CURRENT TAXATION-REVENUE SCENARIO IN ASSAM

Since Sales Tax is the most elastic, potent, progressive revenue earning source of Assam, the discussion and analysis of this study will be mainly confined to the Sales Tax Group. However before proceeding to that, the other Taxation measures of the State are discussed briefly.

(1) State Excise Duty :- The two main items coming from excise duty under the State's power are: (a) alcoholic liquors for human consumption, and (b) opium, Indian hemp and other narcotics drugs. Opium is a vanishing head of revenue since opium has been controlled both at national and international level. At present those states which have not yet introduced prohibition draw considerable revenue from alcoholic liquors for human consumption. But with the implementation of the national policy of prohibition, this source of revenue incourse of time, will dry up. Most States including Assam are claiming that the Union should make good the loss of these revenues, otherwise it would be impossible to balance the already deficit budgets of the States. The seventh Finance Commission recommended that the Union should compensate the States fully for the loss of revenue occuring to them on introduction of prohibition. However, the unpalatable fact remains that liquor for human consumption provides a substantial amount of revenue to the States and since their resource raising potentials are
already meagre, the States desirous of introducing prohibition find themselves in a strange predicament. Unlike taxes on most other commodities and services, the excise on liquor has the regulatory objective over and above the usual revenue objective. A sale tax also restricts demand in order to adjust it to the supply, or in order to divert resources from one use to another use. However, the main objective of sale tax is not to minimise the consumption of the taxed articles, but rather to raise revenue. In the cases of excise taxation of intoxicants, one of the major objective is the curtailment of the consumption of intoxicants in order to safeguard against the health hazards and other social evils.

The Eastern Bengal and Assam Excise Act, 1910 (Act 1 of 1910) empowered the Government of Assam to impose duties on excise on some specified goods manufactured or produced in the State. The title of the Act was substituted by the Assam Repealing and amending Act, 1953 (Assam Act X of 1953) as the Assam Excise Act, 1910.

In pursuance of the directives of the Constitution for enforcing prohibition, the State Government enacted the "Assam Liquor Prohibition Act, 1952 (Act 1 of 1953) which adversely affect the States Excise Revenue.

SIGNIFICANCE OF THIS TAX ON TOTAL TAX STRUCTURE :-

Revenue from this duty went up from Rs. 1.94 crore in 1960-61 to Rs. 6.06 crores in 1984-85.\(^39\) Its share in revenue

\(^{39}\) Statistical Hand Book of Assam 1984.
from State taxes fell from 16.1% in 1960-61 to 3.4% in 1983-84. The relative significance of this tax has been declined due to the rapid increase in the revenue from the Sales Tax and the Agricultural Income Tax.

This decline in the relative significance of excise duty is a general phenomenon in almost all the States of the Indian Union, but the rate of decline is particularly high in Assam because of the sudden high growth of Agricultural Income Tax.

It is also noticed that growth rate of excise duty was very slow in Assam due to the national policy of "prohibition". Moreover consumption of opium, ganja, bhang is totally prohibited in Assam since 1947.

The State derived maximum excise duties from country spirit, it contributed almost 3/4th of the total excise revenue, then comes the foreign liquor which constitute almost ¼th of the total excise revenue. However, the growth of excise duty on foreign liquor is gradually increasing due to the presence of Military and Para Military personnel and rapid urbanisation of the State.

(2) THE ASSAM AGRICULTURAL INCOME TAX ACT, 1939 :

In Assam, although the Agricultural Income Tax applies both to farm and to plantation incomes, it is in fact the latter which is of fiscal importance. Assam is one of the five States which effectively levies and administers the agricultural income tax. Over 90% of the total collections from
the agricultural income-tax is accounted for by the five States viz. Assam, Kerala, Karnataka, Tamil Nadu and West Bengal.

The Agricultural Income-tax Act was enacted in Assam in 1939 and the first financial year of operation of the Tax was 1939-40. The Act applies to agricultural incomes arising from the lands situated in the Province of Assam. The Agricultural Income Tax Act, 1939 has undergone as many as eleven amendments during 1950 - 1987.

In Assam, agriculture may primarily be divided into two sectors, viz. the tea plantation sector and the non-tea plantation sector, which is characterised by the predominance of the small and marginal farmers. So far as the agricultural income-tax is concerned, it is almost entirely derived from the tax on the incomes of tea plantations. The contribution of the tea sector in terms of revenue is more than 99 per cent. The Agricultural Income-tax, because of the importance of tea plantations in the economy in the State, occupies a major place in the tax structure of Assam. However, the percentage share of the agricultural income tax in State Tax revenue has been widely fluctuating as is evident from the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>Rs. 15.60 crore</td>
</tr>
<tr>
<td>1981-82</td>
<td>Rs. 14.64 &quot;</td>
</tr>
<tr>
<td>1982-83</td>
<td>Rs. 8.00 &quot;</td>
</tr>
<tr>
<td>1983-84</td>
<td>Rs. 11.29 &quot;</td>
</tr>
</tbody>
</table>
The possible reasons of fluctuations are:

(i) There have been variations in the profitability of the tea gardens. The rate of profitability affects the base of the agricultural income-tax, which is taxable income as determined by the Income Tax Department, Government of India.

(ii) In some years due to draught conditions or heavy rains, production of tea is less and consequently the revenue from tea plantation under Agricultural Income-tax becomes less. Moreover, Tea Market is pre-dominantly a buyers' market. There is always rise and fall of the price of tea in the international market.

**COMPUTATION OF TAXABLE AGRICULTURAL INCOME**

The Agricultural Income Tax shall be payable by every person whose agricultural income exceeds the expenditure limits specified u/s 6 of the Act. Total Agricultural income of the previous year is chargeable to tax under this Act at the rate or rates specified in the schedule u/s 6 of the Act subject to the deductions and exemptions applicable, the highest rate is 75 paise in the rupee. No agricultural income tax shall be payable on a total agricultural income which does not exceed Rs. 12,000.00.

<table>
<thead>
<tr>
<th></th>
<th>Agricultural Income-Tax (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984-85</td>
<td>36.28 Crore</td>
</tr>
<tr>
<td>1985-86</td>
<td>60.61</td>
</tr>
<tr>
<td>1986-87</td>
<td>62.00</td>
</tr>
<tr>
<td>1987-88</td>
<td>25.88</td>
</tr>
</tbody>
</table>
TAXATION OF TEA INCOME: In so far as income from tea is concerned, only a portion of it is taken to be agricultural income under the Agricultural Income Tax in Assam. Agricultural Income derived from land by the cultivation of tea means that portion of income derived from the cultivation, manufacture and sale of tea as is defined to be agricultural income for purpose of the enactments relating to Indian Income-tax. Income from tea is a mixed income which is derived from agricultural operations and manufacturing. Only the first part is taxable under the Agricultural Income Tax Act. Of the total income, 60% is treated as agricultural income and is subject to the agricultural income tax; the rest is treated as manufacturing income and is taxed under the Indian Income Tax Act.

RATE STRUCTURE: The Agricultural Income Tax is levied on progressive basis in all the States except in Tamil Nadu where a single rate of 55% is charged. In Assam the present rates vary between 52% and 75% and no separate rate exists for foreign companies.

Assam with 845 Nos. of Tea Gardens produced the major share (55%) of country's current tea production of 735 million Kg. and is expected to keep up its steady production rate. Tea plantation in Assam, which began in 1899, has been the State's major revenue earner by way of agricultural income tax. With the tea industry having played a vital role in the State's economy, tea is rightly called the green gold of Assam. The fresh CTC tea undoubtedly the best in the world comes from
Assam. No other tea growing region anywhere in the world can match the brightness pungency, strength and taste of Assam C.T.C. tea. On the quantity front, Assam has the largest regional production in the world. Its production of around 360 million Kg. a year is higher than Sri Lanka's production at 227 million Kg. It make up more than 55 per cent of the total Indian harvest. Its growth rate of 4.44 per cent since independence is higher than the national average.* A Comparative study of crop production is shown in the Annexure (A).

Inspite of all those factors, except Agricultural Income Tax, Assam Government derived practically little or no benefit from its vast produce. The highest authority in India regarding tea, its plantation, production and sales promotion is the Tea Board of India, which is situated out-side the State. The State's demand for the shifting of the Tea Headquarters from Calcutta to Guwahati is yet to be materialised. The Board derives an income of Rs. 5.25 crore from Assam tea at the rate of 15 paise per Kg.

The Assam Governments proposed cess on Assam tea (The Assam Rural Employment and Plantation Labour Welfare Act 1986) which expected to fetch Rs. 20 crore annually to the State.

* There are 845 tea Estates in the State covering about 2.26 lakh hectors of land and employing about five lakh persons.
exchequer is yet to receive President's assent.*

However with the establishment of the Guwahati Tea Auction Centre and a Dry Port - Inland Container Depot at Amingaon, it is hoped that there will be considerable development in this industry and Agricultural Income Tax will be the single highest source of revenue of the State in course of time which is about 110 crore in 1991-92.

(3) LAND REVENUE:
The State have exclusive power to levy land revenue. Sir Ramaswami Mudaliar, a votary of the State's interest, observed that land revenue far from being an increasing asset would be a decreasing revenue in the future.40

The fact is that today land revenue has ceased to be an important source of revenue to the States, for many reasons, one of them is that with the ever fragmentation of agricultural land, most of the holdings are small and uneconomic.

The Assam Land and Revenue Regulations 1886, empowered the State to collect revenue from the land. Land revenue, which is one of the important direct taxes, has been steadily declining in relative importance. It is relatively in-elastic.

*However recent Supreme Courts' judgements in Brux Dooars Tea Co Ltd. V State of West Bengal (40a) in which S.C. held that levy of cess in effect was a levy not on tea estates but on the despatches of various kinds of tea ... Levy also void for want of Legislatice competence as it pertains to a covered field as Parliament had already enacted a law in this respect. Amendment Acts made by West Bengal are therefore unconstitutional. Thus (Contd... next page)
The land revenue in Assam increased from Rs. 175 lakh in 1956-57 to Rs. 231 lakh in 1960-61 and further to Rs. 394 lakh in 1969-70 and then declined to Rs. 360 lakh in 1970-71. It further declined to Rs. 289 lakh in 1980-81, it was Rs. 423 lakh in 1984-85.

The contribution of land revenue to the total State tax revenue was 34.5% in 1950-51, 18.9% in 1960-61 and 12.8% in 1970-71, and only about 3% in 1984-85. So, its revenue significance is gradually decreasing.

Land revenue is an acreage tax, based on area of land held.

**TAXES FROM OTHER MINOR TAXATION ACTS**

(1) THE ASSAM PROFESSIONS, TRADES, CALLINGS AND EMPLOYMENT TAXATION ACT, 1947 :-

The profession tax is a State Tax levied on individuals and Hindu undivided families on their gross income earned during the previous year from professions, trades, callings or employment. The objective seems to be to tax particularly those it is apprehend whether this Assam Bill will at all be implemented.

40. - CAD V, IV, 97.
assessees who would not otherwise pay tax on their income, though others who pay the individual Income-tax are also liable to pay this tax. Article 276 of the constitution of India protects this levy from becoming invalid on the ground that it relates to a tax on income. In the initial years after the adoption of the Constitution, it was provided that the total tax payable by any person would not exceed Rs. 50/- in any financial year, but this was subsequently revised upward to Rs. 250.00 in 1954 and subsequently the same is enhanced to Rs. 2500.00 in 1987.

The Profession Tax was introduced in Assam in 1947. It is levied on the basis of the slab system. Two categories of assessees who are exempted are members of the armed forces and cooperative societies registered under the Assam Co-operative Societies Act, 1949.

**REVENUE SIGNIFICANCE :-** Revenue from the Profession Tax increased from Rs. 11 lakh in 1960-61 to Rs. 4.97 crore in 1987-88. The tax, however, accounts only 1% of the State Tax revenue. Although the revenue significance of this tax is low, it has higher potential for reaching those sections of the populations, especially in the urban areas who do not pay the income-tax. The rate varies from Rs. 150/- to Rs. 1500. Exemption limits of gross incomes is Rs. 16000/- at present.

(2) **THE ASSAM AMUSEMENT AND BETTING TAXATION ACT, 1939 :-**

The tax was introduced in Assam in 1939. It comprises
entertainment tax proper on the cost of tickets for admission to places of entertainments and show tax, which is additional tax on cinema. The basis of the show tax is the total payment received by the cinema owners excluding the entertainment tax payable, and is levied as a percentage of such payments. In addition to those, there are totalisator tax and the betting tax. A totalisator tax is levied on the total amount paid as stakes or bets and is collected from the brokers. Similarly a betting tax is on the total receipts of the licence holder on horse races. However, the betting on horses does not exist now-a-days, so there is no collection from this tax.

REVENUE SIGNIFICANCE :- The yield of tax constituted only 4% of the total tax revenue. Thus, the relative importance of this tax in Assam is much less than in a State like Tamil Nadu and some other States.

RATE STRUCTURE :- The existing rate of entertainment tax is 50% for an admission fee of one rupee 100% for a fee between one rupee and two rupees per person and 130% per cent for payment exceeding two rupees. In addition to this, in the case of cinema shows, a show tax is levied per show, at the rate of 10% of the total value of tickets excluding entertainment tax or Rs. 10/- whichever is less. In the case of games and sports, music or dramatic performances organised by a State Body as a registered society, the rate of entertainment tax is 12.5%. The yield from the tax increases from Rs. 2.11 crore in 1977-78 to Rs. 8.07 crore in 1987-88.
(3) **THE ASSAM PASSENGERS AND GOODS TAXATION ACT, 1962** :-

A tax on goods transported by road or inland waterways was first levied in Assam in 1954 under the Assam Taxation (on goods carried by road or inland waterways) Act, 1954. The validity of the Act was challenged before the courts of law and the Act was held void by the Supreme Court*. (earlier discussed). The Assam Legislature subsequently amended the Act following the requirements of Article 304 and the validity of the amended Act was upheld by the Supreme Court in Khyrubari Tea Company Vs. State of Assam, AIR 1964 SC 925). This new enactment, the Assam Taxation (on Goods carried by road or on Inland Waterways) Act, 1961 was substantially similar to the earlier Act. Under this Act, a tax on tea and jute carried by road or by Inland Waterways, was levied and the Act was given retrospective operation being deemed to have come into effect from the date on which the predecessor Act came into force, main purpose of this Act was to recover taxes which could not be recovered under the 1954 Act.

The Assam Passenger and Goods Taxation Act 1962 was enacted to replace the Act of 1961. This Act provided for a tax passengers and goods carried by road or by inland waterways. The new Act was distinct from the earlier one in two respects. Firstly, it levied a tax on the carriage of all passengers and goods whereas the earlier Act levied a tax on the carriage of jute and tea only and secondly, the new Act placed the liability to pay the tax on the carriers or owners while under the earlier Act the responsibility of the payment of tax was on

the owner of the goods. The new Act which became effective from August 16, 1962, provided for a tax at the rate of 10 per cent of the value of the fare or freights. The Act also contained a provision to the effect that in respect of certain categories of motor vehicles notified by the Government the tax could be paid on the lump sum basis. When passengers or goods carried in a taxable vehicle from any place outside the State to any place within the State or from any place within the State to any place outside the State, the tax is payable in respect of the distance covered within the State.

**FISCAL IMPORTANCE** :- This tax has, of late gained prominence. The passengers and goods tax is now levied by all the major States. In most States, this tax accounts for between 5 and 8 per cent of State Tax revenue. In Assam, however, this tax raises only 2 per cent of its tax revenue. The yield from this tax was Rs. 1.20 crore in 1977-78 and it is Rs. 5.02 crore in 1987-88. The Act is now administered by the Transport Department since 1989.

(4) **THE ASSAM ELECTRICITY DUTY ACT, 1964**

This duty was introduced in Assam in 1964 under the Assam Electricity Duty Act, 1964. The duty is payable to the State Government by :-

(i) a consumer receiving electricity from the State Electricity Board,

(ii) a licensee generating energy or procuring energy in bulk from the Board and

(iii) a person generating electricity for his own use.
The yield from this tax increased from Rs. 1 lakh in 1964-65 to Rs. 3.05 crore in 1987-88. The above mentioned taxation measures are administered by the Taxation Department of the Government of Assam. The existing rate is 5 paise per unit consumed.

(5) TAX ON VEHICLES

The tax on Motor vehicles (M.V.T.) was introduced in Assam under the Assam Motor Vehicles Taxation Act, 1936. In 1950-51, significant revision were made to bring the tax structure into conformity with those in the neighbouring States, the rates being considerably enhanced in respect of certain vehicles, such as motor cars and taxis, stage carriages and goods vehicles with different laden weights. In 1963-64, charges were made in different categories of vehicles, taking into account the recommendation of the Road Transport Committee, 1954, and the decisions of the Transport Council of 1959-60. According to their recommendations, taxes on public transport vehicles were stepped up and new rate categories were introduced such tourist taxes, auto-rickshaws, State Transport car, and omni buses. The rates in general have remained unaltered since then and only since April 1984, rates have been considerably revised.

FISCAL IMPORTANCE :- The Motor vehicles tax has, of late, assumed an important place in the fiscal structure of various States in India. The tax, originally meant as a charge for regulating and controlling motor traffic, has become a user tax
and a tax on a capital goods in the transport industry. The yield from the tax in Assam increased from Rs. 64.51 lakh in 1960-61 to Rs. 239.45 lakh in 1975-76 and Rs. 464 lakh in 1982-83. The share of the tax in the States' own revenue was about 5 per cent at present.

(6) STAMP DUTIES AND REGISTRATION FEES

Stamp duties are levied on the various deeds and documents executed as proof or record of certain legal transactions. Two types of stamp duties are levied in India, namely, judicial and non-judicial. (a) Judicial Stamp Duties also known as court fees are levied under the Court Fees Act, 1870, and they represent fees payable by persons having business in law courts and public offices. The rates leviable under the Act are specified in two schedules. Schedule - I lists instruments on which ad valorem fees are chargeable at the specified rates and Schedule - II lists instruments on which fees are chargeable at the specified fixed rate. Plaints, probates of Wills, letters of administration and succession certificates are the main instruments included in Schdule - I, while minor instruments like applications, petitions and Vakalatnama are among the main Schedule - II instruments.

(b) Non-Judicial Stamp duties are regulated by the Indian Stamp Act, 1899. The determination of the Stamp Duty on bills of Exchange, bills of lading, debentuures, letters of credit, policies of insurance, promissory notes, process, receipts and transfer of shares fall within the legislative
competence of the Centre but the proceed are collected and appropriated by the States. The fixation of rates for other instruments falls within the legislative competence of State Governments. The levy of Stamp Duty as an instrument is governed by two principles, firstly, the substance of the transaction and not the name given to it by the parties, and secondly, the instrument and not on the transactions themselves.

REGISTRATION FEE: These fees are levied under the Indian Registration Act, 1908. The benefits secured by registration are:

(i) reasonable guarantee about the genuineness of the document;
(ii) maintenance of a permanent record in the Registration Department;
(iii) security of title deeds and facility of proof to the titles conferred under them.

Apart from these benefits registration is necessary for certain documents in order to become admissible as evidence in law courts.

REVENUE SIGNIFICANCE: Revenue from Stamp Duty and registration fee in Assam has increased from Rs. 56 lakh in 1960-61 to Rs. 230 lakh in 1975-76 and Rs. 380 lakh in 1982-83. Thus, the contribution from this source is about 2% of the State's tax revenue.
(7) TAX ON URBAN IMMOVABLE PROPERTY

The Assam Urban Immoveable Property Tax Act, 1963 (Act XIX of 1963) empowered the Government of Assam to impose a tax on immovable properties in urban areas.

The annual revenue from Urban Immoveable Property was Rs. 3 to 4 lakh and its contribution to the total tax revenue of the State was only 0.11 per cent.

But the Assam Urban Immoveable Property Tax Act, 1969 (Act XI of 1969) which had repealed the Act passed in 1963, empowered the Assam Municipal Board or Town Committee to assess, levy and collect for every year a tax called the Urban Immoveable property tax on all land and building situated within the areas of such Municipal Board or Town Committee. As a result, the yield from this Tax is no longer credited to the Consolidated Fund of the Government of Assam since 1970-71.
PRODUCTION OF TEA IN ASSAM COMPARED TO MAJOR PRODUCING COUNTRIES OF THE WORLD
(Figure in million Kg)

<table>
<thead>
<tr>
<th>Country/State</th>
<th>1987</th>
<th>Percentage</th>
<th>1986</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>368.63</td>
<td>29.43</td>
<td>333.98</td>
<td>27.5</td>
</tr>
<tr>
<td>Rest of India</td>
<td>305.58</td>
<td>24.39</td>
<td>288.67</td>
<td>23.64</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>40.43</td>
<td>3.23</td>
<td>37.59</td>
<td>3.08</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>213.33</td>
<td>17.03</td>
<td>211.28</td>
<td>17.30</td>
</tr>
<tr>
<td>Malawi</td>
<td>31.91</td>
<td>2.55</td>
<td>38.98</td>
<td>3.19</td>
</tr>
<tr>
<td>Uganda</td>
<td>3.3</td>
<td>0.26</td>
<td>3.2</td>
<td>0.26</td>
</tr>
<tr>
<td>Kenya</td>
<td>155.81</td>
<td>12.44</td>
<td>143.32</td>
<td>11.74</td>
</tr>
<tr>
<td>Indonesia</td>
<td>97.0</td>
<td>7.74</td>
<td>123.56</td>
<td>10.12</td>
</tr>
<tr>
<td>Tanzania</td>
<td>14.51</td>
<td>1.16</td>
<td>15.08</td>
<td>1.23</td>
</tr>
<tr>
<td>Mauritius</td>
<td>7.1</td>
<td>0.57</td>
<td>7.9</td>
<td>0.65</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>15.1</td>
<td>1.20</td>
<td>15.7</td>
<td>1.28</td>
</tr>
</tbody>
</table>

TOTAL 1252.7 1221.26

Source: Tea Board, Calcutta.

After commissioning of tea auction centre at Guwahati in the year 1970 considerable quantity of tea is sent to auction market by garden owners. The Guwahati tea auction centre has now become the biggest tea auction centre in the world.