PREFACE

India is a federal State and comprises of a Union Government and 28 State Governments. For Governance of the country, both Union Government and the State Governments need finance. Normally, the finance is acquired by imposing various taxes and duties on the subjects by the respective Governments. While excise duty is the main source of earning for the Union Government, sales tax is the prime revenue earner for the State Governments.

In India, sales tax was initially introduced in 1939 to substitute either the transit duties or State excise duties. This substitution has turned out to be very lucrative for the Indian States. The growth rate of the yield of sales tax in the States has been very high as compared to any other State tax. Thus, sales tax has come to occupy a very important place in the fiscal structure of the States.

Assam, being one of 28 States of Indian Union, has to rely mostly on the Union Government for its finance. In recent time, a tremendous pressure has been put on the State Governments by the Union Government to augment its own resource generation. Sales tax, by and large, accounts for 70 per cent of the total tax revenue of the State. Thus, the Government of Assam has been trying hard to increase its revenue generation from sales tax.

The Government of Assam has been administering sales tax since 1947. A major reform took place in the year 1993 when a consolidated sales tax Act was formulated incorporating four separate Acts. Since then, the State has been struggling hard with the sales tax system for garnering its required resources.

Sales tax, being a tax on commodity, is an indirect tax. Normally, indirect taxes are regressive in nature. Hence, increasing revenue from this source that too by a poor underdeveloped State like Assam is a difficult proposition.
Moreover, a strategic decision has been taken by the Union Government to transform the system of sales taxation by the States into Value Added Tax System. Accordingly, the Government of Assam has already committed to the Union Government about introduction of State Value Added Tax tentatively from April 1, 2004.

The situation demands a thorough study of the present sales tax system in the State and to find out the ways to augment generation of revenue from sales tax for the State. The revenue collection machinery of the State requires a good tax structure equipped with well-trained manpower to handle effectively the various complicated problems associated with the administration of sales tax. The tax structure should be such that it gives maximum revenue to the State exchequer and at the same time it gives least possible pains to the taxpayers. The thesis makes an attempt to suggest various ways for effective administration of the sales tax statute. In this endeavour, an effort has been made to construct a roadmap for implementation of the proposed VAT Act in the State. A thorough analysis of the organization for sales tax administration and views and perceptions of the stakeholders have been presented in various chapters of the thesis. In fact, the problems of structure, administration and evasion of the tax are so interwoven that any reform in the structure has to consider all these aspects.

Enthusiasm in this study fettered the researcher to undertake visits to the different units and zonal offices of the taxation department in Assam. A number of meetings have been organized with different officials of the Chambers of Commerce and other trade associations. The experience gathered in these visits helped in realizing the toughness of the task. Quite a number of problems and issues dealt within the present study actual emanate from the practical aspect of sales tax compliance and administration in the State.

The researcher takes this opportunity to express his profound gratitude and indebtedness to Prof. Madhab C. Bora and Prof. Sujit Sikidar for their valuable guidance and insight into the problems under the study.
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