State Taxation and Resource Mobilisation in Assam - The Constitution of India has already exhaustively defined the powers of taxation of the Governments both at the Centre and the States. The State Governments also enjoy fiscal autonomy to a large extent. The resultant fiscal policy should always serve larger objectives and guide the economy in desired direction. The states should have to evolve a self-sustaining tax structure and make intensive tax efforts to augment their resources.

The State's tax bag contains very substantial sources of revenue. Among important taxation items given to the States, the inventory includes Land Revenue (List II entry 45), Agricultural Income Tax (List II entry 46), Succession Duty and Estate Duty on Agricultural Land (List II entries 47 and 48), Taxation on Lands and buildings (List II entry 49), Excise duties on Alcoholic Liquors and hemp (List 11,entry 51) Octroi and Cess (List 11,entry 52), Taxes on the consumption or sale of Electricity Duty (List 11,entry 53), Sales Tax and Purchase Tax of intra-state Sales of all goods other than newspapers (List 11,entry 54), Tax on Fares and Freights of Passengers/ goods carried by Motor Vehicles (List 11, entry 56), Taxes on profession, Trades, Callings and Employment (List 11,entry 60), Taxes on luxuries, including Taxes on Entertainments, amusements, batting and gambling (List 11, entry 62).
A major contribution to revenue of the States is made by indirect taxes i.e. Sales Tax, Purchase Tax, Excise duties etc. Obviously it is an in-built characteristics of the developing economy of India. The taxes which the states levy are collected under three heads:

(a) taxes on income viz. agricultural Income tax and Professional tax,

(b) taxes on property and capital transactions viz stamp and registration fees, land revenue, and urban immovable property tax

(c) taxes on commodities and services, viz. Sales Tax (general Sales Tax, Central Sales Tax on motor spirit and purchase tax), State excise duty, taxes on vehicles, taxes on goods and passengers, entertainment tax, electricity duty, surcharge, Cess etc.

However although, a state Legislature has been empowered to levy any of the taxes enumerated in the State list, in the case of certain taxes, this power is subject to certain limitations under Arts 276(2) and 286.

However, inspite of the fact that there is no everlapping power of taxation between the Centre and the States, the States do not enjoy complete autonomy in the field of Finance. The Centre has all the elastic source of revenue while the State's revenue sources are comparatively limited and inelastic. Experience of the last four decades has shown that there is a sharp imbalance between the resource available to the States and

Contd...3.
their actual needs. The Constitution provides for the levy and administration of taxes with wider economic base such as Income tax, Corporation tax, Union Excise duties, and import and export duties by the Union Government. The resources allocated to the States are comparatively meagre and have only limited growth potential. There has indeed been a growing imbalance between the wider responsibilities devolving on the States and the resources allocated to them. This has resulted in a chronic and widening gap between the State's own resources and their expenditure which in turn has generated a persistent and growing demand for larger transfer of resources to the States.

With the gradual shift in emphasis on the administration of welfare measure and decentralized planning which are all included in the State's subjects, the responsibilities of the States have grown enormously. But they find themselves baffled by the quite inadequacy of resources to discharge their basic responsibilities. The situation therefore, warrants urgent corrective measures to bring about better correspondence between resources and responsibilities of the two tiers - the Centre and the States in our federal set up.

II Assam's Tax base and resource mobilisation - Due to strategic geographical location Assam is industrially backward and as such its tax base is very narrow. Moreover the recurrent annual floods that occur in the State cause considerable damage to the State's economy every year thus reducing the scope of augmenting resources.
Assam having the largest number of Tea-gardens, can derive considerable amount of taxes from the Agricultural income tax. But this tax is almost exclusively related to profitability of the tea industry. Since income from the 845 tea depends on a wide range of variables, like climatic conditions, production volume, labour efficiency, cost variations and processes in both domestic and international markets, the revenue from this constituency is not amenable to any growth rate and fluctuates widely. Recently the State govt. has passed an Act viz, Assam (specified land) Act 1990, to levy tax on quantity of production of green tea leaf but the same was challenged in the supreme court and awaits decision.

The only elastic source of revenue for the State of Assam is Sales Tax. The rates of Sales Tax levied by the State of Assam compare favourably with those prevalent in other states and are more or less at par with those of other States. On the other hand, any enhancement of these rates is likely to lead to diversion of trade in various ways because some of the neighbouring States are yet to introduce taxation in this way.

It may also be mentioned that Assam's principal natural resources are petroleum, tea and forest produce. The severe denudation of forest resource over the years coupled with the welcome national policy of regarding forest not so much as a source of revenue, has reduced the importance of forest produce as a source of financial resource to the State. Besides, a large proportion of the produces of the forest-based industries as well as tea produced in the State goes out of the State by way of stock transfer. A large proportion of petroleum products also goes out of the State similarly. These stock transfer is not subject to
Sales Tax and the Centre's failure to enact legislation for the levy of consignment tax has not helped in the augmentation of revenue resources of the State. Crude oil being an item of declared goods subject to a ceiling in the matter of rate of Sales Tax the scope for raising additional tax revenue on this item is simply not there.

Crude oil in Assam is the only item which could produce a very substantial amount of non-tax revenue to the State if the rate of royalty, which is fixed from time to time by the Centre, had been determined at a rate commensurate with its price. In spite of repeated demands by the State the Centre has not yet revised the rate of royalty since April '92.

Thus it appears that Assam's scope of enlarging tax base and mobilising resources is very limited. Sufficient resources must therefore be transfered to the State from the Centre in order to enable the State Government to invest in developmental activities.