenue of Rs.375 crore was expected from this measure.
- ❖ In order to compensate the revenue loss suffered by the States on account of reduction of Central Sales Tax rate from 4% to 2% and other tax concessions, situation arose, whereby the States could levy tax on textiles and sugar. Accordingly tax was imposed on textiles. Retaining the exemption to sugar sold through the Public Distribution System, a nominal tax of 2% was imposed on sugar. The additional revenue expected was Rs.100 crore.
- ❖ Acting on complaints concerning increasing trade in adulterated coconut oil brought from outside the State, coconut oil was decided to be taxed at a minimal rate of 1%. The additional revenue expected was Rs.50 crore.
- ❖ Compared to the contractors who undertake contract works by purchasing materials from within the State, the contractors who purchase materials from outside the State, get disproportionate benefits, owing to the difference in the rate of tax. In order to remove this imbalance, a negative list as existed prior to 2008 was to be reintroduced, incorporating interior decoration and furnishing contracts as additional items. These contracts would be non-compoundable. The additional revenue expected was Rs.50 crore.

- Since the introduction of Kerala Value Added Tax Act, transfer of copy right of cinema films were taxable under the provisions relating to the transfer of right to use of intangible goods. The proliferation of television channels and the transformation in the distribution structure have put an end to the inconsistencies and uncertainties faced by the sector. Hence, the tax of 5% on transfer of copy right of cinema films which was exempted in 2010 was to be reintroduced. The additional revenue expected is Rs.20 crore.
- Considering the health hazards posed by the use of tobacco products, the rate of tax of cigarettes was increased to 30% with a view to discourage the use of tobacco products. As a further step towards this end, beedi was taxed at 14.5%. An additional amount of Rs.15 crore was expected from this measure.
- The benefit of the tax exemption granted to nylon ropes, polyester ropes and polyester twine was limited to the sales made by Mathsyafed, Theeramythri and Fishermen Cooperative Society. Others were to be taxable at 5%. The additional revenue expected was Rs.3 crore.
- The disparity existing among the tax rate of ornaments made of gold and other valuable metals and the tax rate of bullion, other articles made of gold and gold coins posed certain practical difficulties in the processing of input tax claims and refunds. To overcome this position, it was made applicable only to bullion sold by agencies notified by Director of General of Foreign Trade and those authorized by RBI for import of gold, at their point of sale within the State. The schedule rate of all other forms was unified at 5%. Additional revenue of Rs.15 crore was expected.
- Towards this end, and in order to discourage the use of plastic products which are hazardous to the environment and also to encourage the use of natural products, the rate of tax of disposable plastic cups and plates, disposable Styrofoam cups and plates, thermocol / Styrofoam sheets and printed flex was enhanced to 20%. All types of plastic toys were made taxable at 14.5%. Additional revenue of Rs.15 crore was expected from this measure.
- Through Finance Act 2014, turnover tax was introduced on certain items from textiles. The dealers complained that multiple levy of turnover tax at different stages resulted in

cascading effect and further they couldn't collect the tax also. Considering these aspects, VAT of 1% was imposed on all textiles, in lieu of the present 2% turnover tax.

- Rubber wood was totally exempted from tax. This measure was expected to ease the movement of rubber wood, thereby ensuring better prices for the farmers.
- LNG was exempted from VAT for a year.
- Lead Oxide used in the manufacture of batteries was included as an industrial input and the rate of tax was reduced to 5% in 2013.
- To promote the movement of electronic and plastic waste for recycling/disposal, used plastic and electronic waste, and recycling plant for plastics were exempted from tax.
- The tax rate of electronic goods and systems notified by the Government, manufactured and sold by such units, meant for defence purpose of the country, was reduced to 5%.
- The tax exemption granted to khadi products sold by manufacturing units approved by Kerala Khadi and Village Industries was extended to units approved by Khadi and Village Industries Commission.
- The rent limit under luxury tax with respect to rooms in charitable hospitals enjoying exemption under VAT, was raised to Rs.2000.
- A provision was made in VAT Act whereby dealers in cooked food eligible for compounding under Section 8(c)(i) were permitted to pay tax at compounded rates for the years prior to their registration also.
- An amendment was made with regard to commodities with disputed tax rates. It was decided if the manufacturer or first seller pays entire tax on MRP after the issuance of the statutory clarification, subsequent dealers in the VAT chain will be spared of assessment / penalties.
- The tax deduction at source (TDS) rates for Work Contracts executed under Sampoorna Gramin Rosgar Yojna or Beneficiary Committee, were made equivalent to their tax rates.
- All Multilevel Marketing Companies, their distributors and agents were made liable to take registration and pay tax under the Kerala Value Added Tax irrespective of their turnover.
- To ascertain the accurate quantum of e-commerce transactions prior to the introduction of GST, all companies and entities maintaining an e-commerce website was to be made

liable to file the details of inbound and outbound goods sold through such sites in a prescribed format on monthly basis.

- Every transporting agency etc. was bound to file returns with respect of goods dealt by them. Specific provision was made in the VAT Act to facilitate their registration also.
- As per KVAT Rules, if a dealer detects any omission or mistake in the return filed by him, he is permitted to file revised return along with penal interest calculated at twice the rate of interest, if the tax payable increases consequent to such revision. Corresponding provisions would be made in the Act with retrospective effect to reflect this position.
- To ensure tax compliance, amendments were made in Sec.54 and 82 of the Kerala Value Added Tax for collection of information through general survey and enquiry.
- To bring more accountability in the movement of goods, all job-workers receiving goods from outside the State for job works were mandated to take registration under VAT Act irrespective of any turnover limit.
- Registration under VAT Act was made mandatory if turnover reached Rs.10 lakh whether taxable or not.
- The time limit for assessments under Sec. 24 and 25 of the Kerala Value Added Tax Act which expired on 31.3.2015 were extended by a year.
- In order to encourage dealers who sets good example in compliance with tax laws and to promote best practices in tax compliance, a “green card” scheme was implemented to ensure priority in delivery of services from the department, to eligible dealers.
- In continuation to the e-governance initiatives implemented in the department, steps were taken to analyze the information received from various sources using information technology, thereby increasing tax compliance.
- It was clarified in the Act and Rules that ultimate tax liability under the Kerala Value Added Tax, was to be on the principal contract amount.
- For inducting tax practitioners in to the new system in the changing circumstances and to ensure more responsibility in their actions, an annual renewal fee of Rs.500/- was introduced.
- More dealer friendly services were to be implemented with the aid of information technology.

Motor Vehicle Tax

- Tax rate on motor cycles having purchase value up to 1 lakh rupees was raised from 6% to 8%, that of motor cycles having purchase value above 1 lakh rupees and up to 2 lakh rupees from 8% to 10% and one-time tax rate of motor cycles having purchase value more than 2 lakh rupees to 20%. As a result of this increase, the Government expected an additional income of Rs. 100 crore.
- Non transport vehicles such as Motor cars, motor cycles etc registered in other States are frequently conducting service within the State of Kerala. As per the existing Taxation Act there is no provision to impose tax on such vehicles. Moreover no statistical data or details of such vehicles entering from other States are available with the Department. Due to this, the State is facing many security problems. Hence Government intends to impose tax on those vehicles which are registered in other States and operating within the State of Kerala for more than one month, at the rate specified below.

<table>
<tr><th>Sl. No.</th><th colspan="2">Class of Vehicle</th><th>Exceeding 30 days upto 1 year (Rs.)</th><th>Exceeding 1 year</th></tr>
<tr><td>1</td><td colspan="2">Motor Cycles and Three Wheelers</td><td>200/-</td><td>One time tax proportional to the rate specified in Annexure I of the taxation schedule</td></tr>
<tr><td>2</td><td colspan="2">Motor Cars</td><td>1500/-</td><td>"</td></tr>
<tr><td rowspan="3">3</td><td colspan="2">Private Service Vehicles for Personal Use</td><td></td><td></td></tr>
<tr><td>A</td><td>Up to 10 seats</td><td>300/- per seat</td><td>"</td></tr>
<tr><td>B</td><td>More than</td><td>500/- per seat</td><td>"</td></tr>
<tr><td>4</td><td colspan="2">Construction equipment vehicles and other non - transport vehicles</td><td>1000/-</td><td>"</td></tr>
</table>

- The practice of using luxury vehicles imported from foreign countries for temporary use in the State is on a rise. There was no provision in the extant laws for levying a short time tax for those vehicles. A tax was imposed for such vehicles at the rate of Rs.10,000/- for first month and Rs.5,000/- for every subsequent month of stay or part thereof.

Stamps and Registration Fee

- A one-time settlement scheme for updating the annual accounts/returns/ list of members etc. of organizations under Travancore Kochi Literary, Scientific and Charitable Societies Registration Act, 1955 was implemented. Accordingly, such organizations were allowed to update the returns by paying a one-time fee of Rs.500 for every year delay. The filing of returns was automated. This was likely to generate additional revenues to the tune of Rs.15 crore.
- Kerala Stamp Act 1959 was amended to include the instrument “license for rent”. This attracts same stamp duty as that of rent deeds (lease deeds). Additional revenue to the tune of Rs. 20 crore was expected from this change.
- Stamp duty and registration fee was rationalized to make them in line with the changing times, as per the table given below.

Sl. No.	Article	Description	Existing Rates	Revision Proposed
1	5	Agreement or Memorandum of agreement- (d) If not otherwise provided for	100	500
2	24	Counterpart or duplicate of any instrument chargeable with duty and in respect which the proper duty has been paid (ii) in any other case :	100	500
3	25	Customs Bond or Central Excise Bond – (a) In any other case:	50	500
4	28	Certificate of enrolment in the roll of advocates prepared and maintained by the State Bar Council under the Advocates Act 1961 (Central Act 25 of 1961)	250	1000
5	36	Memorandum of association of a company		1000 The same duty as leviable on Articles of Association under Article 10, according to the share capital of the company
		(a) If accompanied by article of association under Companies Act (Central Act I of 1956)	500	
		(b) If not so accompanied	1000	

6	50	Security Bond or mortgage deed, executed by way of security for execution of an office or to account for money or other property received by virtue there of or executed by a surety to secure the due performance of a contract – (b) in any case	100	500

- As an incentive for extending banking service in rural areas, the stamp duty for the registration of ATMs in Panchayath areas will be reduced to Rs.1250/- from the current rate of Rs.2500/-.
- Reconversion of paddy lands which were converted as homesteads earlier, was decidedly impractical considering the acute scarcity of land experienced in the State. Government proposed to regularize such conversions made before the promulgation of Kerala Paddy Land and Wet Land Conservation Act. Accordingly, a fee equivalent to 25% of the notified fair value of similar land in the locality was to be levied for such regularization. Rs.150 crore was expected from this measure.

FY 2014-15

VAT/Sales Tax

- The rate of tax of Foreign Liquor having purchase value of Rs. 400 per case or more paid by Beverages Corporation, was increased by 10%. Additional revenue of Rs. 400 crore was expected from this measure.
- A turnover tax of 2% was levied on dealers having turnover of Rs. 1 crore or more, on their turnover of textiles excluding ready-mades. The dealers would not be allowed to collect tax from the consumers and would have to pay this from their profits. Rs.100 crore of additional revenue was expected.
- Tax on draw of paper lottery was increased from existing rate of Rs. 30 lakh to Rs. 50 lakh for ordinary draws and from Rs. 60 lakhs to Rs. 1 crore for bumper draws. From this additional revenue of Rs. 100 crore expected.
- To protect the interest of the coconut farmers, tax rate of all edible oils except coconut oil was hiked to 5%. Rs. 80 crore of additional revenue was expected.

- To curb evasion, tax rate on UPS and invertors was unified at 14.5%. Additional revenue of Rs. 6 crore is expected from this measure.
- Tax rate of aluminium composite panels, used as a luxury item to decorate posh buildings, residential apartments and shopping complexes was increased to 14.5%. Rs. 5 crore was expected in additional revenue.
- The trend of renting out service apartments on daily basis is widely prevalent across the State. Their operation is similar to that of hotels. These apartments were not covered under the Luxury Tax Act before. These apartments were brought under the luxury tax net and taxed at the rate of 12.5%.
- Restaurants operating under multinational brands selling food items at exorbitant rate, and availing the concessional rate of compounding of 0.5% intended for ordinary restaurants are not meant for common man. Considering this fact, it was clarified such restaurants would not be allowed the compounding provisions applicable to ordinary restaurants. Additional revenue of Rs. 10 crore is expected from this measure.
- Compounding scheme for metal crushing units are based on the jaw size of the crusher units. After the introduction of compounding scheme, the price and production of metal increased many fold without proportionate increase in the rate of compounding. Taking into consideration of all of these, the compounding rate of metal crushers was increased. Rs.100 crore additional revenue is expected from this reform.
- Compounding provisions for works contracts and building materials were restructured. Contractors with CST registration would be bound to pay compounded tax at 6% of the whole contract amount.
- An annual compounding scheme for manufactured sand based on the production capacity of the machines used for this purpose was introduced. The schedule rate of tax for manufactured sand was hiked to 14.5%. This would bring in additional revenue of Rs. 40 crore.
- The existing scheme of calculation of compounded tax, which takes into account two factors, was limited to the sole criteria of purchases made from Kerala State Beverages Corporation and current classification of rates based on Municipal Corporation, Municipality, Cantonment Area and Panchayath was dispense with. The rate was unified at 160%. For three star hotels, the present compounding scheme would continue.

- Provisions were made in the Kerala Value Added Tax Act, that with regard to purchase of rubber wood and latex made by registered dealers from people without registration, the purchase tax would be paid by the dealer.
- A large number of dealers were defaulting in payment of collected tax deliberately by delaying in filing of returns in time. In order to curtail this practice, a new provision was incorporated in section 31 of the VAT Act, making it mandatory that non-payment of collected tax would result in payment of interest thereon at the rate of 36% per annum.
- Audit Assessment Wing was be re-established in the Commercial Taxes Department.
- For non-filing of returns, assessing officer had the discretion to impose a penalty upto Rs. 10,000/-. Suitable provisions were made to make it mandatory to impose a minimum penalty of Rs. 1,000/-.

Motor Vehicle Tax

- Taking into account the hardships faced by the general public in visiting the offices for paying tax and to lessen the financial burden of DD commission levied by the Banks, e-payment facility was implemented in addition to new vehicles for payment of tax for all vehicles.
- A lump sum tax for 5 years was imposed on Goods Vehicles having RLW up to 3000 Kg without any enhancement in the existing rate, of tax to alleviate the hardships faced by the vehicle owners in visiting the office every year to pay tax. Rs. 116 crore was expected from this measure.
- A lump sum tax for 5 years was imposed on motor cycles and motor cars. Additional amount of Rs. 34 crore was expected from this amendment.
- Suitable statutory provision was made to empower the department officials to auction the vehicles which were seized for non-payment of tax if the tax arrears and additional tax in respect of the vehicle are not paid within a specified time.
- Taxis having cubic capacity of 1500 or more were classified as ‘Luxury taxis’ and a quarterly tax of Rs. 1500/- was charged for old luxury taxis. A one-time tax for 15 years was imposed from newly registered taxis of all kind. An additional income of Rs. 80 crore was expected from this measure.

- Considering that tax on taxis had not been revised in 17 years, a lump sum tax for 5 years with a slight enhancement in the existing rate of tax was imposed. An additional amount of Rs. 32 crore in revenues was expected from this measure.
- Similarly, tax on auto-rickshaws was hiked from Rs. 2000 for 5 years to Rs.2500 with the introduction of lump sum facility. Revenue increases on account of this measure was estimated at Rs. 25 crore.
- A life time tax of 10% ad valorem was introduced for motor cycles having purchase value more than Rs.1 lakh and at 22% ad valorem for imported motor cycles having purchase value more than Rs.1 lakh. It was estimated that this measure would fetch Rs. 4 crore in additional revenues.
- A tax at a quarterly rate of Rs. 1000/ sq.m was imposed on caravans/camper vans. Government anticipated an additional income of Rs. 10 lakh from this.
- Tax rate on luxury contract carriages was hiked. An additional Rs. 1 crore was anticipated from this change.
- A separate rate of quarterly tax was introduced for other State Contract Carriages. An additional amount of Rs. 2 crore was expected from this measure.

Stamps and Registration Fee

- Fair value of land was revised to make it at par with the existing market rate of land. Suitable modification in the statute was effected for enabling to increase fair value by a fixed percentage.
- The Monthly Deposit Schemes (MDS), similar to chitty business, being conducted by co-operative banks / Co-operative societies were brought under the provisions of the Kerala Stamp Act. All agreements and deeds executed between the depositors and co-operative banks/ Societies under the scheme were levied a stamp duty at the rate of ` 100/- per person.
- In order to harness resources needed for the infrastructural development of the state, the stamp duty rates of 5, 6 and 7 percent prevailing in panchayath, municipal council and municipal corporations respectively were rationalized at the rate of 6% for all conveyance deeds.

- Stamp duty for all agricultural and educational loans granted by the commercial banks was waived. The stamp duty rates for other loans was reduced from 5% to 0.50% with a maximum limit of Rs.20,000/-. The registration fee in respect of these deeds and reconveyance deeds was reduced from 2% to 1% which was limited to a maximum of Rs. 500.
- A stamp duty of Rs. 500 was imposed for Memorandum of Association (MoA) and Rules and Regulations filed by Charitable Societies.
- A stamp duty of Rs. 2500 and Rs. 5000 per year was imposed on all deeds and agreements and its revival deeds executed in favour of land lords for the erection of Automatic Teller Machines (ATM) and Mobile Towers respectively
- The prevailing stamp duty for Chitty Variola or KuriVariola was revised lastly on 22-11-1996. The rate was Rs.25 for every Rs.1000. The said rate was enhanced to Rs. 50 for every Rs.1000.
- The stamp duty for registration of Articles of Association of Companies was revised in accordance with the paid-up capital of the company. In order to promote the incorporation of new companies in the state, stamp duty was revised as follows
    - A stamp duty of Rs. 2000 on paid-up capital up to Rs. 10 Lakh
    - A stamp duty of Rs. 5000 on paid –up capital above Rs.10 Lakh and up to Rs. 25 Lakh
    - A stamp duty at the rate of 0.50% of paid up –capital above Rs.25 Lakh.
- The sale limit of Stamp Papers was increased by licensed Stamp Vendors from Rs. 20,000/- to Rs.1,00,000/- and the discount rate was revised rationally.

A sum of Rs.100 crore wass expected from the above mentioned amendments.

Lottery Tax

- A Vigilance Wing was established in the Department of State Lotteries to strengthen stringent action against all illegal activities in the lottery sector and other State illegal lotteries.
- The face value of lottery tickets was enhanced. The revision in the prize structure was expected to increase the income from lotteries to Rs. 5500 crore in 2014-15 from Rs. 3750 crore (estimated) in 2013-14.

3.11 Madhya Pradesh

FY 2018-19

Stamps and Registration Fee

- Registration fee on merger and amalgamation was reduced to 0.8 per cent of the Stamp Duty on such transactions.

FY 2017-18

VAT/Sales Tax

- To encourage cashless transactions POS machines were exempted from taxes and related merchant agreements were also exempted from any stamp duty liabilities.
- VAT on heavy goods vehicle was decreased from 14 per cent to 12 per cent in order to encourage sale of these, which in turn would augment revenues.
- VAT on Aviation Turbine Fuel being sold at the Indore airport was hiked from 4 per cent to 25 per cent. Besides, VAT on ATF being sold in other airports in the state was rationalized.

Stamps and Registration Fee

- Little used or unused land under the ownership of governmental agencies/departments will be marked and given out for other uses towards pursuing development oriented goals. Efficient utilization of such land would yield additional financial resources. A high powered committee was set up to carry out case wise discussions on the issue.
- Steps were taken to monitor the conversion of agricultural land being used for pursuing non-agricultural activities as the land used for the latter is subject to a tax rate higher than the former.
- E-bhuabhilekh and e-registry services were integrated to ensure that as soon as the e-documents are registered the devolution process starts on its own. This ensured that updates regarding the revenue records of the documents being registered are received which limit tax evasion.
- E-registration and e-stamping were introduced.

- Stamp duties on sale deed documents relating to merger or amalgamation of companies was limited to Rs. 25 crore.

FY 2016-17

VAT/ Sales Tax

- To strengthen e-payments payments gateway was integrated with the treasury.
- Computerized services for filing returns were simplified and provision for e-refund was introduced.
- All registered businessmen were provided with dealer profiles online through which they could access important information.
- VAT on plastic goods was hiked from 5 per cent to 14 per cent.
- 5 per cent VAT was levied on cycles with value higher than Rs. 10,000.
- VAT on glass mirror and gas geyser was hiked from 5 per cent to 14 per cent.

Stamps and Registration Fee

- Provision of allowing parties to produce Aadhar Card for identification/verification in place of two witnesses was introduced.

Entertainment Tax

- Exemption of entertainment tax for landowners of newly constructed multiplexes and cinema theatres converted into multiplexes was extended to lease holders.

FY 2015-16

VAT/ Sales Tax

- Rates for a variety of items were rationalized.
- VAT on tobacco products and pan masala was hiked from 13 per cent to 27 per cent.
- For items listed under Schedule-2 of MP VAT Act, VAT was hiked from 13 per cent to 14 per cent.
- VAT on tax-exempt items or raw materials used for construction purposes, or for transfer of stock to other states was hiked from 4 per cent to 5 per cent.

- VAT Rate on - baby diaper, hydraulic trolley, steam, high voltage isolator, battery operated car/ rickshaw, bio fuel based smokeless stove, accessories of tractor, gas geyser/ stove, induction stove, dental filling material, educational science kit, album (photo and stamp), audio tape recorder and audio cassette, school bag, bangles of ivory, carbon paper, electronic toys, ladies hand bag, purse and vanity bag, locks and keys, soya milk powder, razor and razor blades, shoe polish and cream, aluminum composite panel, nitrogen gas, liquid nitrogen helium & argon, brahmi, kalaunji oil etc. was reduced from reduced from 13% to 5%
- VAT on all kinds of pan masala and gutka (without tobacco) was increased from 13% to 27%.
- De-oiled cake including all kinds of soyameal/ cotton seed oil cake / mustard oil cake / makka khali were included in 1% tax rate slab.
- VAT on sand, gitti and flooring stone was increased - sand, gitti from Rs. 20 to 35 per cubic meter, flooring stone Rs. 1/ 50 paise/ 25 paise to Rs. 2.50 / Rs. 1.50 / 75 paise.
- VAT on goods used in manufacturing of tax free goods and goods which are stock transferred were increased from 4% to 5%.
- CST concessions given on brass, copper, kansa, aluminum sheet, circle, leaf spring, copper wire rod, rod, wire bar, cathode and coin blanks was extended for the year 2015-16.
- Exemption limit on Non AC cinema halls/ AC cinema halls in municipal area, established prior to 1.4.2006 – was raised from Rs. 50 to Rs. 100. Exemption was available in respect of single cinema halls only.
- Reward Scheme for informers, for providing incriminating evidence against evasion, and to employees for better performance.

Entry Tax

- Natural gas including CNG brought from outside states for consumption/ use would attract an entry tax at the enhanced rate of 10%.
- Entry tax concessions given for purchase of raw material by handloom cloth manufacturers, Khadi Gramodyog Units, Pathya Pustak Nigam, newsprint for publication of newspaper, iron & steel and leather for manufacture, crude edible oil for refining,

oilseed by small scale industries having annual purchases not more than 1 crore, bidi, plastic water storage tank, timber, clinker, unprocessed cloth manufactured on powerlooms, tea was extended for the year 2015-16.

Professional Tax

- Professional tax exemptions given to physically handicapped persons up to 31.3.2015 - extended up to the year 2019- 20.

Stamps and Registration Fee

- Stamp duty of Rs. 10,000/- was levied on license document for revolver and pistol and Rs. 5,000/- on renewal document. Rs. 2,000/- on license document for other weapons and Rs. 1,000/- on renewal document was levied.
- The upper limit for stamp duty on value of transferred plant, machinery and other movable properties as going concern of industrial units was enhanced to Rs. 25 crores from existing Rs.10 crores.
- Stamp duty on sale certificate was levied on amount of purchase money or market value of property, whichever is higher.

FY 2014-15

VAT/Sales Tax:

- The system of taxes administered under the Commissioner of Commercial Taxes was computerized. Businessmen were given access to information relating to them under the dealer profile.
- E-refund facility was implemented towards simplification of tax returns procedure.
- To further simplify the provision of online availability of Form-49¸a pilot project e-gatimaan was introduced. This facility allowed dealers/businessmen to download a mobile pass using SMS, replacing the need of a Form 49.
- Measures were introduced to further strengthen the provisions concerning recoveries from appeals pending under the Madhya Pradesh VAT Act, 2002.
- Provision for refund of input tax was introduced for rebate remaining unadjusted at the end of financial year.

- ❖ Provision for enabling re-assessment by submitting declaration forms received before Assessing officer was introduced.
- ❖ More effective provisions were introduced for the stay of recovery in appeal cases and for automatic stay of recovery in cases pending before the Appellate Board.
- ❖ VAT Rate on - industrial thermal insulators, computer scanner, x-ray film, butter, all kinds of sewing needles, flush door, ceramic and vitrified tiles was reduced from 13% to 5%.
- ❖ For Vehicles with four-wheels or more - CST rate was reduced from 2 % to 1%.
- ❖ CST concessions given on brass, copper, kansa, aluminum sheet, circle, leaf spring, copper wire rod, wire bar, cathode and coin blanks extended for the year 2014-15.

Entry Tax

- ❖ Entry tax on coal used for construction purposes was hiked from 2% to 3%.
- ❖ Steel bars brought from outside the State, entry tax rate reduced from 5 to 2 %.
- ❖ Entry tax concessions given for purchase, of raw material by handloom cloth manufacturer, Khadi Gramodyog Units, Pathya Pustak Nigam, of newsprint for publication of newspaper, iron and steel and leather for manufacture, crude edible oil for refining, oilseed by small scale industries having annual purchases not more than 1 crore, bidi, plastic water storage tank, timber, clinker, unprocessed cloth manufactured on powerlooms, tea extended for the year 2014-15.

Stamps and Registration Fee:

- ❖ The government implemented the ‘e-panjiyan’ project with the objective of simplifying and computerizing the process of registration of the documents in the department of stamps and registration.
- ❖ Rationalization of Stamp Duty rates was effected.
- ❖ Stamp duty on documents related to gift, partition, release and settlement, and cases where property is transferred to a family member was rationalized.

3.12 Maharashtra

FY 2018-19

GST/VAT/Sales Tax

- Subsequent to the implementation of GST in the State, 5,32,000 tax payers were newly registered taking the number of tax payers under GST to 13,62,000, reflecting the rise in tax base.
- The local authorities could no longer collect octroi and local body tax due to implementation of GST. In this regard, Act to give compensation to the local authorities, was passed by the legislature. As per the provisions in the Act, the Government disbursed compensation amount in the form of advance to the local authorities before fifth of every month.
- Under VAT, it is mandatory for an employer to pay the TDS amount from the amount payable to the contractor. The contractor can take credit of the TDS. There is no facility to avail TDS credit, paid by the employer, after the implementation of GST. Therefore, a provision was made to allow credit of TDS amount, paid during the period from 1st July 2017 to 31st December 2018, to the contractor.
- In VAT, there is a provision for non-recovery of dues upto Rs. 100. This non-recovery of tax up limit was enhanced to Rs. 500 per proceeding and the interest payable thereon so that the manpower could be used for the recovery of larger amounts.
- Under the VAT Act, filing audit report is mandatory for a dealer, whose turnover exceeds Rs. 1 crore. VAT registration of most of the dealers was cancelled with effect from 1st July 2017, due to introduction of GST. The turnover under VAT of these dealers for the year 2017- 18, would be considered for the first three months only. Hence, the turnover limit for audit of these dealers would be considered at Rs. 25 lakh.
- To implement GST effectively, it is necessary to complete the VAT work expeditiously. In this regard, in VAT Act, there is a provision to notify the scheme. As per the notification, the Commissioner could select cases for assessment or for other processes. If a dealer filed an appeal against the selection process undertaken by the Commissioner,

then disposal could be delayed. Therefore, filing appeals against the selection process would be denied henceforth.

Professional Tax:

- ❖ Limited liability partnership (LLP) entities were included in the purview of Professional Tax. Every professional was required to obtain enrolment certificate and pay Professional Tax.
- ❖ Every professional is required to obtain enrolment certificate and pay Profession Tax. The responsibility to collect Profession Tax from the professionals and pay it to the Government, was entrusted to the organizations, authorities with whom such professionals are engaged in economic activities. The Government was empowered to issue notification, in this regard.
- ❖ To make effective recoveries, the recovery provisions under the GST were made applicable to recoveries under Profession Tax.
- ❖ The government introduced an attractive scheme to allow One-Time Payment of Tax (OTPT) at a concessional rate, instead of paying tax every year.
- ❖ To ensure optimum utilization of manpower, certain statutory powers were delegated to the inspector.
- ❖ For effective collection of Professional Tax, gathering information from various organizations was implemented rigorously for tracing the possible tax payers. In this regard, the Commissioner was empowered to issue notices.

FY 2017-18

VAT/Sales Tax:

- ❖ For unlocking of revenues, three additional benches of Maharashtra Sales Tax Tribunal were established to ensure quick disposal of appeals pending under MVAT. The following measures were also taken towards that end -
    - o The powers of the assessing authority to cancel ex-parte assessment orders were repealed.

    - To obtain stay on the assessed tax dues, a mandatory and fixed part payment of 10 per cent of the disputed tax amount with a maximum limit of Rs. 15 crore was imposed on the appellant/dealer.

- ❖ The time limit for filing of appeals to the High Court against the decision of the Tribunal was increased from 120 to 180 days, so as to give the Department as well as the dealers sufficient time to examine the legal aspects of the case.
- ❖ Recovery of dues is central to tax administration. To ensure effectiveness of the process of recoveries the following measures have been taken –
    - Dues have first charge on the property of the dealer. In order to remove ambiguities concerning when this charge can be said to have been created, it was clarified that charge shall be deemed to have been created on the property of the dealer on the date, mentioned in the demand notice.
    - In case of dues of private companies, the company and the directors were made jointly and severally liable.
- ❖ The time limit of interest on refund given to a dealer was reduced from 90 days to 60 days. The early grant of refund would facilitate 'ease of doing businesses'.
- ❖ In case the delay at the dealer's end in paying interest for late payment of tax is due to certain technical problems in the automation system of the Sales Tax Department, State Government was empowered to waive the interest payable.
- ❖ To encourage the unregistered dealers under the Value Added Tax Act to obtain registration so that they become eligible for Goods and Services Tax registration, interest to some extent, and penalty of such dealers for the unregistered period after payment of due tax was exempted.
- ❖ Manufacturers and importers are eligible to pay Value Added Tax at the notified rate of 23.08 per cent on the maximum retail price on sale of foreign liquor, Indian made foreign liquor and country liquor. The notified rate of Value Added Tax on foreign liquor, Indian made foreign liquor and country liquor was increased to 25.93 per cent of the maximum retail price of liquor.

Entry Tax

- The time limits for assessment of an importer under the Entry Tax Act were aligned with the provisions under Value Added Tax Act, so that sufficient time is available for assessment.

Professional Tax

- Tax liability of a person, who applies late for registration or enrolment, can be computed for the periods of maximum eight years prior to obtaining registration/ enrolment. Due to this eight year's tax liability, many persons remain unregistered. This period was reduced to four years to encourage more unregistered persons to come forward to register or enroll.
- The interest rates under Profession Tax were aligned with the interest rates under Value Added Tax.
- Dealers registered under Value Added Tax are liable to pay Profession Tax. To widen the scope of Profession Tax, the service providers registered for Service Tax were made liable to enrol.

Lottery Tax

- Tax on weekly lotteries was revised upwards from Rs. 70,000 to Rs. 1 Lakh.

FY 2016-17

VAT/Sales Tax

- The concept of fair market price was introduced. Powers were given to assess a dealer on the basis of fair market price if goods were being sold below market price with an intention to evade tax.
- Tax payers were no longer required to visit offices for registration. Submission of documents was made online.
- Changes were effected to allow a dealer to file revised returns, up to the due date for filing audit report under the VAT Act, if he found any mistake in the returns filed by him earlier. Such revised returns would be allowed to be filed multiple times.

- The Sales Tax Department does not assess all the dealers but assessment cases are selected on the basis of certain parameters. In order to give certainty to the dealers whose cases have not been selected for assessment but who have filed returns within the stipulated period, a returns acceptance order subject to certain conditions was issued to him. Similarly, the returns of a dealer who has filed returns within the prescribed date was deemed to have been accepted after the expiry of a period of four years if assessment notice was not issued till then.
- An employer is required to deduct TDS on account of tax from the payment made to a contractor. If a principal contractor awards contract to a sub-contractor, then the credit of the TDS would be transferred by the contractor to the subcontractor. The employer awarding contract was made liable to obtain registration for TDS under the Act and returns containing TDS details would be filed by the employer.
- Considering the importance of e-commerce, periodic information would be obtained from e-commerce companies regarding sales-purchase transactions made on the portal. Portal would be penalized for not furnishing the information.
- Small entrepreneurs provide numerous employment opportunities. Towards encouraging them, Sales tax provides various composition schemes to such small entrepreneurs for easy computation of tax liability and reduced compliance cost. Certain revisions were implemented concerning these composition schemes.
    - The yearly turnover limit for composition scheme for retailers was enhanced from Rs. 50 lac to Rs. 1 crore.
    - Bakery industry provides opportunities for self-employment. In order to provide encouragement to bakeries, tax-free goods were excluded for computing the tax liability under the composition scheme for bakeries.
    - Hotels, Restaurants etc. were eligible for composition without any turnover limit. All such registered dealers could opt for composition scheme with 5% tax. Considering that the composition scheme is meant for small dealers, the rate of composition was enhanced to 8% if the turnover of food and nonalcoholic drinks in the previous year exceeded Rs. 3 crore.
- Set-off on sales tax paid on purchase of Petrol and Diesel was done away with.

- Mobile handsets purchased locally and sold in the course of inter-state trade were made eligible for set-off only to the extent of the liability under Central Sales Tax Act on their sales.
- Set-off on motor vehicles was allowed to the extent of output tax on lease of such vehicles.
- To encourage logistics business, a logistic hub was decided to be set up in Nagpur region. It would be provided exemption from Central Sales Tax on the resale of goods brought from outside the State and packed or repacked inside the hub. A notification to this effect under the Central Sales Tax Act was issued.
- To accurately capture the information regarding sales at the last stage, a Pilot Project of digital billing was launched for the registered dealers.
- Towards the computerization SAP based system was adopted by the Sales Tax Department. This has enabled tax payers to get updated status of the input tax ledger.
- In order to compensate the cost incurred on account of crop compensation, crop insurance, integrated watershed management, the tax rate on petrol and diesel, IMFL, country liquor, cigarettes, cold drinks, gold, diamonds and its jewellery and imitation jewellery had been increased in FY2015. The increase was decided to be extended for another year to meet the distress faced by the farmers.
- Anticipating that implementation of GST would result in loss of revenues and that the centres' compensation to the states would be based on the state's revenue collections, the tax rates under VAT were increased. The lower general rate of tax was hiked. The tax rate on goods, except declared goods, was enhanced from 5% to 5.5%.
- On the backdrop of forthcoming Goods and Services Tax, some States like Bihar, Himachal Pradesh, Gujarat and Madhya Pradesh had announced amnesty schemes for pending dues. The tax liability on the transactions in many cases is a matter of dispute. Such matters are pending in appeal before various courts. Even if matter is finally decided in favour of dealer, he is faced with uncertainty during pendency, while if the matter is decided in favour of Government, there is interest liability on the dealer which may make the business unviable. To address this problem and to unlock the revenue in appeal pending before the courts, various amnesty schemes were introduced for such

dues under the tax laws implemented by the Sales Tax Department. The amount so realized would be utilized for welfare measures.

Entry Tax

- ❖ Presently entry tax is levied on many kinds of tiles. However, slabs from which marble and granite tiles are made are not covered. To remove this anomaly, an entry tax was imposed on marble and granite slabs.

Professional Tax

- ❖ To broaden the coverage of Professional Taxes an amnesty scheme was introduced. Consequently, after the amnesty scheme the un-enrolled persons would face penalty and prosecution.
- ❖ Members of CRPF and BSF were exempted from Professional Taxes.

Motor Vehicle Tax

- ❖ Two wheeler and three wheeler motor vehicles were taxed on the basis of engine capacity. 8% tax was imposed on vehicles up-to 99 c.c., for 100 c.c. to 299 c.c. the rate was 9% and for 300 c.c. and above the rate was 10%. However, the tax on vehicles in the name of companies, undertakings etc. as well as on imported vehicles were taxed at twice the respective rates.

Sugarcane Purchase Tax

- ❖ Due to recession, Sugar Industry was facing difficulties. Therefore, Sugar Cane Purchase Tax was exempted for the year 2015-16. This exemption was, however, available to only those sugar factories who met the export obligations as per Government Policy

Lottery Tax

- ❖ The rate of tax applicable to monthly draws or draws held between fortnightly and a monthly was increased from Rs. 2.5 lakh to Rs. 3.5 lakh.
- ❖ Tax on Bumper Lottery Scheme was hiked from existing Rs. 12 lakh to Rs. 14 lakh.

FY 2015-16

VAT/Sales Tax

- The processes adopted by Sales Tax Department were automated to a large extent. The automation was aimed towards making hassle free migration of data of existing tax payers to GST system.
- Sales Tax would no longer be levied on Service Tax collected separately to avoid cascading of tax.
- In audit or investigation proceedings, the tax payer could file revised return as per findings therein. However, dealer could file revised return only once. This condition was relaxed to allow multiple revised returns in case of audit findings or investigation proceedings by Sales Tax authorities.
- Late fee is attracted in case of a delayed return. This drastically reduced the number of defaulters in preceding years. However, there could be a delay due to genuine reasons. Considering the same, late fee was slashed from Rs. 2000 to Rs.1000 for delay in filing of return upto one month.
- Under Value Added Tax, during any proceeding if a tax payer did not fully discharge his tax liability on any transaction, then assessment proceedings could be initiated. This provision was revised to assert that assessment would be initiated if there was a reason to believe that the tax payer was not correctly discharging tax liability or was attempting to evade tax on any transaction. Time limit for completion of transaction-wise assessment was introduced. Provision for cancellation of order was allowed if the order is done ex-parte.
- Under MVAT Act, tax payer could file revised return for a complete year and pay extra tax. In such cases, the method of computing interest was revised to compute interest with effect from 1st October of the year to which revised return relates. Amendments were also effected for computation of interest in case of a revised return filed for a period lesser than a year.
- Tax rate on Wood free plain and pre-laminated particle board with ‘Eco Mark’ was hiked from 5 percent to 12.5 percent.

- Exemptions on some of the essential commodities such as rice, wheat, pulses and their flour, turmeric, chilies, tamarind, jaggery, coconut, coriander seeds, fenugreek, parsley (suva), papad, wet dates, solapuri chaddars and towels, introduced in the previous years, was extended by another year.
- Sales tax on guide wire used in medical treatment, ladies handbags, and LED bulbs was reduced from 12.5 percent to 5 percent.
- Medicines required for cancer treatment were exempted from sales tax.
- Tax rates on various goods were rationalized in order to remove ambiguities. Some of these were Workbook, Drawing Book, Laboratory Book, Graph Book, Paper, White Butter, Spices and Embroidery thread.
- Local Body Tax was abolished from 1st August 2015. Tax rates under VAT were revised upwards. The revenue received on account of increase in tax rates under VAT was assigned to the Municipal Corporations.

Entry Tax

- Acting on the charge that long steel was being sold directly to the consumers from neighboring States, a five per cent levy of entry tax on long steel was enforced. This would safeguard tax revenues of the State. To avoid double taxation on long steel, set-off was allowed as per provision.

Professional Tax

- No Professional Tax was applicable to the women drawing salary upto Rs. 10,000 per month. This benefited nearly 1,50,000 employed women in the State.

State Excise

- Rate of Excise duty on country liquor was revised to 200 per cent of the manufacturing cost or Rs.120 per proof litre whichever was higher.

3.13 Odisha

FY 2018-19

GST/VAT/Sales Tax

- Time period for disposal of 1st appeal and set aside cases was enhanced from three years to four years.
- Clarification was issued on TDS under OVAT Act deducted from contractors prior to 01.07.2017

State Excise

- The Excise Policy 2018-19 was implemented to improve the efficiency of processes associated with manufacture, import, export, transport & sale of alcoholic beverages while attaching due priority to health & well-being of the citizens of the State. The key features of Excise Policy 2018-19 are as follows:
    - Keeping health of consumers in mind, State decided to do away with Rectified Spirit (RS) as base for manufacture of liquor. All manufacturers must shift to Extra Neutral Alcohol or Grain Neutral Spirits (ENA or GNS) for manufacturing their products.
    - To encourage lighter alcoholic drinks & wean consumers away from strong alcoholic drinks, excise duty for items having strength less than 5% v/v was reduced.
    - To facilitate the capacity utilization of manufacturing units in the State, especially Breweries; export & import levies were rationalized.
    - The MGQ structure was rationalized; taking into account average lifting in last 3 years.
    - Bottling fee was removed & appropriate increase in excise duty was made. This would lead to appropriate reduction in offer price of Odisha manufactured brands as bottling fee is at present part of offer price submitted/ approved.
    - To facilitate entry of new brands in the State; the label registration fee structure was simplified by introduction of Annual Composite Label Registration Fee.
    - In view of significant differences in Consideration Money (C. Money) between retail shops in the same locality due to speculative bidding at the time of initial

settlement, rationalization of C. Money was carried out on the basis of geographical location**.**

- ❖ The structure of Excise Policy 2018-19 has been changed, dividing into three parts for better appreciation. Part A covers the lists of all the fees (Excise license fee/application fee/registration fee/penalty etc.) covering production, wholesale and retail trade in alcoholic beverages; Part B lists the Excise duties/ Countervailing duties/ Vend Fee on alcoholic beverages along with administered profit margins of retails; and Part C highlights the key regulatory measures.
- ❖ Label registration fee for the year 2018-2019 was made supplier wise instead of individual label wise. The existing supplier would need to pay a one-time Annual Composite Label Registration fee for 2018-19 based on total number of cases supplied.
- ❖ There would be no increase in number of FL-OFF & CS shops except the Model Premium Foreign Liquor OFF shop recommended at Airports. However in order to protect government revenue and to not allow any area go dry for long, shops which were sanctioned in the past but not operational as on 1.4.2018 due to any reasons whatsoever, would be settled afresh through lottery.
- ❖ Importers or authorized representatives of foreign distilleries/ firm(s) would have to register themselves with wholesaler under intimation to Excise Commissioner, Odisha and pay necessary registration fees to Wholesaler as may be specified.
- ❖ It was proposed to allow Model Premium Foreign Liquor OFF Shops only in Airports (Arrival/ Departure) as per guidelines issued by Airport Authority of India (AAI). These shops would be permitted to sell Foreign Made Foreign Liquor (FMFL), Premium IMFL (offer Price of case above 4000) and all types of Wine. The annual license fee for the shop was fixed at ₹ 4.0 lakh per annum.
- ❖ In order to facilitate availability of low strength liquor, 'ON Microbrewery' license may be granted or the retail sale of freshly crafted Draught Beer to be produced and consumed locally within the premises of the Microbreweries with an installed capacity not exceeding 1,000 BL per day. This would generate additional license fees, duties and other statutory levies.
- ❖ Advance consideration money of 3 (three) months for the existing IMFL OFF/CL/Out-Still/Tari/ Pochwai and Bhang licensees would be collected by 31.03.2018 from those EP

holders who have applied for renewal of their license. No license would be issued if this is not complied with.

- In addition to above advance consideration money, each licensee would have to pay interest free security deposit equivalent to one time monthly consideration money in case of renewal of their license in the year 2018-19.
- A shop situated in rural area would be allowed to be shifted to another location in the rural areas only. Ordinarily shifting would be confined to the same Gram Panchayat or an adjoining Gram Panchayat. Similar principle would be followed in case of urban areas / wards. Invariably, public objection would be invited for the new location before shifting.

FY 2017-18

GST/VAT/Sales Tax

- In view of introduction of GST, and amendment of Entry 54 of list II of the Seventh Schedule of the Constitution of India some of the provision of the Odisha Value Added Tax Act, 2004 were amended from 1st July,2017 as below:-
    - The tax levy power of the State having been limited to only six goods tax on which tax has been levied at the 1st point in the series of sales, provision to define in Input, Input tax and Input Tax Credit was omitted.
    - Any benefit in the form of ITC or otherwise on Capital Goods was restricted to the dealers who are dealing in the limited goods on which state is authorized to levy tax i.e. on 5 petroleum products and alcohol for human consumption.
    - Dealers executing works contract, engaged in the business of letting out machinery and equipment on hire, and dealers engaged in supplying goods by way of service (caterers and hoteliers) were excluded from State taxes.
    - Provision to authorise State to levy tax on the goods declared to be of special importance u/s 14 of the CST Act was omitted.
    - Reverse tax was omitted.
    - Provision of zero tax rate on sale of such goods to SEZ, STP, EHTP and EOU was omitted.
    - Dealers are constrained to rectify the errors and omissions detected by internal audit or otherwise after three months from the end of a tax period. There had been a long

standing demand from trade and industry to allow revising the return after completion of internal audit. In order to facilitate rectification of errors as stated above, amendment was made to extend the time limit up to end of October of the succeeding year.

- After introduction of GST, there will be separate provision for deduction of tax at source under the SGST Act (Section 51) and works contract will be treated as service omission of Section 54 to discontinue TDS from the bills of works contractors.
- In the transitional period from VAT regime to GST regime, in order to enable the officers authorized for recovery of tax, to manage the transition as well the time limit prescribed in law for initiating recovery proceeding, amendment from the existing five years to seven years has been made.
- The empirical success rate in appeal being very low, the present pre-deposit condition for 1st appeal was dispensed with and instead thereof the 20% pre-deposit condition was provided as a condition for admitting 2nd appeal.
- In view of the order of the Hon'ble High Court, amendment was made for a provision authorizing the Government to issue circular to fix monetary limit for filing of revision or appeals.
- Provision was made to manage and facilitate continuance of deferment or deferment in lieu of exemption allowed under the OST Act. The transitional phase being over long since, and the power to levy tax on sale or purchase of goods being squeezed to only six commodities, there is no further justification for continuance of the transitional facilities extended at the time of transition from OST to VAT. Accordingly, the Act was amended.

- ❖ Provision for auto –closure facility of e-waybills to the dealers from 1st April 2017 in view of the abolition of check gates.
- ❖ Clarification was issued on rectification of error under Section 81 during pendency of appeal/revision cases, availing of Input Tax Credit on Capital Goods in case of dealers producing /selling both taxable and tax free goods.
- ❖ Advisory was issued to the Chemist and Druggist Association to collect tax on actual sale value instead of on MRP in the entire chain of transaction.

State Excise

- The annual license fee for those distilleries and bottling units that failed to utilize less than 10% of their installed capacity in the period between January to December of the previous year, shall remain the same as what was fixed in the year 2016-17**.**
- In case any existing Country Spirit shop remained unsettled, the concerned District Collector would take immediate steps for settlement in a manner prescribed by the Government.
- The license of all existing Out Still Shops operating in 21 districts was be renewed for a period of one year w.e.f. 1st April 2017 with 15% increase over and above the existing consideration money.
- In order to facilitate innovative variety of low strength liquor, 'ON' license were to be granted for the retail sale of freshly crafted Draught Beer to be produced and consumed locally within the premises of the Microbreweries with an installed capacity not exceeding 1,000 BL per day. From this measure additional license fees, duties and other statutory levies would be generated.

FY 2016-17

GST/VAT/Sales Tax

- Invoice level matching was introduced to curb fake and forged tax invoices.
- Schedule of OVAT Act, 2004 was amended. VAT rate on “e-Rickhaw” and “Battery Operated Vehicle (BOV)” and “LPG Cylinder” was reduced to 5%.VAT levied on “Fly ash Bricks” was pegged @5%.
- Composition tax rate on Real Estate Developers was reduced to 1.25%.
- Reorganization of Enforcement Range was done to strengthen the enforcement activities.
- Check posts and barriers were abolished from 1st April 2017.
- Measures were taken to ensure preparedness for migration to GST.

State Excise

- The annual license fee for those breweries that fail to utilize less than 10% of their installed capacity in the period between January and December of the previous year, would remain the same as what was fixed in the preceding year.
- License of Out-Still shops operating in 21 districts was renewed for 2016-17 with 12% increase in existing consideration money with necessary formalities.
- License fee/Consideration Money for IMFL OFF Shops and Country spirit Shops was renewed for 2016-17 with 20% increase over the existing consideration money with necessary formalities.
- The offer price for all the labels (Beer, IMFL, FMFL and Wine) were not to be changed without the prior approval of the Price Fixation Committee.

FY 2015-16

VAT/Sales Tax

- Standard VAT rate was increased from 13.5% to 14.5%.
- Tax rate on IMFL was hiked from 25% to 35%.
- Tax rate on motor spirit including petrol and high speed diesel, was enhanced from 23% to 26%.
- The taxable limit for becoming liable to pay tax under OVAT Act for manufactures was enhanced from Rs.1 lakh to Rs.10 lakh and for general traders from Rs. 5 lakh to Rs. 10 lakh .
- The maximum limit of gross turnover for a retailer under OVAT Act was hiked from Rs. 40 lakh to Rs. 50 lakh.
- Provision was made to transfer the tax deducted at source by the deducting authority proportionately to the sub-contractor(s) to avoid double taxation to specify liability of contractor and sub- contractors.
- Provision was made to empower State Government to notify composition schemes as and when required. The Government had notified Composition Scheme for builders and works contractors on 16.01.2016 at the rate of 3.5% of the aggregate amount.

- Input tax credit was restricted to the extent of tax actually paid to Government Treasury like in the case of Maharashtra, Delhi and Gujarat.
- E-registration process was made mandatory for all in view of "Make in India" programme.
- Pre-registration security demand provision was deleted. Security deposit was demanded from all dealers applied for registration.
- Suspension provision was deleted.
- Consequent upon the deletion of the entire provision of suspension, the existing provision of cancellation of certificate of registration of dealers was amended with inclusion of one additional clause i.e. there is good and sufficient reason. This clause covered up the intention envisaged in suspension.
- Since e-filing of returns was made mandatory for all registered dealers having TIN w.e.f.01.04.2012, signature of the dealer or authorized person on the body of the return was dispensed with.
- Penalty for non-intimation of changes in the business was capped at to Rs 10,000.00.
- The self-assessment provision was amended to make it more consistent, clear and litigation free. Under the previous mandate a dealer was treated self-assessed if he had filed return in time and the return had to be scrutinized and found to be in order and accepted. These conditions create administrative inconvenience. Upon amendment, the provision states that if a registered dealer furnishes the return in respect of any tax period it shall be deemed to be self-assessed. The dealers have given a scope after audit to pay in full the amount of tax determined and twenty five per centum of the tax so arrived at as penalty to dispense with the assessment proceeding to avoid duplication of work.
- The bar for audit assessment even after conductance of escapement assessment for the same tax period of a dealer has been removed. This amendment has been done to make audit assessment independent of self-assessment/provisional assessment & assessment for escaped turnover.
- Penalty was reduced from twice to an amount equal the amount of tax assessed.
- Time for assessment was extended from six months to twelve months.
- In the interest of revenue, a new provision was inserted concerning assessment of large turnovers and provisionally granted refund cases directly without going for tax audit.

Audit delayed the process and high turnover demands remained locked in litigations because of technical reasons. Consequent to the new provision, the assessment of the turnovers can be made every year.

- In the existing provision, conduct of escapement assessment can only be done if dealer is self- audited or provisionally assessed for any tax period. These conditions/restrictions create administrative inconveniences and further action such as Audit etc. cannot be initiated in which results in litigation. An amendment was done to make the provision simple and litigation free like Odisha Entry Tax Act.
- In the interest of revenue, time limit was imposed for escapement assessment. In the absence of time limits for completion of assessment and report submission by Enforcement and Vigilance Wings of the Department, there is inordinate delay. These delays cause harassment to the dealer and also it is detriment to the interest of revenue hence time limit is prescribed.
- A new provision was inserted to provide scope for refunds especially against excess deduction of tax at source.
- E-Refund procedure was simplified for disposal especially against exports on the basis of quarterly checks with e-BRC and ITC ledger.
- Extant provisions had no maximum penalty limit for non-submission of CA Audit report. A limit of rupees ten thousand was fixed for capping of the penalty.
- Imposition of time limit for disposal of appeals & set-aside cases for sake of revenue.
- The CST (Odisha) Rules, 1957 were modified to ensure compatibility with the new provisions under VAT Act, and to this effect, no penalty was levied for non-submission of declaration forms.
- To further improve the tax administration, creation of 360 degree of a dealer. Facilities for dealers like form ledger, implementation of mobile apps, facility to upload the tax returns in XML Format were introduced.

State Excise

- It was decided to convert all Beer Parlours to IMFL “ON” Shops (hotel/Restaurants). As a result from 1st April 2015, all Beer parlour ON Shops would either convert to IMFL ON Restaurant or should close their operation.

FY 2014-15

VAT/Sales Tax

- ❖ The Gross Turnover limit was enhanced from Rs.60 lakh to Rs. One Crore for the dealers to get their accounts audited under OVAT Act.
- ❖ Tax rate on "Foreign liquor, whether made in India or not, including brandy, whisky, vodka gin, rum, liquor, cordials, bitters and wines, or a mixture containing any of these, as also beer, ale, porter, cider, perry and other similar potable fermented liquors," was hiked from 20% to 25% .
- ❖ Tax rate on "Motor Spirit including Petrol and High Speed Diesel," was hiked from 18% to 20% and then 20% to 23% respectively.
- ❖ Procedure for issue of e- CST Forms was simplified.
- ❖ For improvement overall quality of audit, the pre audit dealer profile, analysis of pre audit dealer profile and audit check list were made mandatory.
- ❖ Enrolment of Tax Deduct Authority and collection of information on tax deducted at source was made online.
- ❖ The Commercial Tax data centre was migrated to Odisha State Data Centre.
- ❖ Integration with NSDL was effected for PAN validation during new registration.
- ❖ The Taxpayer's Service Unit was established.
- ❖ A a survey mechanism was created for collecting feedback from taxpayers for different e-services. Feedbacks were also collected through social media. Data was analysed and trend were evaluated. A centralised call centre was established.

State Excise

- ❖ New licenses were granted to ON Clubs on the fulfillment of certain conditions.
- ❖ License fee for Military Canteens was renewed on payment of annual license fee of ₹.10,000/-.
- ❖ Maximum Retail Price (MRP) was to be displayed on each bottle of IMFL, Beer and Country Spirit and sold accordingly. The vendors were required to issue Cash Memo on demand to the consumers, failing which the vendors would be penalized with fine upto

Rs.10,000/- The MRP was decided on the principle of landing cost+ all taxes/ duties + OSBC Margin +Retailer Margin.

FY 2013-14

VAT/Sales Tax

- **Simplified Online Registration Process**: New e-registration process based on pre-defined time slots was introduced. This helps the applicant to apply online and choose a time slot as per his convenience when the applicant is required to come to the respective circle and submit physical copy of the required documents for verification. Application for registration requires the applicant to come to the circle office only once and no physical copies of the documents are kept. All required documents are verified and scanned and stored in the system. Rules were amended to dispense with the pre-registration enquiry system.
- **Simplified Amendment Process:** The process for applying for amendments under OVAT Act was simplified and necessary amendments were notified. In the new process, all amendments except change of principal place of business and change in the status and ownership of business, was made automatic whereby the system approves those amendments based on certain pre-defined criteria.
- **E-Payment**: By seamless integration with the Treasury IT system, e-Payment facility was made available to the dealers through almost 48 banks which is unique in the country. The payment information is provided by the Treasury System for reconciliation through XML based MIS files which was to be imported by the CTD system in an automated process at the end of each day. This resulted in saving of considerable amount of time and cost (commission charges tec.) for the dealers. Also, off-line e-payment system was introduced by the Government to provide scope for all the dealers to make payments electronically without the requirement of having internet banking facility. E-Payment was made mandatory for all the dealers in the State having gross turnover of more than Rs. 40 Lakhs during any of the previous three years.
- **E-NDC & e-VAT Clearance Certificates**: Facility was provided for all the dealers engaged in works contract or supply activity, to apply for e-No Deduction Certificates (e-NDC) and e-VAT Clearance Certificates (e-VC) online. Rules were changed to allow issue

of electronic certificates without the requirement of seal and signature of the concerned issuing authority and all such certificates issued by the system were also made available online for verification by competent authorities, if required. This resulted in substantial reduction of time in getting these certificates by the dealers.

- **E-Refund**: The Refund process was amended to facilitate centralized processing of all refund applications thereby providing the facility for direct transfer of the refund amount to the bank account of the claiming dealer through ECS.
- **e-TDS**: A process was developed whereby the Deducting Authorities carrying out deduction of VAT at source (TDS) while making payments to the contractors, would be able to provide the details of such TDS online and generating the required certificates in prescribed format to be issued to the contractor on account of such TDS. At the end of the quarter, a summary of all TDS done during the said quarter would also be generated online for the Deducting Authority for submission to the concerned circle.
- **Chartered Accountant Certificate**: Measures were taken for shifting submission of certificate of audit by chartered accountants by the dealers online.This would enable dealers / chartered accountants to submit the certificate of the accounts of the concerned dealer online. **Dealer Ledger**: A comprehensive dealer ledger was made online for the dealers providing detailed information on the sales made by the dealer, purchases made by the dealer, ITC and payment details. This would help the dealers to find out gaps in the tax returns filed by them thereby taking necessary steps to correct such gaps by filing revised tax returns, if required. The same process was also extended to all internal officials for verifying the accounts of the dealers from all perspectives.
- **Interactive SMS Services and email services**: SMS services were provided to the dealers to provide various information, notifications, alerts etc. Rules were duly amended to facilitate delivery / service of notices through electronic mail system. Also various interactive services like status of waybills, TIN verification, CST forms etc. were made available for the dealers and other users through SMS facility.
- **Odisha Right to Public Services**: With the enactment of the Odisha Right to Public Services, various services were provided to the dealers within the defined time limit as prescribed under the said Act. Online Registers and online Acknowledgements in

prescribed formats could also be generated and made available to the Users for monitoring purpose.

- **Economic Intelligence Unit**: An Economic Intelligence Unit was established at the Head Office level to collect intelligence and to strengthen enforcement activities of the State. The Economic Intelligence Unit scrutinizes returns, analyzes data, and formulates reports, which are sent to field offices to take action against errant dealers.
- VAT on all Pharmaceutical Oral Liquid Preparations other than Homoeopathic and Ayurvedic drugs containing absolute alcohol 20% v/v or more in the finished product was enhanced from 5% to 50%.
- On-line registration, tax payment and return filing was introduced for Professional Tax.
- "Help Desks" were established at the field offices to provide support at the grass root level service delivery.

State Excise

- New 'ON' License for Star Hotels, other Hotels with or without Lodging accommodation and duly financed by Banks and other recognized agencies would be allowed with a revised License Fee.
- License fee for Beer Parlour (ON) was revised to ₹.3.00 lakhs in six municipal corporations, ₹.2.5 lakhs in other urban areas and ₹.2.00 lakhs for rural areas.
- 'ON' license may be granted to Odisha Tourism Development Corporation/ Indian Tourism Development Corporation Hotels at half the rates applicable for license fee based on where the said Hotels are located. The Hotels of OTDC/ ITDC and Tourism Department leased out to private individuals were not to be allowed such concessions.
- All the existing Country shops were settled by e-Auction for the year 2013-14. The existing C.S shop were granted extension for two months i.e. April & May, 2013 with a hike of 20% in Consideration Money to facilitate completion of e-Auction as per the Policy already approved by the Cabinet.
- The license of all the existing Out Still shops operating in 21 districts was increased by 20% over and above the existing consideration money.

- ❖ All the existing IMFL 'OFF' shops were settled by e-Auction. The existing IMFL 'OFF' shops of 2012-13 were granted extension for two months i.e. April & May, 2013 with a hike of 20% in Consideration Money to facilitate completion of e-Auction as per the Policy already approved by the Cabinet.
- ❖ Model Wine Shops were allowed to be attached to Star Hotel & in Luxury Hotels/ Shopping Malls &Complexes with License fee of ₹.1,00,000/- only permitting sale of Wine and Low Strength Liquor/Beer below 5% V/V in order to boost up sale of wine and Low Strength drinks in the State compared to hard drinks.

FY 2012-13

VAT/Sales Tax

- ❖ **Efforts to increase tax base**: Intensive survey of unregistered dealers was made to bring more dealers into the tax net. Electronic delivery of different services and simplification of processes was effected. The reach of service delivery was expanded to the places of business directly, reducing overall compliance cost for the dealers in terms of time, effort and money (for bank charges, waybill charges etc).
- ❖ **Act & rule amendment**: Odisha VAT Act/Rule and Odisha Entry Tax Act /Rules were amended to provide better service to the trade and industries sectors. No input tax credit was allowed for Coal, Furnace Oil, Automobiles, Air-conditioning units, earth moving equipments etc. except when purchased for resale. The provision of Advance Ruling on disputed questions was introduced under Odisha Entry Tax Act. The interest rate under Odisha Entry Tax Act for default in filing on return was reduced to one per cent per month, at par with rate of interest under OVAT Act, 2004.
- ❖ **Change in tax structure**: VAT Rate was rationalized based on broad national consensus. Lower VAT rate was increased from 4% to 5% under VAT Act w.e.f. 01.04.2012. Tax rate on karpoor, sanitary napkins, diapers, and on all kinds of crane and wheel loader was reduced to 5% under VAT Act. VAT rate on Tobacco and its products (other than unmanufactured tobacco, beedis and tobacco used in manufacturing of beedis) was enhanced from 13.5% to 25% and VAT @ 10% was imposed on unmanufactured tobacco,

beedis and tobacco used in manufacturing of beedis. Fly ash bricks were exempted under VAT Act.

- **Paperless Return Filing**: E-filing of returns was made mandatory for all registered dealers having TIN w.e.f.01.04.2012.The practice of submitting the copy of the e- returns filed by a dealer at their respective circle offices was dis-continued. This reduced the cost of compliance for the dealers, reducing substantial use of (paper?) in this process. All such tax returns would be archived by the system, which would facilitate the dealer to download any tax return at a future date, if required by the dealer.
- **Requisition and utilization of e-Waybill (Form VAT-402)**: System generated e-Waybill (automatic approved) facility was expanded whereby dealers were allowed to generate waybills with zero waiting time. This has facilitated the dealers in saving crucial time required to obtain manual waybills from the circle offices physically.
- **Requisition and utilization of Transit Pass (Form VAT-406):** Transit Passes facility has been provided, whereby these passes are generated by the transporters / vehicle operators easily without having to provide any password or other access codes. The transporters and dealers of other States operating through the State can easily access the CTD portal and generate a Transit Pass instantly without having to wait for any approval from the Department. Bar-coding of these e-Transit Passes was also introduced to facilitate faster processing at check gates.
- **Modernization of Check gates:** Check gates were modernized to check evasion of tax. Connectivity was provided to all border check posts to increase the scope of utilization of e-Waybills by the dealers in the State. Sales Tax Dept. was integrated with Transport Department for faster passing of transport vehicles at border check posts (Pilot at Luhurachati Check Gate).
- **Strengthening Enforcement activities:** Enforcement activities were stepped up with special emphasis to check infiltration of smuggled goods.
- **Other achievements under other e-services:**
  - (i) Facility of e-payment of Commercial Taxes was made through multiple banks. System-based reconciliation of e-payments was made through integration with Treasury System.
  - (ii) SMS based value added services for the dealers was rolled out.

(iii) Integration with Steel & Mines Department was effected for seamless generation of e-Waybills based on Transit Passes issued by Mines Department

(iv) Information relating to CST Declaration forms issued by CT Department Odisha were made directly available to other States through internet

(v) Online Feedback/Complaint facility was provided to all dealers and others for direct interaction with the Department.

Motor Vehicle Taxes (FY 2013-14 to FY 2017-18)

The Transport Wing of the Commerce & Transport Department, Govt. of Odisha looks after provision of cleaner, safer and better surface transportation infrastructure in the State for goods as well as public. By virtue of its services, the Administrative wing of the State collects Motor Vehicle Revenue in shape of Taxes, User Fees, and Licensing Fees etc. based on various Citizen Centric Services. The State Transport Authority (STA), Odisha, a Commissionerate, under the administrative guidance of the C&T Dept., operates through and works in tandem with the Regional Transport Authorities (RTA) networked across the State in all districts for smoother service delivery, passenger safety on roads (Road Safety) and effective M.V. revenue collections.

The efforts put in the past five (2013-14 to 2017-18) years by the C&T Dept. and the sizeable outcomes are detailed below:

- Amendment of Odisha Motor Vehicle Taxation Act-1975
- Abolition of Inter-State Check Gates to add to 'Ease of Doing Business'
- Intensification of Motor Vehicle Enforcements
- Automation of various Public Services and collection of user fees online

- **Amendment of Odisha Motor Vehicle Taxation (OMVT) Act, 1975**

i. Amendment of the OMVT Act, 1975 was suggested by the Thirteenth Finance Commission & Hota Committee as no revision in tax slabs was made since 2001-02.

ii. The proposal to amend the OMVT Act, 1975 was approved by the State Cabinet on 9th September 2015 and resistance from Bus Owners' Association on few points of the Amendment Proposal was addressed by a Group of Ministers.

iii. The OMVT (Amendment) Act, 2017 was notified on 21st November 2017 post approval of the Legislative Assembly.

iv. Key highlights of the OMVT (A) Act, 2017:

   a. Increased (@6% - 20%) One Time Tax (OTT) based on cost of the Personal, Goods Carriage as well as Luxurious vehicles in supersession of the prevailing OTT (@5%) for all types of vehicles.

   b. OTT @3% of vehicle cost for newly introduced e-rickshaw / e-cart.

   c. Introduction of 'Green Tax' for vehicles older than 15 years.

   d. Revised Additional Tax rates for various types of Stage Carriage vehicles namely Ordinary, Express, Deluxe, Air-Conditioned Deluxe and Fully-Built Air-Conditioned Sleeper Stage Carriage considering better road infrastructure across the State.

v. Subsequently, with advent of the revised tax structure under OMVT (A) Act, 2017, registration of luxurious vehicles declined in the State. Buyers preferred other states to buy and register such vehicles where the OTT was comparatively lower.

vi. Hence, in a strategic move to curb the murkiness on M.V. Revenue, the OTT structure was further revised and notified on 27th July 2018, which is detailed in the below:

1	Up to (<=) 5 lakh	Up to (<=) 5 lakh	6%
2	More than (>) 5 lakh and up to (<=) 10 lakh	More than (>) 5 lakh and up to (<=) 10 lakh	8%
3	More than (>) 10 lakh	More than (>) 10 lakh	10%

❖ **Abolition of Inter-State Check Gates to add to 'Ease of Doing Business'**

- There were 13 (4 major and 9 minor) Inter-State Check Gates, collectively added a sum of Rs. 200 cr. (approx.) to the State exchequer during FY 2016. Revenue ratio of the major and minor Check Gates was estimated to be 7:1.

- The minor Check Gates with nominal revenue generation created unnecessary detention and harassment of the vehicles at various Inter-State boundary locations. Hence, as a progressive governance initiative, the minor Check Gates (9 nos.) were initially abolished during FY 2017.
- Successively, the major Check Gates were also swiped out with a detailed action plan to match up with the revenue loss.

(in Rs cr.)

Sl. No.	**Financial Year**	**Target**	**Total Achievement**	**Share of Inter-State Check Gates**	**Achievement (%)**
1	2013-14	900	855.17	163.50	95
2	2014-15	972	910.76	160.61	94
3	2015-16	1,070	1,043.21	167.05	97
4	2016-17	1,300	1,227.31	198.35	94
5	2017-18	1,350	1,544.60	Nil	114

- The manpower at Check Gates were technical and are now redeployed to attend the rising number of Licensing of individuals, vehicular registration and fitness related activities at various RTO/ARTO office locations.

❖ **Intensification of Motor Vehicle Enforcements**

- In order to recoup the revenue loss due to abolition of Inter-State Check Gates and considering safety in mobility, the enforcement activities have been beefed up in the State.
- Despite abolition of the Check Gates, revenue to the State exchequer has increased by 20% during FY 2018, with a focused approach and intensification of M.V. enforcement activities in the State.

- Further, the compounding powers have also been delegated to the Home (Police) Department which is envisaged to earn more M.V. revenue in the future through lawful enforcement across the State.
- Road Safety, at an alarming stage, has become one of the priority areas for the State which requires focused attention and through intensified enforcement drives, it is perceived that safer mobility on the roads could be achieved. It is worth highlighting that over-speeding, rash driving, drunken driving and driving without wearing helmet/seat belt attribute majorly to casualties on roads.

Sl. No.	**Financial Year**	**No. of DLs suspended**	**Enforcement revenue (in Rs. Cr.)**
1	2015-16	900	22
2	2016-17	972	28
3	2018-19	1,070	122

❖ **Automation of various Public Services and collection of user fees online**

- There are 31 different types of citizen centric services declared by C&T (T) Dept. and are delivered through the State Transport Authority (STA) & Regional Transport Offices (RTO) as notified under the Odisha Right To Public Services (ORTPS) Act, 2012.
- The service delivery offices (STA/RTO) witness maximum footfall in the premises majorly for Registration of vehicles, Licensing of individuals (LL/DL), payment of various dues, taxes, fees etc. and route permits (both Stage Carriage & Contract Carriage).
- The State has been putting constant efforts, in order to curb possible revenue leakages through delivery of these services and to curtail the delivery cycle, harassment and corruption at the service delivery centres.
- Currently, most of the services are web-delivered with options to pay user fees / service charges on-line through secured payment gateways.

- The State is prepared to launch “e-Challan” which would not only strengthen the enforcement activities but also add to Road Safety and earn more revenue.

(Figures in crore)

Sl. No.	Calendar Year	No. of Vehicles Registered	No. of DLs Issued	No. of Permits Issued
1	2013	476	242.711	26.33
2	2014	534	270.473	48.42
3	2015	591	279.741	55.20
4	2016	649	317.654	55.01
5	2017	771	323.292	59.86

3.14 Punjab

FY 2018-19

Professional Tax

- A nominal development tax at Rs.200 per month only on the Income Tax payees who are engaged in professions, trades, callings and employments was introduced. This measure was expected to augment the government revenues by an additional Rs. 1500 crore.

Land Revenue

- Online documentation of revenue record and computerization of its public interface services was initiated.
- State of the art modern record rooms for the custody and maintenance of the revenue record were established.

FY 2017-18

VAT/ Sales Tax

- In the backdrop of declining VAT revenues, measures were taken towards improving efficiency in tax compliance and administration, and efficient delivery of public services. This was intended towards economizing expenditure and thus closing the revenue gap.

FY 2016-17

State Excise:

- "Apna Tax Scheme" was introduced in order to encourage public to procure bills from retail vendors for better tax compliance in a systematic, non-intrusive and non-regulatory manner.
- A mobile application was developed, wherein the customers were given a facility to upload their bills and draw of lots were periodically taken out and attractive prizes were given to winners.

FY 2015-16

VAT/ Sales Tax

- E-tendering was implemented with online mode of payments in 41 Departments/ Organizations to bring transparency and cost savings in procurement.

3.15 Rajasthan

FY 2018-19

GST/ VAT/ Sales Tax

- 1,81,000 new tax payers were registered under GST. The tax base of the state has increased by more than 35 percent as compared to the VAT regime.
- Tax rates of approximately 90% of the commodities used by the common man and farmers were slashed in the GST regime as compared to the pre-GST tax burden.
- In addition to the decrease in the tax burden of the common man, the revenue of the State under GST increased. The State received compensation of Rs. 1911 crore upto the month of October 2017, at an estimated growth rate of 14% of VAT revenue, taking 2015-16 as the base year. Further an amount of Rs. 751 Crores is expected to be received, shortly, as compensation for the months of November-December 2017.
- The Government of Rajasthan has taken a unique initiative for providing online access to GSTN related facilities such as, return filing, registration, consultancy etc. to small dealers at very nominal rates by setting up more than 500 GST-Mitra Kendras at Tehsil level. GSTN related facilities, as mentioned above, shall start functioning from 1st April, 2018.
- The Trader's Welfare Board was constituted for speedy disposal of problems related to dealers, their social security and insurance needs and for making suggestions on Acts/Rules etc.
- VAT and CST based subsidies were made available under SGST.
- Exemption from Entertainment Tax and Luxury Tax available under Rajasthan Investment Promotion Scheme (RIPS) during VAT regime was made available under SGST.
- SGST based investment subsidy under RIPS was increased from 30% to 40%.
- Sick units under MSME sectors were provided relief in payments of arrears of SGST in 24 installments.
- Sick units under MSME sectors were provided 100% exemption from payment of electricity duty for one year from the date of rehabilitation package.

- Considering the challenges faced by the dealers, the dates for filing returns for the year 2016-17 and 2017-18 was extended upto 31st March 2018.
- For speedy disposal of remaining ITC mismatch cases under VAT, camps were organized with simplifies verification norms.
- Around 2 lakh cases had been disposed from 2015 to 2017 under various amnesty schemes relating to VAT, Entry Tax, Entertainment Tax, Luxury Tax.
- An Amnesty Scheme was introduced for disposal of outstanding demands of repealed Acts.

Motor Vehicle Tax

- To promote tourism in the state, rebate in Special Road Tax exceeding to Rs. 12500/- for the tourist vehicles of the operators recognized by Indian Association of Tour Operators (IATO)/Rajasthan Association of Tour Operators (RATO) was extended from 30.04.2018 to 30.06.2020.
- The buses operating in the closed premises of Airports in Rajasthan were provisioned to opt for Lump Sum Tax at the rate of 6 percent of vehicle cost or 10 percent of chassis cost.
- Amnesty Scheme 2018 for transporters was made operational upto 30.09.2018. Under the scheme, 100% relief on interest and penalty payment was provided, if the dues before the destruction of vehicles are paid by the vehicle owners up to 30.09.2018.
- Interest and penalty on the payment of One Time Tax (OTT) due up to 31.01.2018 was waived, if outstanding tax on vehicle is paid up to 30.09.2018 for vehicles registered in other states and plying in Rajasthan.
- 100% relief was provided on penalty and interest amount due on 31.03.2016, if outstanding tax on vehicle is paid up to 30.09.2018 by the vehicle owners.
- Lump Sum Tax (LST) on Public Passenger Transport vehicles running on LPG/CNG/Solar energy was reduced by 25%.

Stamps and Registration Fee

- 50% exemption was provided on stamp duty payable on purchase/lease of a floor/space in multistoried commercial building for establishment of IT, Entertainment and Tourism Sector units.
- In rural areas, valuation of agriculture land upto 1000 sq.mt will be done at the rate of agriculture land instead of rate of residential land to help farmers to sell or buy the land for agriculture purposes in rural areas.
- Stamp duty on release deed of ancestral property up to Rs. 10 lac. Was reduced from Rs. 2000 to Rs. 500.
- Registration fee on partition deed of ancestral property was reduced from 1 percent to 0.25 percent with a maximum limit of Rs. 10,000.
- Stamp duty on documents of residential units alloted to persons of EWS and LIG respectively under Chief Minister's Jan Avas Yojana was reduced from 2 percent to 1 percent and 3.5 percent to 2 percent respectively.
- Relief in stamp duty for pattas given by gram panchayat and ULBs was provided to poor people free of cost or at token money to help them.
- Benefit of 100 percent concession on stamp duty was extended upto 31st March 2019 on the instrument of loan executed for the purpose of start-up under Startup Policy 2015, educational loan and cash credit, overdraft, term-loan under scheme of MUDRA and reverse mortgage of property by senior citizens.
- Exemption on stamp duty on agreement executed between bank and merchant in respect of point of sale (POS) machine to promote 'Digital India' programme.
- The maximum limit of registration fee on conveyance fee was reduced from Rs. 4 lakh to Rs. 3 lakh.
- Existing rates of agriculture, residential and commercial lands was reduced by 10 percent.
- Valuation of residential, agriculture and commercial lands was left unchanged in the year 2018-19.
- e-panjiyan software of IGRS was integrated with e-Dharti software of Revenue Department in 100 Tehsils for online transmission of registered document for early mutation.

- Powers of registrar were given for hearing registration related cases to DIG (Stamps) in their districts where their office is situated for early disposal of pending cases.

FY 2017-18

GST/ VAT/Sales Tax

- About 80% of the registered dealers were migrated to GST through primary enrolment.
- 75 officers were trained as master trainers on the Goods and Services Tax Network who in coming months would train officers and dealers regarding IT network.
- To educate the stakeholders, workshops were organized at Divisional and District levels.
- Centralized Call Centre and Simulation Centre for GST were established in Jaipur.
- GST help desk was established at Divisional and District level.
- Commercial Taxes Department was re-organized looking into the requirements under GST.
- Deemed Assessment Scheme for VAT, Entry Tax, Luxury Tax and Entertainment Tax was notified for the assessment year 2015-16 and subsequent years.
- Provisions for waiver of interest, penalty and late fees proposed were incorporated under the Luxury Tax Act and Entertainment Tax Act.
- For giving relief to the Micro and Small enterprises, composition scheme for such manufacturers having turnover up to Rs. 50 lakh with the rate of composition fee 2% was introduced.
- To give benefit to Micro and Small Enterprises, explanation was given for non-clubbing of investment in different enterprises setup under the same ownership.
- Those industrial units that availed the benefit under the Sales Tax Incentive Scheme, 1987 and who could not comply with the condition of maintaining average production for following 5 years, which are presently closed or declared sick under BIFR and have not sold their land for purposes other than industrial use, were given relief under the CST Act.
- Entertainment Tax on online booking service charges was exempted.
- VAT on ATF was reduced to 1% under Regional Connectivity Scheme of Government of India to promote tourism in the State.

- Amnesty Schemes for VAT, Entry Tax (Goods) and Entry Tax (Motor Vehicles) was notified.
- No new tax in VAT, Entry Tax, Luxury Tax and Entertainment Tax was introduced except an increase of VAT on cigarette by 15%.

Entry Tax

- Exemption of Entry Tax on the yarn brought into the state exclusively for job work

Motor Vehicle Tax

- Refund application for one time tax owing to category change or change of the place out of Rajasthan was to be accepted up to six month instead of 3 months to give relief to the vehicles owners.
- Definition of purchase price of vehicles was rationalized to exclude elements of rebate, discount or concession for calculation of tax.
- The upper limit of tax amount payable for dumpers/loaders was increased from Rs. 25,000/- to Rs. 35,000/-.
- Trade certificate holder manufacturers of vehicles/dealers fee for the vehicles kept in their possession was rationalized.
- One time tax on Construction Equipment Vehicles (CEV's) was rationalized.
- Lump sum tax with 6 installments was introduced for goods vehicles up to 16.5 ton GVW, contract carriage tourist permit/private service vehicle up-to the seating capacity of 22 seats.

Stamps and Registration Fee

- Facility of submitting online application on e-panjiyan software for stamp refunds was introduced.
- Site inspection of immovable property through GPS based Rajdhara App was initiated.
- Facility of submitting online application for fresh licence and renewal of licence to stamp vendors was extended.
- e-panjiyan facility was extended to 200 Sub-registrar offices.
- Facility of e-stamp in 100 more sub-registrar offices was provided.

- ❖ Benefit of concession of stamp duty available on the document of release of ancestral property was extended to father's sister and son of predeceased brother.
- ❖ Looking into the sluggish growth in the real estate market, commercial plots of 100 to 500 sq. meter were allowed 5% concession and commercial plots more than 500 sq. meter were allowed 10% concession in the market rates.
- ❖ Provision was made for refund of excess stamp duty deposited at the time of registration of the document.
- ❖ Time limit of three months was prescribed for refund of stamp duty on the spoiled stamp.
- ❖ Calculation and rate of stamp duty was simplified and registration fees were reduced on the instruments of leases/rent deed.
- ❖ Stamp duty on partition deed of other than ancestral property reduced from 5 to 3 percent and registration fees was reduced from one percent to 0.25 percent with a limit of maximum Rs. 10000/-.
- ❖ Stamp duty on agreement to sale and power of attorney authorizing sale of immovable property was reduced from 3 and 2 percent respectively to 0.5 percent.
- ❖ Maximum limit of stamp duty was reduced from 10 lacs to 5 lacs on the instruments of loan documents without possession of property.
- ❖ To give relief to common man, interest and penalty payable on unregistered and unstamped intermediary instruments executed before getting lease deed from Urban Local Bodies was remitted.
- ❖ Stamp duty on the instrument of transfer of sick micro small enterprise as defined in the Rajasthan Sick Micro and Small Enterprises (Revival and Rehabilitation) Scheme, 2015 was exempted.

FY 2016-17

VAT/Sales Tax

- ❖ **e-Governance measures**
    - o Instead of multiple forms, a single unified online form was introduced for registration and return for all the taxes.

- Provision was made for dealers to obtain online Registration Certificate without visiting Commercial Taxes office by filing digitally signed online application.
- Appeal, applications forms like waiver and rectification etc. were made online.
- Demand and Collection registers (DCR) for all the taxes were made online so that dealers could get information about their outstanding dues online without visiting Commercial Taxes office.
- Two lakh and eighteen thousand assessments were done online by February, 2016.
- SBI e-pay Gateway was linked to e-GRAS (Government Receipt Accounting System) by which payment could be made through 35 banks instead of 8 banks earlier.

❖ **Simplification and facilitation**

- Information about 'Dealer Search', payment, PAN, Forms & Certificates and status of all types of applications was made available to dealers on anytime and anywhere basis.
- Online suggestions and grievance redressal facility was provided on departmental portal and on mobile app to address tax related problem of dealers and common man.
- Online appeal facility with unified form was introduced for Entry Tax, Luxury Tax and Entertainment tax.
- Facility of online refund under Entry Tax, Luxury Tax and Entertainment tax along with single unified refund application form was introduced.
- Centralized litigation tracking system was introduced for effective monitoring of cases under litigation.

❖ **Amendments in VAT/Electricity Duty/Luxury Tax Acts/Rules to facilitate dealers**

- Time limit for changing the principal place of business for a dealer under ease of doing business was reduced to 30 days in place of 60 days.
- State Government was empowered to waive off late fee imposed for non-filing/delayed filing of return by a dealer.
- Dealers who shift from Form VAT-11 to From VAT-10 were no longer required to file return for previous quarters.
- Contractor holding Exemption Certificate but making sale of leftover taxable goods in a project were allowed to file return in Form VAT-11.
- Early refund or refund adjustment was given to the dealers in case where time period in challan was wrongly mentioned or excess amount was deposited.

- Online refund procedure was simplified for the dealers.
- Time limit for disposal of rectification application of dealers was reduced to six months in place of one year.
- Dealers would be allowed the facility of digital signatures for invoice along with normal signatures.
- TDS certificate would be automatically generated in dealer's profile in case awarder files VAT-40E online so that dealers are not required to personally present it before the assessing authority.
- Facility for revising Form VAT-40E was given to awarder till 3 months from the close of the financial year.
- Dealers were allowed exercising option regarding place of audit to be conducted under business audit.
- Time period for finalizing assessments for 2013-14 was extended up to 31.07.2016.
- Builders and Developers were given facility of depositing project wise lump sum tax.
- Builders and Developers were not required to deduct TDS of registered sub-contractors.
- Deputy Commissioner was authorized to extend period for rectification of mistake in online generated declaration forms by 6 months in addition to the existing limit of 6 months.
- Generating set was included in capital goods with a view to facilitate investment in industrial units.
- Provisions of e-transit pass were from 01.08.2016 on selected commodities. This e-transit pass could be generated through mobile app also.
- Electricity Duty Act was amended for providing powers to the State Government regarding exemption of Urban Cess and Water Conservation Cess.
- Luxury Tax registration was simplified in parity with VAT registration.

❖ **Additional Revenue Mobilization**

- VAT on aerated drinks was increased from 15% to 20%.
- 5.5% VAT was introduced on semi-stitched garments and Gwar gum and Gwar gum powder.
- VAT on all types of cigarettes was increased by 15% on the existing specific VAT rates.
- Luxury Tax on hotels having rent of more than Rs. 10000 per day or more (excluding heritage hotels of basic and classic category) was enhanced from 10% to 12%.

- An Entry Tax of 2 per cent was introduced on all types of yarn.

- **Other Measures**
    - A helpline was established for GST so that problems faced by dealers could be addressed.
    - State of the Art 'Capacity Building and IT training Centre' was established at Commercial Taxes Department Headquarter for imparting training to all stakeholders.
    - New Buildings of Zonal offices were established at Sriganganagar and Kota, Circle offices at Pratapgarh, Jaisalmer, Dausa, Dholpur, Tonk and ward office at Deeg.

Motor Vehicle Tax

- One time tax on non-transport vehicles was charged on the engine capacity and fuel consumption in place of value of the vehicle.
- Green tax classification based on the age of the vehicle was introduced.
- Ad-valorem rates were enforced for special road tax on goods vehicles of value more than Rs.10 lakh.
- One time tax with 6 installments for up to 12000 Kg gross vehicle weight in place of 7500 kg Gross Vehicle Weight and private service vehicles along with taxi and maxi cabs was introduced.
- Special road tax on Tourist and contract carriage permit buses was increased from Rs. 25,000 to Rs. 32,000 with relief to recognized tour operators in special road tax.

Stamps and Registration Fee

- **e-Governance measures:**
    - Facility for online registration of mortgage deed documents relating to agricultural loan was provided to farmers.
    - Departmental softwares were linked to different banks of the state in order to collect information regarding documents executed by them and stamp duty paid thereon.
    - e-panjiyan facility was expanded by linking all the full time Sub-registrar offices.
    - Facility of e-stamp was provided in 100 more ex-officio sub-registrar offices shall be provided.

- Advance time slot booking facility was provided to public for registration of documents through e-panjiyan software in Sub-registrar offices at divisional headquarters.
- Digitization of old registered documents was done, with facility of online search of registered documents for masses.
- Provisions were made for various modes of service of notices including service by e-mail.

❖ **Simplification and Facilitation:**

- Computerized help desk facility was introduced in Sub-registrar offices of Jaipur city in phase-I.
- Aadhar based verification of witnesses was introduced in place of physical presence in Sub-registrar office.
- Separate cadre for Registration and Stamps Department was instituted.
- New buildings of Sub-registrar offices were built at Jasol, Nimbahera, Nathdwara, Kuchaman City, Pali, Bikaner and Bhilwara.
- Provisions were made for levy of stamp duty on documents of amalgamation etc. of companies and banks simplified.
- Limit for selling physical stamp papers for those stamp vendors who sell e-stamps also was increased from Rs. 50,000/- to Rs. 1 lakh.
- Sub Tehsil Kalwad of district Jaipur and sub Tehsils Nokh, Sam and Ramgarh of district Jaisalmer were authorized for registration of documents.
- Inspector General of Stamps was authorized to issue guidelines for valuation of the constructions not covered by any of the given categories.
- Provisions relating to valuation of land for farm house purpose made practical and logical.
- Provision was made for levy of stamp duty on documents of incorporation, amalgamation, demerger, reconstruction, winding up and dissolution of LLP.
- Stamp duty on the instruments of Leave and license made similar to lease deed.

❖ **Additional Revenue Mobilization**

- 10% surcharge levied on stamp duty for conservation and propagation of cow and its progeny.
- Stamp duty rates were rationalized in case of partition of ancestral property, documents of family settlement and release of ancestral property.
- Upper limit of Rs. 50,000 of registration fee on sale agreements and other agreements was removed.

- Stamp duty rates on documents of acknowledgement, administration bond, adoption deed, share certificates, copy, counterpart and works contracts were rationalized.
- Amount of fee payable for adjudication by Collector (Stamps) was revised.

FY 2015-16

VAT/Sales Tax

- **e-Governance Measures**
  - VAT 47/49 forms were made available through a mobile app. with the facility to provide a SMS to the mobile number of vehicle-in-charge from the system. If the vehicle-in-charge is carrying this SMS, then, hardcopy of the VAT 47/ VAT 49 form shall not be required.
  - Facility was provided for online tracking of appeals and application for registration.
  - A single return for all four taxes namely VAT, CST, Entry Tax and Luxury Tax by integrating them was implemented.
  - For the year 2013-14 and onwards, if refund becomes due after assessment, due refund would be automatically transferred to the account of the dealer within 30 days of assessment.
  - Dealers, who have more than 50% of their turnover last year from inter-state sale, would be provided early refund of excess input tax within 30 days of filing application for such early refund.
  - 26 nos. Tax Collection Centres for collection of tax on certain casual commodities such as marble, kota stone etc. were made IT-enabled so that dealers dealing in these commodities would have ease in ITC verification.
- **Simplification and facilitation**
  - Dealer Facilitation Centre on PPP basis was set up in all circle offices located outside the Zonal offices of the department.
  - For assessments completed upto 30th Sept 2014, facility was provided to dealers to submit VAT declaration forms or certificates upto 30th June 2015.
  - Dealers were provided 15 days time after last date of filing of annual return to revise any quarterly or annual return filed by them for the financial year.
  - Dealers with net tax liability of up to Rs 50,000, were allowed deposit tax on quarterly basis rather than on monthly basis.

❖ **Additional Revenue Mobilization**

- VAT on mobile phones and its accessories was increased from 5% to 8%.
- Composition amount for Sarafa dealers was increased from 0.25% to 0.75%.
- VAT on goods mentioned in schedule-V of RVAT was increased from 14% to 14.5%
- Captive power plants other than DG sets were levied ED of Rs 0.40 per units of Electricity generated for self-consumption.
- All the marriage gardens were brought in the ambit of Luxury Tax. Composition scheme was notified for marriage gardens for payment of Luxury Tax.

❖ **Other Measures**

- State government organized consultations with businessman and tax experts at zone and district level for smooth implementation of GST.
- IT infrastructure of Commercial Tax Department was upgraded based on the report of the experts for improving the efficiency and requirements of ensuing GST.
- Works contractors were given an additional option under which they could buy goods from any dealer outside the State also but would have to pay different exemption fee.
- If sub-contractor paid tax on the works done by him, then work done by him would not be included while assessing turnover of the principal contractor for calculation of principal contractor's tax liability.
- A Clause was inserted in RVAT Act to make it mandatory for e-commerce companies and their transporter/courier companies to give information to CTD in desired manner.

Motor Vehicle Tax

❖ **Additional Revenue Mobilization**

- Light goods vehicles, Motor cabs, Maxi cabs registered since 1.4.2007 were charged one time lump sum tax with the facility to pay the tax in six installments in a year.
- One Time Tax was imposed for two wheelers up to 125 cc increased.
- The ceiling of motor vehicle tax for passenger buses covered by a Non-temporary permit was enhanced.
- One time tax was enforced on purely off highway vehicles.

Stamps and Registration Fee

- **e-Governance measures**
    - e-stamp facility was extended in 23 full time and 50 ex-officio Sub-Registrar offices.
    - 80 more Sub-Registrar offices were computerized.
- **Simplification and facilitation**
    - Provisions of depreciation of value of old constructions were simplified.
    - Valuation of industrial land outside RIICO industrial areas was done at double the rate of agricultural rate in place of RIICO rates.
    - Valuation of vacant land allotted by local bodies for mixed land use was done at 75% of the rate of commercial land of that area.
    - Land being put to a different land use than its approved land use category was charged as per its actual use.
    - Calculations of Stamp duty on unstamped and unregistered intermediary documents related to plots allotted by Housing co-operative Societies were simplified.
    - Stamp Rules for valuation of different categories of land were amended.

- **Additional Revenue Mobilization**
    - Stamp duty rates on adoption deeds, affidavits, certain categories of power of attorney and release deed executed by or in favour of certain family members were rationalised based on rates in some other States.
    - New instruments of Bank Guarantee and Arms Licenses were added in the Schedule of the Stamp Act and rates prescribed thereof.
    - Uniform rate of 0.15% stamp duty was notified on the documents of debt assignment, loan agreements and equitable mortgages.
    - Maximum limit of Rs. 50,000 of registration fees was removed.

FY 2014-15

VAT/Sales Tax

- **e-Governance Measures**
    - VAT assessment was made online from 1.4.2015.
    - Demand Collection Register was made online from 30.6.2015.
    - All Commercial Taxes payments were made through e-GRAS.
    - VAT Refunds were to be made electronically.
    - Registration certificate, Exemption certificate and Tax Clearance certificate were given online from 1.10.2014.

- Common e-application form was introduced for registration under VAT, CST, Luxury Tax and Entry Tax Acts from 1.10.2014.
- e-Applications were introduced for amendment and cancellation of VAT registration, duplicate registration certificate, composition schemes, reopening of ex-parte assessments and rectification of assessment order from 1.12.2014.

❖ **Simplification and facilitation**

- Submission of hard copy or acknowledgement of return was done away with on giving one time undertaking.
- Dealer Facilitation Centres were set up in all Zonal offices of Commercial Taxes Department.
- TDS related provisions on government purchases were removed.
- Quarterly and annual VAT returns were simplified and rationalized.
- Contractors were given the option to deposit advance work tax instead of deduction of TDS by awarders.
- Late fees structure was rationalized.
- Time limit for submission of annual return by dealers required to get their accounts audited under Income Tax Act extended to 9 months. Time limit for VAT 10 A was reduced to 9 months.
- Turnover limit for mandatory registration under VAT for manufacturers was enhanced to Rs. 5 lakhs.
- Composition schemes for gems and stones, Saraffa, mini cement plants, dhaba & bhojanalaya, petroleum outlets, eta were simplified.
- Saraffa and gems and stone dealers were given time for deposition of late fees under Composition Schemes.

❖ **Measures for Reducing Litigation**

- Specific entries were made in Schedule V of the VAT Act to reduce disputes related to classification of goods.
- Provision was made for appointment of retired IAS and RHJS officers in Rajasthan Tax Board.
- Amnesty Scheme was introduced for demand related to C forms of period upto 2009-10 and purchase tax on marble.
- Commissioner, Commercial Taxes was empowered to issue directions regarding applicable tax rate.

❖ **Revenue Mobilization Measures**

- VAT at the rate of 5% was enforced on some spices, handicrafts costing more than Rs. 1000, textile furnishing costing more than Rs. 100 per metre and textile suiting and shirting costing more than Rs. 500 per metre.
- CST rate for MSME established after 14.2.2008 was increased from Rs 0.25% to 1 %.

- VAT rate was imposed on marble on basis of size and weight.
- VAT rate on UPS was increased from 5% to 14%.
- Entertainment tax at the rate of 10% was imposed on entertainment through DTH and cable w.e.f. 1.8.2014.
- Entertainment tax at the rate of 30% was imposed on cinema, multiplex and video game parlours w.e.f. 1.8.2014; cinema in towns having population upto 1 lakh and tickets costing less than Rs. 75 were exempted.
- Entry tax rates were increased to VAT rates; entry tax rate on LNG, industrial fuels and light diesel oil was increased to 5%.
- Luxury Tax rate for Heritage hotels of Grand category and equivalent was increased.

❖ **Other Measures**

- GST Consultation Committee was constituted.
- Interest on refund under VAT Act was given from the end of the relevant year.
- A new Entry tax bill was introduced.
- Interest rate on late deposit of VAT was notified as 12% pa compounded annually.
- Provisions were made in Finance Bill to levy cess on purchase and sale of specified goods for development of agriculture and agriculture.

Motor Vehicle Tax

- ❖ Online payment was introduced for payment of tax for commercial vehicles of another States, visiting Rajasthan.
- ❖ One time tax for power bikes above 200 cc was increased.
- ❖ Lump sum tax was introduced on light goods vehicles, Motor Cabs, Maxi Cabs with a facility to pay over six installments.
- ❖ OTT on Mid-segment cars was hiked by one percent.
- ❖ Increased Green Tax was imposed fuel-inefficient diesel cars.
- ❖ Online tax deposition facility was provided to motor vehicles of other states.

Stamps and Registration Fee

❖ **e-Governance Measures**

- e-stamping facility was introduced at 91 full time sub-registrar locations.
- e-stamping was mandated for documents attracting stamp duty exceeding Rs. 1 lakh.

- Alternative methods of payment like demand draft, pay order, e payment were introduced.

❖ **Measures to Mitigate Litigation**

- IGRS was empowered for waiver of interest and penalty upto Rs. 25,000.
- Provision for reopening of ex-parte orders was introduced.
- Interest on demand of stamp duty was reduced to 12% pa compounded annually.
- Discretion in imposition of penalty was abolished.

❖ **Revenue Mobilisation Measures**

- Construction rates were revised.
- DLC rates were to be increased in the following financial year if the DLC did not revise the rates in a year.

3.16 Tamil Nadu

FY 2018-19

GST/VAT/Sales Tax

- Commercial Taxes is the largest contributor to the State's own tax revenues. With respect to the receipts under the GST, the State receives revenues under the State Goods and Services Tax (SGST) and the Inter-State Goods and Services Tax (IGST), which directly form part of the Commercial Tax revenues. The GST Compensation is released as a grant from the Government of India and so forms part of the Grants-in- Aid. The Sales Tax on petrol and diesel, tax on the sale of IMFL form the other important sources of revenue under Commercial Taxes. Considering the above factors, revenue from Commercial Taxes has been estimated at Rs.75,264.99 crore in the Revised Estimates 2017-2018, and at Rs.86,858.59 crore in the Budget Estimates 2018-2019.
- The Government has enhanced the quantity of sales tax exempted diesel from 15,000 litres to 18,000 litres per mechanised fishing boat per year and from 3,600 litres to 4,000 litres per motorised country craft per year.
- The Government has also enhanced the quantity of sales tax exempted industrial kerosene supplied at the subsidized rate of Rs.25 per litre from 3,000 litres to 3,400 litres per motorised country craft per year.

State Excise

- Taking into account the impact of the closure of TASMAC shops post the Supreme Court's ban on liquor shops on the State and National Highways in March 2017, the State Excise Duty collection was estimated at Rs.6,998 crore in 2018-2019.

Stamps and Registration Fee

- The downward revision of guideline value and the simultaneous increase of registration fees have had a positive impact on the revenue collected from Stamp Duty and Registration fees. Therefore, the receipts from Stamp Duty and Registration fees were expected to be Rs.10,936 crore during 2018-2019 as against Rs.9,807 crore estimated in Revised Estimates 2017-2018.

FY 2017-18

VAT/ Sales Tax

- Though it is expected 77 that the GST regime will affect the resources of a manufacturing State like Tamil Nadu considerably, the Government of India has agreed to compensate the loss for a period of five years. Since the Value Added Tax (VAT) regime is being replaced by the GST regime, no tax concessions are being announced in the Budget Estimates 2017-2018. Considering the above factors, revenue from Commercial Taxes has been estimated at Rs.66,522 crore in the Revised Estimates 2016-2017, and at Rs.77,234 crore in the Budget Estimates 2017-2018.

State Excise

- Taking into account the impact of the recent closure of 500 more TASMAC shops and an over all of 1,000 shops, during the current financial year and the present trend of receipts, the State Excise Duty collection has been estimated at Rs.6,903 crore during 2017-2018.

Motor Vehicle Tax

- The revenue from Motor Vehicle Taxes was projected at Rs.5,418 crore during 2017-2018.

Stamp Duty and Registration

- The State registered a negative growth in the collection of Stamp Duty and Registration Fees and the receipts were estimated only at Rs.8,220 crore in 2017-2018.
- The ban on sale of property in unapproved layouts dented the receipts from Stamp Duty and Registration Charges severely

FY 2016-17

State Excise

- Taking into account the State Government's decision to close down 500 TASMAC shops, the Excise Duty collection for the financial year was scaled down to Rs.6,636.08 crores.

Stamps and Registration Fee

- The Land Records Modernization scheme was introduced to ensure digitization of all Field Measurement Books (FMB) and integrate the Registration and Survey Departments to facilitate online updation of land records and online patta transfers besides providing online access of these records to the public.
- The online patta transfer system, originally piloted in select Taluks, was launched throughout the State. The pioneering initiative of 'Fast Track Patta Transfer Scheme' was further streamlined to improve public services.
- Government granted 3.50 lakh house site pattas. The Government adopted innovative approach, promoted multi-storied buildings and issued joint pattas to the houseless families in areas, where land was scarce and costly. The Rural Development Department constructed houses in such patta lands by adopting flexible housing designs.

FY 2015-16

VAT/ Sales Tax

- Despite such huge tax erosion due to falling international crude prices, the Government preferred not to make any upward revision in VAT on petroleum products unlike other States, where the VAT rates had been increased.
- Input Tax Credit reversal imposed at the rate of 3 per cent on the inter-state sale of goods as per proviso to section 19(2) (v) of Tamil Nadu Value Added Tax Act 2006, which was introduced with effect from 11.11.2013 was withdrawn to make the manufacturing industries in Tamil Nadu more competitive with their counterparts in the neighbouring States.

- ❖ Clause (c) under Section 19(5) of TNVAT Act, 2006 was withdrawn to enable the dealers to claim Input Tax Credit on the inter-State sale of goods without 'C' form. This measure would eliminate additional burden on the dealers effecting inter-State sale of goods without 'C' form.
- ❖ Fishing accessories like fishing ropes, fishing floats, fishnet twine, fishing lamps and fishing swivels were exempted from levy of VAT.
- ❖ Mosquito nets of all kinds were exempted from levy of VAT at 5%.
- ❖ Works contract relating to sizing of yarn was exempted from levy of VAT.
- ❖ VAT on cardamom was reduced from the levy of 5% to 2%.
- ❖ VAT on LED lamps of all kinds was reduced from 14.5% to 5% to encourage the use of energy saving devices.
- ❖ VAT on air compressors, pump sets up to 10 hp and their parts thereof were reduced from 14.5% to 5% to encourage MSME Sector and to benefit the agriculturists in the State.
- ❖ VAT on cellular telephones (mobile phones) was reduced from 14.5% to 5%.
- ❖ The State estimated that on account of the above tax concessions the revenue loss to the exchequer would be to the extent of Rs.650 crores per annum. However, the Government did not increase any taxes to mobilize more resources but intended to rely more on improving the administration to increase the tax base and tightening the collection system to realize its revenue projections.
- ❖ The initiatives were taken for end-to-end computerization in mission mode departments of Treasury, Commercial Taxes, Stamps and Registration.
- ❖ A Data Analytics Unit has been established with the collaboration between Department of Economics and Statistics and the Tamil Nadu e-Governance Agency to analyze the large volume of data available with the Government on real time basis to improve tax administration and ensure better tax compliance.

Stamps and Registration Fee

- ❖ Under the Fast Track Patta Transfer Scheme, a massive exercise of disposing of long pending patta transfer applications has been undertaken.

Electricity Duty

- ❖ Electricity Tax on generating plants using Biomass (excluding bagassee) has been withdrawn to give a boost to green energy producers.

FY 2014-15

Land Revenue

- ❖ Various sections of the District Collectorates across the State were computerised during the year 2014-2015 so as to make public service delivery more effective.
- ❖ In continuation of the Government's drive to equip the revenue machinery with computers, laptop computers for the remaining 4,827 Village Administrative Officers and 300 Firka Surveyors were provided.
- ❖ A new online Land Records Management System was launched.
- ❖ Similarly, in order to cater to the special needs of the hilly terrain of the Nilgiris District, a new Sub Division was created with its headquarters at Udhagamandalam.

3.17 West Bengal

FY 2018-19

GST/VAT/ Sales Tax

- To boost the economy and to protect the interest of small businesses, MSME and the common man, items like food grains, pulses, dry fish, human hair, musical instrument, raw jute, misti doi etc were exempted from GST, whereas tax rate was reduced on sweetmeats, tea, government works contract, restaurant service, etc.
- Further, threshold of small businesses was raised from Rs.10 lakh to Rs. 20 lakh so that such businesses remain outside the GST.
- The simple scheme of composition was extended to tax payers with turnover from Rs. 50 lakhs to Rs. 1 crore.
- A new West Bengal Revenue Service was constituted by merging Commercial Tax, Excise, Agricultural Income Tax and Registration & Stamp Revenue in order to comprehensively develop capacities of officials and to bring transparency and efficiency in functioning of tax administration.
- Steps were taken to streamline the extant electricity duty refund procedure given to industries under different Incentive Schemes of the State Government, which was causing unnecessary delays. Exemption of electricity duty was made automatically available to an eligible industrial entity from the date of commencement of commercial operation. For this no separate exemption certificate from Director of Electricity Duty would be required. This was expected to have positive impact on the Ease of Doing Business in the State.

Entry Tax

- A scheme was introduced for the settlement of waiving the interest and penalty on the defaulted payment of Entry Tax. Rs. 1100 crore was raised through this effort.

Stamps and Registration Fee

- In order to provide relief to the housing construction sector and lower and middle class sections of the society, Stamp Duty was reduced by 1% in rural and urban areas on all properties of the value upto Rs.1 crore. As a result, the Stamp Duty on all properties of the value between Rs.40 lakhs to Rs. 1 crore in rural areas would come down from 6 per cent to 5 per cent and in urban areas from 7 per cent to 6 per cent. This measure would help to increase revenue buoyancy.

FY 2017-18

VAT/Sales Tax

- The state has successfully reduced the tax related disputes pending in different courts by introducing Settlement of Disputes schemes and First Track Courts.
- In order to give relief to the small businesses, the threshold for payment of tax in one go was increased from Rs. 10 lakh to Rs. 20 lakh.
- The entire process of VAT Registration has been made online. Requirement of submitting hard copies of registration documents to the VAT offices has been completely dispensed with.
- The provision of submission of separate VAT audit report was completely abolished. Instead the dealers could submit the income audit report which would be accepted as a VAT audit report as other purposes. As a result of this, more than 30,000 small businesses would be benefitted.
- It was proposed that all pending refund cases were to be disposed of and enclosed by 31st December 2017.
- Small manufacturers with annual turnover less than Rs. 50 lakh were brought under the Composition scheme. As a result these manufacturers would have to pay only a nominal tax. 33,000 small manufacturers would benefit from this measure.
- Environment-friendly items like Bio-diesel, Bio-mass Bricket, Solar water heater, plates and cups made up of Saal leaf, tiles of terracotta, etc. were exempted from VAT. Some items for common use like kerosene stove, hair band and hair clip, etc. were also exempted.

Stamps and Registration Fee

- ❖ The Stamp Duty on Agreement to Sale was reduced from the present rate of 5-7 percent to 2 percent. In order to get the benefit of the reduced rate, the registration was to be done within a period of 4 years from the date of agreement on payment of the balance stamp duty. This facility of agreement to sale was also extended to the members of the family.
- ❖ The rate of Stamp Duty on a few transactions of stock exchanges, like proprietary accounts, currency, interest and debt security and bond was reduced.
- ❖ Rate of registration fee on all was reduced by 9 percent. It would benefit all registrant public.
- ❖ In order to discourage the traders of flat or apartments from delaying the registration of property, early registration of such properties was incentivized by reducing the registration fee by 20 percent if the registration is done within one year from the date of completion of property.

FY 2016-17

VAT/Sales Tax

- ❖ To bring down the tax disputes, the State would no longer go for litigation for cases where the disputed amount in appeal order is less than Rs. 1 lakh. This would provide relief to thousands of tax payers and also bring down administrative costs of collection of revenue.
- ❖ The requirement of submission of paper TDS certificate has been dispensed with. The certificate would be made available online for downloading by the tax payers. This would give relief to thousands of taxpayers.
- ❖ To provide relief to the tea industry and thereby protect the interest of tea workers, exemption from payment of rural employment and education cess was further extended for one more year.
- ❖ With a view to reduce litigation and to expedite appeal disposal, the time limit of disposal of appeal cases was reduced from 1 year to 6 months.

- Due to large disposal of old pending cases through Fast Track Courts, the Settlement Commission was rendered unnecessary. Therefore, it was abolished with effect from 1st July 2016.

Professional Tax

- Tax exemption limit of profession tax for low salaried class and wage earners from Rs. 8500 to Rs. 10,000 per month.

FY 2015-16

VAT/Sales Tax

- Threshold of annual turnover for paying VAT was increased from Rs. 5 lakhs to Rs. 10 lakhs. Due to this measure, more than 20,000 dealers would be relieved from the ambit of Value Added Tax.
- An amnesty scheme was introduced for registration of dealers those remained outside the VAT network owing to penal provision and burden of past tax liabilities.
- A Settlement of Dispute Scheme was introduced under which interest and penalty for assessment cases on dealers were waived off against a fixed percentage of past dues.
- For the development of MSMEs and small dealers of the State, the threshold audit report (by a chartered accountant) to be compulsorily filed by the dealer was increased from Rs.5 crore to Rs.10 crore.
- Due to simplification of assessment procedure the number of assesses has been reduced from 1,73,588 in 2011-12 to 40,493 in 2013-14.
- It was decided that no demand above Rs. 20,000 could be raised unless the dealer was given an opportunity to present his case on receipt of the gist of the proposed demand. This would reduce litigation and also provide relief. Issuance of a revised demand notice along with the Appellate Order itself was introduced towards avoiding delays.
- The simplification of refund procedure has resulted in more than eight times increase in number and fourteen times increase in quantum of pre-assessment refunds. Besides, grant of post-assessment refund within one month of issue of the assessment order was proposed and it was decided to dispose of pending cases within September 2015.
- Profession Tax enrolment was integrated with VAT registration.

- ❖ New VAT registration was granted within 24 hours for all online application made using Digital Signature.
- ❖ In order to reduce the backlog of cases pending with the Appellate and Revisional Board, all pending cases with demand upto Rs.1 crore were transferred to Fast Track Administrative Authority.
- ❖ Profession Tax set up was merged with the Commercial Taxes Directorate. This would hugely benefit the prospective tax payers who would now have to deal with only One Tax authority in place of two.
- ❖ Input Tax Credit (ITC) on duty credit scrips, which was earlier available only to the trader was extended to manufacturers in order to boost exports from the State.
- ❖ Exemption for Musical Soiree, magic show and dance and some other non-cinema entertainments was available upto tickets of value Rs.60. The limit was further enhanced from Rs. 60 to Rs. 100. This would provide relief to the organisers of such entertainments to hold such programmes viably.

Stamps and Registration Fee

- ❖ Existing rules mandated 1% additional Stamp Duty on properties whose market value exceeds Rs. 30 lakhs. The threshold on such properties was raised from Rs. 30 lakhs to Rs. 40 lakhs. As a result, the property owners would have to pay reduced Stamp Duty of 6% instead of 7% on properties with market value up to Rs. 40 lakhs.
- ❖ e-stamping in property registration have been introduced in all 246 registration offices.

FY 2014-15

VAT/Sales Tax

- ❖ To simplify VAT registration automatic registration of a dealer upon filing of online application was introduced. The provision of requirement of proof of submission of sale invoices of minimum Rs. 50,000 for applying for VAT registration was done away with.
- ❖ To boost the manufacturing sector in the State, input tax credit on old plant and machinery used for manufacturing goods was allowed.

- The benefit of pre-assessment refund was extended to all dealers having accumulated input tax credit on account of inter-State sales. This would provide immense relief to the manufacturers of the State.
- For the dealers of North Bengal, a bench of the Appellate & Revisional Board was constituted at Siliguri, thus obviating the need to travel to Kolkata for filing appeals and hearings.
- To provide better services to the big taxpaying dealers, a Large Taxpayer Unit was introduced. There would be a single nodal officer for most of the services and for statutory compliance with regard to VAT, Sales Tax, CST, Profession Tax, Entry Tax.
- To expedite the refund from Commercial Taxes Directorate, pre-verification visit of the Sales Tax officials to the dealers place before grant of pre-assessment refund was completely done away with.
- Acting on complaints from the trade regarding random and unauthorized visit by the Sales Tax officials, it was proposed that no Sales Tax official posted at the Charge Office shall visit any registered dealer without a written instruction from the concerned Charge Officer showing the reason for the visit. This would make the system transparent.
- To strengthen anti evasion measures the Range offices and Central Section (Preventive) were merged with the Bureau of Investigation and its Zones.
- In the interest of the women folk, relief was provided on sanitary napkins with MRP upto Rs. 25, hair bands and hair clips and also on gas stove including LPG stove costing not more than Rs. 1000/-.

Professional Tax

- The exemption limit of salary for Profession Tax was hiked from Rs.7000 per month to Rs.8500 per month so as to benefit salaried class.
- Earlier Businessmen and traders had to pay Profession Tax irrespective of their turnover. It was decided to exempt small businessmen having turnover upto Rs. 5 lakh from paying profession tax.
- Earlier, obtaining registration or enrolment under profession tax was very cumbersome and time taking. Therefore, automatic enrolment and registration through the web-based

electronic module and self-generation of the dematerialized registration or enrolment certificate was introduced to simplify the procedures.

- In order to provide the benefit of the amnesty scheme in profession tax, a new scheme was introduced for enrolment and registration upon payment of only Rs.1,000 to Rs. 2,000 with no interest and no penalty.

Stamps and Registration Fee

- e-stamping in property registration was proposed to be introduced in all 246 registration offices in the following financial year.
- An additional 1% stamp duty is charged on all properties whose market value exceeds Rs.25 lakhs. An upward revision of this from Rs.25 lakhs to Rs.30 lakhs was implemented. Property owners would now have to pay stamp duty of 6% on all properties of market value upto Rs. 30 lakhs instead of 7%.
- The extant interest @ 2% per month charged on delayed payment of deficit stamp duty had no upper limit. This rate was reduced from 2% to 1% per month with an upper limit of Rs.20,000.
- The second mortgage of house, for taking second loan for repair, requires payment of stamp duty of 4 per cent with no upper limit. The stamp duty on second mortgage was restricted to a maximum of Rs. 1.00 lakh.

Appendix 1A: SOTR effort of all states

SOTR Tax Effort					
States	**2012**	**2013**	**2014**	**2015**	**2016**
Goa	157.05	187.25	178.35	155.08	170.06
Haryana	108.11	105.57	101.85	97.23	96.63
Maharashtra	66.03	63.00	60.28	58.10	58.50
Kerala	127.80	125.11	125.15	125.77	120.95
Gujarat	101.52	96.15	91.69	82.90	78.43
Karnataka	97.61	100.88	101.60	97.52	97.02
Tamil Nadu	95.41	87.04	84.79	80.11	79.58
Punjab	103.52	102.18	99.24	94.55	89.75
Andhra Pradesh	107.54	106.23	105.12	95.12	97.28
Rajasthan	92.03	91.57	89.21	93.17	90.65
Chhattisgarh	129.53	123.28	113.85	103.92	105.34
Odisha	110.45	107.46	114.80	113.41	104.29
Jharkhand	92.07	99.32	95.84	88.99	93.40
Madhya Pradesh	122.47	120.88	114.88	162.86	103.02
Assam	152.28	145.25	128.92	126.69	147.68
West Bengal	78.84	79.04	77.34	74.15	73.79
Uttar Pradesh	107.34	106.83	103.25	95.28	94.33
Bihar	142.66	144.54	128.22	124.19	100.00

Appendix 1B: Income classifications of the states

Income Classifications	States	Average PCI 2012-13 to 2016-17	Rank
High Income States	Goa	240920	1
	Haryana	126455	2
	Maharashtra	115814	3
	Kerala	114393	4
	Gujarat	113113	5
	Karnataka	107276	6
	Tamil Nadu	107016	7
Middle Income States	Punjab	96159	8
	Andhra Pradesh	80168	9
	Rajasthan	64827	10
	Chhattisgarh	64259	11
Low Income States	Odisha	56175	12
	Jharkhand	48351	13
	Madhya Pradesh	45430	14
	Assam	44667	15
	West Bengal	38316	16
	Uttar Pradesh	35454	17
	Bihar	23893	18

Appendix 1C: SOTR effort of High, Middle and Low income states

SOTR Tax Effort						
	States	**2012**	**2013**	**2014**	**2015**	**2016**
High Income States	Goa	224.02	283.53	251.91	202.09	209.52
	Haryana	112.63	112.01	106.50	91.95	86.44
	Maharashtra	73.99	71.07	66.18	62.17	60.83
	Kerala	144.74	141.41	140.19	136.31	125.40
	Gujarat	84.78	82.79	76.67	67.73	62.57
	Karnataka	90.56	92.82	92.30	87.61	84.60
	Tamil Nadu	96.38	85.53	80.92	73.94	71.11
	Average	**118.16**	**124.16**	**116.38**	**103.11**	**100.07**
Mid Income States	Punjab	114.88	112.75	107.62	100.03	94.65
	Andhra Pradesh	124.16	121.55	100.45	87.25	92.30
	Rajasthan	77.29	76.96	72.86	71.65	67.45
	Chhattisgarh	152.08	143.14	128.68	114.92	112.95
	Average	**117.10**	**113.60**	**102.40**	**93.46**	**91.84**
Low Income States	Odisha	102.76	100.54	109.18	111.17	99.54
	Jharkhand	97.09	104.96	98.12	99.80	103.30
	Madhya Pradesh	103.13	102.02	96.75	123.82	84.21
	Assam	166.18	159.46	143.37	145.18	167.33
	West Bengal	68.98	69.50	69.01	67.04	67.36
	Uttar Pradesh	85.21	84.79	84.47	78.99	77.02
	Bihar	166.06	163.14	143.05	143.34	117.88
	Average	**112.77**	**112.06**	**106.28**	**109.91**	**102.38**

Appendix 1D: Sales tax effort of all states

Sales Tax Effort					
States	**2012**	**2013**	**2014**	**2015**	**2016**
Goa	170.53	186.49	171.60	160.60	182.32
Haryana	114.26	110.74	111.34	105.83	105.99
Maharashtra	53.60	50.69	49.10	44.31	47.61
Kerala	152.93	154.70	158.02	158.20	153.62
Gujarat	109.29	102.73	95.89	84.18	80.38
Karnataka	77.19	80.87	82.55	77.39	79.53
Tamil Nadu	85.93	91.72	89.43	82.95	84.12
Punjab	98.13	101.47	96.33	90.39	91.17
Andhra Pradesh	121.66	133.60	124.03	111.34	115.05
Rajasthan	88.03	91.62	87.87	90.52	90.26
Chhattisgarh	119.83	117.93	105.54	94.56	95.20
Odisha	120.24	114.95	116.36	112.09	103.25
Jharkhand	121.33	130.04	127.59	120.03	126.96
Madhya Pradesh	98.13	98.66	93.84	120.68	87.19
Assam	210.79	202.23	183.82	183.36	201.44
West Bengal	68.05	73.71	71.81	69.19	68.58
Uttar Pradesh	96.79	95.69	90.30	85.33	85.76
Bihar	135.28	108.19	93.73	91.15	86.55

Appendix 1E: Sales tax effort of High, Middle and Low income states

Sales Tax Effort						
	States	**2012**	**2013**	**2014**	**2015**	**2016**
High Income States	Goa	119.55	133.01	119.10	106.07	117.10
	Haryana	115.92	116.87	119.13	107.10	105.80
	Maharashtra	74.28	69.57	67.30	59.97	64.82
	Kerala	138.03	141.62	143.54	141.44	134.26
	Gujarat	124.91	119.83	112.56	97.55	93.89
	Karnataka	85.19	88.82	89.25	82.98	85.28
	Tamil Nadu	103.33	112.45	109.32	99.42	100.58
	Average	**108.74**	**111.74**	**108.60**	**99.22**	**100.25**
Mid Income States	Punjab	90.41	92.27	87.82	84.29	84.41
	Andhra Pradesh	129.52	140.83	133.72	111.72	114.53
	Rajasthan	83.72	89.19	87.10	92.15	87.88
	Chhattisgarh	130.39	127.33	116.07	109.90	108.47
	Average	**108.51**	**112.41**	**106.18**	**99.51**	**98.82**
Low Income States	Odisha	129.72	117.31	123.08	111.60	98.45
	Jharkhand	137.95	150.87	146.91	135.12	136.59
	Madhya Pradesh	101.33	103.41	98.21	108.09	88.67
	Assam	300.18	282.51	250.77	248.12	266.78
	West Bengal	50.99	53.82	50.85	46.92	43.83
	Uttar Pradesh	57.89	57.17	54.28	50.19	48.17
	Bihar	151.46	119.50	103.64	97.16	85.85
	Average	**132.79**	**126.37**	**118.25**	**113.89**	**109.76**

Appendix 1F: Sales tax WP effort of all states

Sales Tax WP Effort					
States	**2012**	**2013**	**2014**	**2015**	**2016**
Goa	105.58	122.47	110.08	106.63	124.65
Haryana	106.75	104.11	107.67	102.16	100.69
Maharashtra	87.13	84.37	84.77	81.15	86.41
Kerala	183.91	188.11	202.69	205.60	202.82
Gujarat	98.12	94.88	90.17	85.53	80.94
Karnataka	88.96	100.17	107.23	106.41	107.08
Tamil Nadu	111.56	125.21	126.00	122.57	123.63
Punjab	91.24	96.56	92.32	83.15	83.79
Andhra Pradesh	143.96	166.10	124.04	115.80	126.98
Rajasthan	75.26	77.97	77.39	78.19	76.39
Chhattisgarh	85.52	86.76	78.84	74.94	73.59
Odisha	107.41	105.17	108.05	108.88	90.53
Jharkhand	80.63	86.69	90.45	87.02	92.55
Madhya Pradesh	74.55	76.26	74.04	87.98	69.76
Assam	151.24	148.19	139.13	161.03	186.43
West Bengal	76.90	87.18	89.25	87.66	86.19
Uttar Pradesh	93.32	97.70	95.84	92.70	92.50
Bihar	114.07	92.19	82.74	79.35	70.90

Appendix 1G: Actual Tax revenue from petroleum products

	Actual Revenue from Petroleum products (in Rs. Crore)						
States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Andhra Pradesh	10201	11282	12604	8777	7806	8908	9694
Assam	1871	1948	2160	2268	2163	2571	3109
Bihar	2468	2790	2931	2885	3638	4501	5482
Chhattisgarh	1707	1987	2397	2645	2617	3200	3684
Goa	573	379	388	478	534	650	649
Gujarat	11896	13572	14610	15879	14701	15958	14852
Haryana	3489	3964	4591	5112	5977	7000	7655
Jharkhand	1240	1478	1825	2076	2476	2967	3109
Karnataka	6205	7215	7800	8668	8652	11103	13307
Kerala	4110	4515	5173	5378	6121	6899	7266
Madhya Pradesh	4545	5417	6232	6832	7631	9160	9380
Maharashtra	15092	17359	19141	19795	19417	23160	25611
Odisha	1888	2204	2520	2865	3027	4283	3936.2
Punjab	2705	3386	3853	4179	4907	5833	5658
Rajasthan	5268	6045	7396	8373	9211	10590	11529
Tamil Nadu	9312	11379	12297	12316	11004	12563	15507
Uttar Pradesh	8979	10344	11607	12578	14175	15849	17420
West Bengal	4253	4818	5510	5563	5870	6426	6779

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