Final Report

Goods and Services Tax in India

Estimating Revenue Implications of the Proposed GST

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(A Study Sponsored by the Thirteenth Finance Commission)

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Preface

The Foundation for Public Economics and Policy Research is an autonomous, non-profit organization whose major functions are to carry out research, undertake consultancy work, and conduct training in the area of public economics and policy.

The Foundation for Public Economics and Policy Research undertook this study, at the instance of the Thirteenth Finance Commission of India (TFC). The objective of the study is to estimate revenue implications of the proposed Goods and Services Tax (GST) both for the Centre and the States. In doing so, the study adopts a structure of the GST which has been placed in the public domain in the past. As the proposed design of the GST has not been made clear so far, the Report aims at presenting the empirical estimates of revenue due to the introduction of GST using such an option.

In doing so, the study takes into account a four rate structure of GST (zero percent for exports and exempt goods, one percent for precious species, four percent for essential commodities and standard rate of 8% and 9% for all other commodities except petroleum and tobacco products, which are presumed to be out of GST regime to be taxed at a higher rate. This study has not been designed to estimate the RNR for either Centre or the States. The rates assumed in the report are only indicative and cannot be used for determining RNR for the GST.

The study is the result of the collective effort of the team of the staff members of the Institute. The Report was planned and guided by Mahesh C. Purohit and Vishnu Kanta Purohit, who developed the methodology of estimating revenue implications of the introduction of GST. Both of them also prepared the final draft of the study. In addition, the team of the FPEPR that worked on the Report includes Madhulika, and Surajita Rout. Samarpita Sinha and Santosh Kumar Dash provided excellent research assistance.

Besides the faculty members of the *Foundation*, the team had the benefit of the consultations from time to time with senior academicians and tax administrators. Thanks are due to G. L. Agarwal and Brijesh C Purohit for their suggestions during the course of discussions. Also, the valuable suggestions received from Atul Sarma and Rathin Roy during the course of various meetings held in the office of the Thirteenth Finance Commission are gratefully acknowledged. Comments and suggestions on the paper presented by the authors at the International Seminar on Issues Before Thirteenth Finance Commission, organized by the FPEPR, are worth mentioning.

The study team received valuable help in regard to data on central and state taxes from the Central Board of Excise and Customs and the state finance departments, respectively. Special thanks are due to Vivek Johri and Gautam Bhattacharya of Tax Research Unit (TRU), and to all

the persons who worked as Director-General of the Data Management Centre of CBEC during the period of the study. Very useful help received from the Finance Secretaries and Commissioner of Commercial Taxes of all the States who responded to the questionnaire is gratefully acknowledged. Without having requisite information from them, the study could not have taken the present shape.

We are greatly indebted to R. K. Chakraborti, T.R. Rustagi and to S. B. Singh in helping us with their intimate knowledge of the respective areas, which was fruitfully interwoven into the chapters.

The *Foundation* is grateful to the Thirteenth Finance Commission for entrusting and funding this study. Special thanks are due to Sumit Bose and V. Bhaskar, for supporting the work of the project and to R. N. Sharma, S. K. Bansal, Brahma Reddy, D. K. Sharma, Manish Dev, Sandeep Agarwal, K. M. Krishnan, B. L. Meena and Ajay Mathur in helping the staff of the *Foundation* in getting the requisite information. More importantly, the support and morale boosting by the Chairman of the Commission was a great privilege and an aid to the smooth work of the study. We are extremely grateful to Ms Savita Sharma of the CSO who helped us getting the requisite data for the study.

Comments and suggestions received from the peer reviewer on the Draft Report, from the staff of the Thirteenth Finance Commission on the presentation of the Draft Report before the Commission, and on the Final Report are gratefully acknowledged. Efforts have been made to incorporate most of the suggestions.

Last but not the least, the administrative assistance from Rakesh Kumar of the FPEPR was extremely important in making the work progress.

The Governing Body of the *Foundation* does not bear any responsibility for the contents or views expressed in the report. The responsibility rests with the authors.

New Delhi
January 18, 2010

Mahesh C Purohit
Director

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Introduction

In recent years, the fiscal system has undergone revolutionary changes, especially in the field of taxation. Most of the developing countries have reformed their tax systems by reducing the number of rates as well as exemptions. In the arena of taxes on commodities and services, the tax base has been enlarged and value added tax (VAT) has replaced the other cascade type commodity taxes. The overall trend has been towards simplification and rationalization in the structure of all the taxes.

Evolution of Tax Reforms in India

In this context, India too has initiated reforms in the field of general taxation, particularly in the taxes levied on commodities and services. VAT has been introduced in place of the cascade type turnover taxes.

Although the switchover to VAT regime has been rather slow due to the dichotomy in distribution of tax powers between the Centre and the States, India has gradually switched over to a system of dual-VAT: Central VAT (CenVAT) at the Central level and State-VAT at the State level. These reforms have been mainly based on the recommendations of various Committees and Study Groups. The *Report of the Indirect Taxation Enquiry Committee* (1978), chaired by L K Jha, was the first comprehensive Report that put forth recommendations based on an exhaustive study of the impact of indirect taxation in India[1]. Given the recommendations of the Jha Committee, India initiated tax reforms in 1986 by introducing the modified value added tax (ModVAT) into the union excise duties.

With the changed world's economic scenario due to globalization and structural reforms, the recommendations of the *Report of the Tax Reforms Committee (1991-92)*, chaired by R. J. Chelliah[2], were timely and extremely useful. These recommendations enabled India to compete globally. Based on these Reports, major reforms were introduced in the Indian tax system. The reforms were introduced both in the structural as well as administrative aspects of both direct and indirect taxes. The Tax Reforms Committee has in fact paved the way for furthering the introduction of dual VAT in India.

Keeping in step with the technological revolution, path-breaking recommendations for a modern tax administration and for the introduction of a Goods and Services Tax (GST) were presented by Vijay Kelkar in his *Reports of the Task*

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[1] Government of India (1978): "*Report of the Indirect Taxation Enquiry Committee*", Ministry of Finance, New Delhi.

[2] Government of India (1991-92): "*Tax Reforms Committee, Interim and Final Reports*", Ministry of Finance, New Delhi.

Forces on Direct[3] *and Indirect Taxes* (2002)[4], and in *Implementation of the Fiscal Responsibility and Budget Management Act, 2003 (2004)*[5].

India being a federal country, the Constitution of India provides for division of tax powers between the Centre and the States. The powers are enumerated in the Central List and the States' List (of the Seventh Schedule), respectively[6]. Any reform in the tax system has to be attempted under the constraints of these Lists. As the union excise duty falls in the Central List and the sales' taxes in the State List, introduction of a comprehensive VAT in India has faced some constraints.

A report titled *Reform of Domestic Trade Taxes in India* (1994) prepared by the National Institute of Public Finance and Policy under the leadership of A. Bagchi, suggested various options for VAT in India. Given the constraints imposed by the division of tax powers in the Constitution, the study recommended that as an immediate policy tool, the most appropriate VAT model could be a system of dual-VAT - central VAT (CenVAT) to be levied by the Central Government (by converting union excise duty into a CenVAT) and state-VAT to be adopted by the State Governments (by replacing the then existing sales tax into a full fledged VAT).

Era of VAT

On the basis of the recommendations of the above reports, dual VAT model--Central VAT (CenVAT) at the Central level and State-VAT at the State level – has been introduced in India.

CenVAT is levied on all manufactured goods, payable at the time of clearance of such goods from the manufacturing unit (factory). The general CenVAT rate was 16%, now reduced to 10%. There are some total or partial exemptions, which are general as well as conditional in nature. Set-off is given for the tax paid on inputs and capital goods received in a factory for the manufacture of any dutiable final product. For capital goods, credit can be availed of on only 50% of the duty paid on the goods in that financial year; the remaining credit can be claimed in the next financial year, provided the goods are still in use (except for spares and components, refractories, moulds and dies). The coverage of CenVAT, however, does not encompass light diesel oil, high-speed diesel, and motor spirit (gasoline).

Apart from CenVAT, the Central Government levies some additional taxes related to it. These include additional duties of excise (ADE), special duty, special excise duty (SED), and countervailing duty (CVD). ADE is levied on tea, motor spirit (petrol), high-speed diesel, textile and textile articles, *pan masala* and specified tobacco products. Additional duty of customs (commonly known as countervailing duty or CVD) and special excise duty are levied to countervail domestic trade taxes. These are accounted for under the custom duty but the set off is allowed under CenVAT.

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[3] Government of India (2002), *Report of the Task Force on Direct Taxes,* Ministry of Finance, New Delhi.

[4] Government of India (2002), *Report of the Task Force on Indirect Taxes,* Ministry of Finance, New Delhi.

[5] Government of India (2004), *Report of the Task Force on Implementation of the Fiscal Responsibility and Budget Management Act, 2003,* Ministry of Finance, New Delhi.

[6] See Annexure II to the Report for the detailed List of Centre, State and Concurrent powers.

In addition to the above mentioned taxes, some cesses and surcharges are also levied. The former includes cess on specified goods under independent enactments, *viz.* (i) cess on manufactured *beedis* (under the Beedis Workers Welfare Act, 1976); (ii) cess on rubber (the Rubber Act 1947); (iii) cess on tea (the Tea Act 1947); (iv) cess on coffee (the Coffee Act 1942); (v) cess on un-manufactured tobacco (the Tobacco Cess Act, 1973) etc. Surcharges are levied (under the Finance Acts) on selected goods and services. These include (i) national calamity contingent duty; (ii) education cess; (iii) additional duty of excise on *pan masala* having tobacco; and (iv) special additional duty of excise on motor spirit and HSD.

Revenue collected from cesses, surcharges and some specified levies are earmarked for dedicated/ predetermined purposes, *viz.* education or upliftment of the workers engaged in a particular industry, development of technology etc.

Cesses and surcharges do not form part of the CenVAT chain and, therefore, no credit can be availed of on these cesses and surcharges. However, cess on calamity contingent duty, and education cess on excise duty come under VAT. Many of these cesses and surcharges are levied under independent enactments legislated by different Ministries.

Apart from the levy of CenVAT (on all goods being manufactured or imported), the Central Government levies a tax on services. This tax was initially levied on three services, *viz.* general insurance, stock broking, and telephone from July 1, 1994. It is now levied on 110 services[7]. These taxable services are individually defined. The standard tax rate was 12%, recently reduced to 10%. Input tax credit (ITC) is available of for taxes paid on goods and services used as inputs in providing services. In a sense, the service tax stands integrated with CenVAT.

State-VAT is levied by all the States. It follows a two-rate structure: 4% and a standard rate of 12.5% (with some exceptions). Gold, silver, precious and semi-precious stones have a VAT rate of 1% while liquor has a higher rate of 20%.

Four percent is applicable to essential commodities (such as branded bread, bulk drugs, writing paper); goods considered important in inter-State trade (such as iron & steel, hide & skins); industrial and agricultural basic inputs (such as printing ink, coir, *beedi* leaves, fibres, seeds); and capital goods. Commodities exempted from tax include natural and unprocessed products (generally in the unorganized sector such as betel leaves, earthen pots etc.); items which are legally barred from taxation on sale (such as newspapers, national flag etc.); and items which have social implications (such as books, periodicals, slates, slate-pencils etc.). The coverage of VAT, however, does not encompass petrol and petroleum products.

Steps towards GST

With a view to furthering progress made under the system of VAT in the country, the Union Finance Minister announced in his budget speech of 2007-08 that the Goods and Services Tax (GST) would be introduced by 2010. The proposed GST will replace the existing CenVAT and service tax levied by the Central Government

[7] Four new services were brought into tax net in the Union Budget 2009-10.

and the state-VAT levied by the State Governments. There will be major changes in the structure of all these taxes under the GST regime. Such changes are essential due to the fact that the existing system of dual-VAT is fraught with certain weaknesses. First, due to the separate taxation of goods and services there is the need to split the value of transactions into the value of goods and the value of services for the purpose of taxation. This leads to greater complexities, and higher administrative and compliance costs. Second, due to further globalization of the Indian economy, a number of Free Trade Agreements have been signed in the recent years. This allows 'duty free' or 'low duty imports' into India. Hence, there is need to have a nation-wide simple and transparent system of taxation to enable the Indian industry to compete not only internationally but also in the domestic market. Third, currently CenVAT is levied up to the manufacturing level only. This causes cascading and also creates lack of transparency in the tax burden. It is, therefore, imperative to introduce GST to remove all these weaknesses. The system of GST would, therefore, be a step forward in the reforms at the national as well as the sub-national level.

To pave the way for the introduction of GST, the Empowered Committee (EC) appointed a Joint Working Group (JWG) on GST consisting of four Joint Secretaries from the Central Government and Secretaries/ Principal Secretaries of Finance/Taxation of the States as its members, and with Advisers to the Union Finance Minister and Member Secretary (EC) as the Co-conveners. Additional Secretary (Revenue), Ministry of Finance; Adviser (Financial Resources), Planning Commission; Commissioner, Central Board of Excise and Customs (Service Tax); and Director (Sales Tax), Department of Revenue, Ministry of Finance, were requested to join the deliberations of the JWG as special invitees.

The JWG constituted three Sub-Working Groups to facilitate in-depth discussions. These were also assigned the following tasks, viz. to identify the Central and State taxes which possess properties to be appropriately subsumed under GST; to identify the possible alternative models for introduction of GST in India; examine the various characteristics of each alternative GST model and its suitability to India's fiscal federal context; to suggest base and rate structure of GST; to identify and seek solutions to the problems faced during inter-State transactions; and the treatment to be given to exempted goods and services and non-VAT items (such as petroleum goods and alcohol) under the new GST regime. The JWG submitted its Report to the EC in November 2007[8].

Based on the recommendations of the JWG, the EC submitted its findings to the Government of India on April 30, 2008. The recommendations of the EC, as communicated to the Government of India, are documented in a booklet titled *A Model and Road Map for Goods and Services Tax in India*[9]. As per these recommendations of the EC, broadly speaking, the proposed structure of GST will have two components –Central GST (levied by the Centre) and State GST (levied by

[8] Empowered Committee (2007), *Report of the Joint Working Group on Goods and Services Tax*, submitted to the Empowered Committee of State Finance Ministers, New Delhi.
[9] Empowered Committee (2008), *A Model and Road Map for Goods and Services Tax in India*, New Delhi.

the States). The rates of both the components will be decided keeping in view the revenue considerations and the total tax burden. It will, however, be a fully synchronized dual GST, *i.e.* it will be levied by both the tiers of Governments. However, the tax will be collected as a single tax having two components- the Cen-GST (CGST) and the State-GST (SGST). For the sake of ease of administration and cost effective compliance by the taxpayers, the synchronized dual GST will be collected by one agency- either at the Central level or at the State level- and proportionate shares will be distributed to the concerned Governments according to the rates decided by them. It could be based on the Canadian model of Harmonized Sales Tax (HST), where the synchronized dual GST is collected by the Federal Government or on the Quebec Sales Tax (QST), where the State collects it.

CGST as well as SGST will be imposed on all transactions of goods and services. Taxes paid under CGST are allowed to adjust ITC against CGST. The same principle applies to SGST.

Also, it is proposed that there will be some restructuring of Central and State taxes in order to have a rational tax structure. Effort will, therefore, be made to subsume some of the related taxes at the Central as well as the State level in the GST.

The taxes that will be subsumed in CGST mainly include CenVAT and service tax levied by the Central Government. Also, the related taxes, *viz.* Additional Excise duties on tobacco; Additional Customs Duty also known as Countervailing Duty (CVD) (which countervails Central excises)[10] and Special Additional Customs Duty (which countervails State level taxes) that are in the nature of countervailing duties would be subsumed under the CGST[11]. Cesses levied on manufactured *beedis*, rubber, tea, coffee and un-manufactured tobacco will also fall into this category. Similarly, some major surcharges presently in operation such as national calamity contingent duty, educational cess, additional duty of excise on *pan masala* having tobacco, special additional duty of excise on motor spirit etc. will also be subsumed. Efforts will also be made to subsume some of the State taxes with the SGST. The taxes that will fall into this category include: entertainment tax, luxury tax, octroi, entry tax, taxes on lottery, betting and gambling.

The Central Sales Tax (CST) will be tapered off with the introduction of GST. The current CST rate is 2%. This will gradually be reduced to zero percent by 2010.

The time schedule for introduction of GST, as suggested by the Joint Working Group on GST, is as follows:

- Final draft plan of GST to be sent to the Central Government- by January 2008;
- Consideration and adoption of the Draft Report by the Central Government- by February 2008;
- Various amendments to be made by the Central Government in the Constitution- by February 2009;

[10] Countervailing Duty (CVD) is imposed on imports to achieve a level playing field between domestic and imported goods.
[11] In addition, there is a need to countervail the remaining domestic indirect taxes, *viz*. selective excise duties that would remain outside GST.

- Preparatory measures by both the tiers of Governments- by March 2009;
- Legislative measures of the Central and State Governments- by March 2010;
- Implementation of Dual-GST- from April 2010.

While the above schedule has not been adhered to, it is expected that the GST would be introduced during the year 2010 or from the beginning of the next financial year.

In the meanwhile, to have further consensus on some of the aspects of structural design as also on administrative issues the EC released its first *Discussion Paper on GST in India*[12] on 10th November 2010.

The Discussion Paper reiterates the basic features of GST as laid down in the Report of the JWGgst. Accordingly, the CGST would subsume Central Excise Duty, Additional Excise Duties, Excise Duty levied under the Medicinal and Toiletries Preparation Act, Service Tax, Additional Customs Duty levied on imports in lieu of Central Excise Duty at the time of imports, Special Additional Duty of Customs levied in lieu of VAT payable, at the time of imports, and Surcharges and Cesses. The SGST would subsume VAT / Sales Tax, Luxury Tax, Taxes on lottery, betting and gambling, State Cesses and Surcharges, Entertainment Tax not levied by local bodies, and entry tax not in lieu of octroi. However, inclusion of purchase tax, levied by the States, within the GST framework is still under discussion.

Products containing alcohol and petroleum products (*viz.* crude oil, motor spirit including aviation turbine fuel and high speed diesel oil) would be kept outside the purview of GST[13]. Tobacco Products would be subject to GST with input tax credit. However, Centre may levy excise duty on tobacco products over and above GST.

Uniform threshold limit across States should be adopted at Rs. 10 Lakh both for goods and Services. Threshold for the CGST for goods may be maintained at Rs. 150 Lakh. Higher threshold limit may be considered for CGST on Services.

Composition scheme with special floor rate of 0.5% across the States would be available to tax payers having gross annual turnover not exceeding Rs 50 lakh.

More importantly, under the GST the CST would be replaced by Integrated GST (IGST), which would govern taxability of inter-state sales of goods and services. The IGST would be levied by the Centre on the interstate seller on its value addition after adjusting credit of CGST, SGST and IGST on inputs. The tax amount would be aggregate of CGST and SGST. The inter-State purchaser would use the credit of the IGST paid on his purchases to discharge the output tax liability in his own State. A clearing house mechanism will be set-up for transfer of revenue between the importing state, the exporting State and the Centre. Since CGST and SGST are to be treated separately, credit of CGST and SGST would be allowed against respective

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[12] Empowered Committee of State Finance Minister (2009), *The First Discussion Paper on Goods and Services Tax in India,* New Delhi.

[13] Decision regarding the inclusion or otherwise of the natural gas in GST will be taken after further deliberations.

taxes only. Cross utilization of Input Tax Credit is permissible only in case of Inter State supply of goods and services.

Scope and Coverage of GST

Adopting the above design of the proposed GST, in this study we presume that the CGST and SGST would be applicable on all transactions of goods and services. The broad contours of the GST including the coverage of taxes that would be subsumed in it, would be prescribed by the EC. This would be based on the discussions in its meetings and mutual understanding between the Centre and the States.

Accordingly, the GST design so far available and adopted in this study assumes that it would have two rate categories, *viz.* 4% and 8% (which could also be 9%)[14]. In addition there will be a special rate of 1% on silver and bullion and higher rate on petroleum products and tobacco. In addition, there could be a small list exempted items. The interstate transaction would be governed by IGST and, therefore, there would be not 'tax-exporting' to the importing States. All inputs including capital goods would be given set-off. Also, exports would be zero-rated. The proposed GST would thus be a consumption variant of VAT.

Objectives and Scope of the Study

In view of the fact that the proposed GST will affect the revenues of the State Governments as well as the kitty of the Central Government, this study sponsored by the Thirteenth Finance Commission, as per the terms of reference given in Appendix I to the study, aims at attempting an empirical estimation of revenue implications of the introduction of GST in India with special emphasis on the following aspects:

1. Analysis of the structure of taxes on commodities and services in India, as allocated to the Centre and the States, and highlighting of the issues arising from the harmonization through GST.

2. Re-structuring of taxes on commodities and services included in both the Union and the States Lists, taking into account the issues related to CGST and related taxes, SGST, countervailing duties, entry tax, turnover tax, purchase tax, and issues pertaining to the levy of VAT on imports etc.

3. Empirical estimation of revenue from the restructured system of taxes on commodities and services for the Centre and the States. The effort is to project revenue from the given structure of GST, both for the Centre and the States, during the period 2010-11 to 2014-15.

Structure of the Report

Keeping in view the above objectives, the scheme of presentation is as follows: Chapter 2 presents an analysis of the fiscal importance of the taxes on commodities and services in the Government revenues, viz. at the Central and State

[14] It is useful to note that the standard rate of 8% (or 9%) is not the revenue neutral rate (RNR). The RNR could be high or low depending upon the coverage of GST. With a view to calculating revenue implications of the GST that would, in practice, be levied in the country, we adopt the broad coverage given by the EC and the rates as inferred from the information available in the public domain.

level. Chapter 3 describes the structure of countervailing duties, union excise duties (CenVAT) and tax on services levied by the Central Government. Chapter 4 presents an analysis of the taxes on commodities and services levied by the States. This includes sales tax (state-VAT), state excise duties, motor vehicles tax, passengers & goods tax, entertainment tax, electricity duty etc. As the revenue from the GST would depend upon the structure of the GST, Chapter 5 gives the evolution of GST in India. It elaborates on the slow but steady move towards the new tax regime. Also, it presents a design for the proposed GST in India. Chapter 6 gives details of the methodology adopted for projecting revenue from the GST, both at the Central and at the States' level. For revenue calculations for the Centre, three different approaches have been adopted, *viz.* revenue approach, turnover approach, and the consumption approach. However, due to non-availability of data on turnover with the States, for the estimation of their revenue two approaches have been adopted. These are revenue approach and the consumption approach. Also, while adopting revenue approach two methods (growth rate and buoyancy methods) have been adopted for the estimation of revenue for the Center but three methods (growth rate, buoyancy and Tax-GSDP method) have been applied for the estimation of revenue of the States. Estimates for the GST taking both goods and services are then given in this chapter. Finally, Chapter 7 gives the summary of conclusions of the Report.

2

Contribution of Taxes on Commodities and Services

In the initial phase of development, the economy mainly depends on primary activities; the industrial sector does not contribute significantly to economic growth. As a result, the Gross Domestic Product (GDP) and per capita income is not very high and the Government depends heavily upon taxes on commodities and services for mobilizing resources rather than on taxes on income and property. Such a situation prevails in almost all the developing economies[1]. As the economy develops, the proportion of revenue generated from taxes on income and property rises.

Tax-GDP ratio of India is very low in comparison with not only the developed countries, but with many developing countries as well. While developed countries like Sweden, Greece, United Kingdom and USA have tax-GDP ratios higher than 30 percent, many of the developing countries too have a higher ratio- Korea 26 percent, Brazil 21 percent, and Mexico 18.5 percent.

While the tax-GDP ratio in India (Union and States combined) was 13.8 percent in 1980-81, it increased to 15.8 in 1991-92. Owing to structural adjustments and rationalization of the tax structure during the nineties, the ratio declined to 13.4 percent in 1998-99. Since then the ratio has shown mild improvement. It reached 17.74 percent in 2006-07 (Table 2.1).

As is the case in other developing countries, indirect taxes have contributed significantly to the tax-GDP ratio in India. The ratio of indirect taxes to GDP was 11.53 percent in 1980-81 and increased to 13.68 percent in 1989-90. It plummeted to 10.56 percent in 1998-99 but then rose to 12.17 percent in 2006-07. Owing to implementation of some major tax reforms in the Central Government in the nineties, its tax-GDP ratio has declined but the tax revenue collected by the States, as a percent to GDP, has increased steadily.

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1 Hinrichs, Harley H. (1966), *A General Theory of Tax Structure Change during Economic Development*, International Tax Programme, Harvard Law School, Cambridge.

In the States own tax revenue, the tax-GDP ratio of the States has increased from 4.31 percent in 1980-81 to 5.45 percent in 1990-91 and reached a high of 5.72 percent in 2006-07. Similarly, the indirect tax-GDP ratio of States has moved from 4.04 percent in 1980-81 to 5.24 percent in 1990-91 and further to 5.56 percent in 2006-07.

Trends and Composition of Total Tax Revenue

Trends in total tax revenue in India indicate that in 1991-92 the total tax revenue was Rs. 1,03,117 crore; this increased to Rs. 3,15,157 crore in 2001-02 and further to Rs. 7,26,060 crore in 2006-07.(Table 2.2). It recorded a growth rate of 13.05 percent per annum and a buoyancy[2] of 1.03 (Table 2.6).

Taxes on income and property at the Union level comprise corporation income tax, personal income tax, estate duty, wealth tax, gift tax etc. The share of these taxes in total tax revenue is insignificant, although over the years, their share has increased. Taxes on commodities and services at the Central level are composed of taxes like customs duty, union excise duty and service tax. These make a significant contribution to the tax revenue of the Centre.

An analysis of revenue from the taxes at the States' level indicates that among the taxes on commodities and services, the major taxes are sales tax (or state-VAT) and state excise. The other indirect taxes levied at the State level are motor vehicles tax and passengers & goods tax, electricity duty and entertainment taxes. Taxes levied on income and property at the States' level are agricultural income tax, land revenue, stamp duty & registration fee, urban immovable property tax etc. which are fiscally not very significant.

Relative Importance of Taxes on Commodities and Services and Taxes on Income and Property

Taxes on commodities and services contribute almost three-fourth of the revenue received from all the taxes in 2001-02. In 2006-07, these taxes had a share of 64.4 percent of the total tax revenue of Union and States (Table 2.2).

In 1990-91, the contribution of taxes on income and property to the total tax revenue was 18.7 percent; it increased to 27 percent in 2001-02 and further increased to 35.6 percent in 2006-07. It showed a steady growth in this period. During the overall period of 1991-92 to 2006-07, it maintained an annual growth rate of 17.35 percent.

Buoyancy is an indicator of the responsiveness of taxes to changes in GDP. During 1990-91 to 2006-07, buoyancy of total tax revenue of Union and States is 1.03 whereas the buoyancy of taxes on commodities and services is 0.93 and that of direct

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[2] This indicates percentage change in revenue with respect to change in GDP or any other base. Symbolically, this is expressed as

$dR/R \div dY/Y$

where R & Y represent the tax revenue and GDP, respectively.
If the coefficient is greater than unity, revenue is said to be buoyant. The revenue performance of the governmental unit is said to be productive, giving higher yields as GDP grows.

taxes is 1.35, indicating greater responsiveness of the direct taxes to changes in GDP during the period (Table 2.6).

Trends in Collection of Taxes by Union and States

The total tax revenue collected by the Union and the States (combined) has increased from Rs. 103,117 crore in 1991-92 to 175,089 crore in 1995-96, and further to 726,060 crore in 2006-07. However, the share of the Union in the total tax revenue collected remained at the level of nearly 65 percent. However, with the tax reforms and rationalization of Central taxes from 1991-92 onwards, the revenue share of the Union went down to 59.4 percent in 2001-02 and then eventually increased to 65.2 percent in 2006-07 (Table 2.2).

Trends in Taxes on Commodities and Services: Central Government

The Central Government collected total tax revenue of Rs. 67,361 crore in 1991-92, which increased to Rs. 1,87,060 crore in 2001-02 and further to Rs. 4,73,512 crore in 2006-07 (Table 2.2), recording a growth rate of 12.81 percent per annum and 1.01 buoyancy over the period (Table 2.6) (Exhibit 2.1 and 2.2).

Customs Duties

Customs duty is one of the important sources of revenue to the Central kitty. In absolute terms it contributed Rs. 22,256.7 crore in 1991-92 which increased to Rs. 40,268 crore in 2001-02 (Exhibit 2.1); its share in the total tax revenue of the Union, however, has declined over the period. This has primarily been due to the adoption of the policy of liberalization and adjustments in the structure of the customs duty from 1990-91 onwards. The rates of customs duty had to be lowered to be at par with the international level. While its share in 1991-92 was 33 percent, it consistently declined up to 2006-07, except for the years 1995-96 and 1996-97 which recorded shares of 32.1 percent and 33.3 percent, respectively. With minor fluctuations, the yield from customs duty has been recorded at Rs. 86,327 crore; a share of 18.2 percent of the total tax revenue of the Union in 2006-07 (Table 2.3).

Union Excise Duty

The yield from union excise duty (UED), the major contributor to the revenue from total taxes of the Union, was Rs. 28,110 crore in 1991-92, contributing 41.7 percent to the total tax revenue of the Union (Table 2.3). The revenue has increased to Rs. 72,555 crore in 2001-02 and to Rs. 1,17,613 crore in 2006-07. However, there has been a declining trend in the share of UED in the total tax revenue of the Central Government during the period 1991-92 to 1997-98 and thereafter, there has been a fluctuating trend (Exhibit 2.1). While the share was 41.7 percent in 1991-92, it came down to 34.5 percent in 1997-98. In 1998-99 it increased to 37 percent but again decelerated to 36 percent in 1999-2000. It reached 24.8 percent in 2006-07. The overall rate of growth over sixteen years was 10.41 percent with a buoyancy of 0.83 (Table 2.6).

Service Tax

With structural reforms and significant changes in the institutional framework in India, the services sector has grown at a rapid rate. Since a significant portion of GDP is obtained from the services sector, efforts have been made to incorporate this into the tax net. This tax was levied, for the first time, in 1994-95 by the Union on three services. Gradually the coverage was expanded and now the Central Government is levying tax on 106 services. Initially the Government was able mobilize revenue worth Rs. 407 crore. Over the years, the revenue from this tax has increased considerably. The yield was Rs. 3302 crore in 2001-02 and this was 1.8 percent of the total Central tax revenue. It increased to Rs. 37,598 crore in 2006-07 (Table 2.3; Exhibit 2.1). Among all the indirect taxes collected by the Union, service tax has increased at the rate of about 39.6 percent during the period 1994-95 to 2006-07. Since it is a new levy, its growth rate has been the highest (Table 2.6). Also, it has proved to be the most buoyant source of tax revenue, having a buoyancy rate of 3.05 for the period 1994-95 to 2006-07 (Table 2.6; Exhibit 2.2 and 2.3).

Trends in Taxes on Commodities and Services: State Governments

Total tax revenue of all the State Governments has increased from Rs. 35,756 crore in 1991-92 to Rs. 1,28,097 crore in 2001-02 and further to Rs. 2,52,548 crore in 2006-07, showing a growth rate of 13.5 percent per annum (Exhibit 2.4 and 2.5). Consequently, the States' share in total revenue has gone up from 34.7 percent in 1991-92 to 40.6 percent in 2001-02 and has fallen to 34.8 percent in 2006-07 (Table 2.2).

Revenue of the States, from taxes on commodities and services, shows a rising trend. The revenue has increased from Rs. 31,798 crore in 1991-92 to Rs. 1,12,054 crore in 2001-02 and further to Rs. 2,13,714 crore in 2006-07 (Table 2.2). It has increased by about six times the initial level during the entire period, with a growth rate of 13.18 percent per annum (Table 2.6)

The important taxes on commodities and services levied by the States are sales tax, state excise, motor vehicles tax, passengers and goods tax, electricity duty and entertainment tax. Sales tax alone contributes about 72 percent of the tax revenue from commodities and services, while 23 percent comes from state excise, motor vehicles tax and passengers & goods tax. Thus, these taxes contribute to approximately 95 percent of the States' revenue from taxes on commodities and services.

Sales Tax

This tax constitutes a major source of revenue for the State governments. The yield from sales tax has shown an upsurge from Rs. 21,064 crore in 1991-92 to Rs. 76,885 crore in 2001-02 and to Rs. 1,53,573 crore in 2006-07 (Table 2.4; Exhibit 2.4). Sales tax revenue collected by all the States, expressed as a percentage of total revenue from taxes on commodities and services, has risen steadily from 66.2 percent in 1991-92 to 68.6 percent in 2001-02 and to 71.9 percent in 2006-07. In non-special category States like Maharashtra, the revenue from sales tax has increased from Rs. 3,809 crore in 1991-

92 to Rs 12,131 crore in 2001-02 to Rs. 24,131 crore in 2006-07 and has a share of 60.2 percent in State's own tax revenue. Thus, the sales tax revenue has shown a steady rate of growth in this State. In Tamil Nadu, though the sales tax revenue has increased from Rs. 2,442 crore in 1991-92 to Rs. 8,386 crore in 2001-02 and further to Rs. 17,727 crore in 2006-07, the share in States' own tax revenue has fallen from 65.4 percent in 1991-92 to 64.5 percent in 2001-02 and to 63.8 percent in 2006-07. In Punjab, the sales tax revenue has increased from Rs. 753 crore in 1991-92 to Rs. 2,684 crore in 2001-02 and further to Rs. 4,829 crore in 2006-07. The share of sales tax in States' own tax revenue has increased from 48.8 percent in 1991-92 to 55.7 percent in 2001-02 and to 53.6 percent in 2006-07 (Tables 2.5). In Assam, a special category State, the sales tax revenue has increased from Rs. 293 crore in 1991-92 to Rs. 1,073 crore in 2001-02 and to Rs. 2783 crore in 2006-07. The sales tax revenue has shown a steady growth and had a share of 57.2 percent in the State's own tax revenue in 1991-92; this increased to 68.5 percent in 2001-02 and further to 79.9 percent in 2006-07. Sales tax is the most buoyant source of revenue. Its buoyancy during the period 1991-92 to 2006-07 is 1.09 and it has shown a growth rate of 13.81 percent over the period (Exhibit 2.5 and 2.6).

State Excise

This is the second largest source of revenue collected by the State Governments. The yield from state excise has recorded a steady growth. It has increased from Rs. 5,439 crore in 1991-92 to Rs. 17,110 crore in 2001-02 and to Rs. 29,316 crore in 2006-07 (Table 2.4). However, its share in revenue collected from taxes on commodities and services shows a decline. While the share was 17.1 percent in 1991-92, it was 15.3 percent in 2001-02 and it fell to 13.7 percent in 2006-07. The share of state excise duty in the total revenue of the Union and the States was 5.27 percent in 1991-92 and increased to 5.43 percent in 2001-02, but fell to 4.04 percent in 2006-07. It has recorded a growth rate of 11.52 percent during the period 1991-92 to 2006-07 (Exhibit 2.5). The buoyancy of state excise is 0.92, implying that this tax was less buoyant during the same period (Exhibit 2.6).

Motor Vehicles and Passengers & Goods Tax

Motor vehicles tax and passengers & goods tax are primarily meant to regulate and control motor traffic in the State. But it has been observed that these taxes can also serve as a good source of revenue to the States.

The revenue from these taxes has increased almost six times during the period 1991-92 to 2006-07 (Exhibit 2.4). It has steadily increased from Rs. 2,973 crore in 1991-92 to Rs. 11,316 crore in 2001-02 and further to Rs. 20,047 crore in 2006-07 (Table 2.4). However, its share in revenue receipts from all taxes on commodities and services has increased from 9.30 percent in 1991-92 to 10.1 percent in 2001-02, but declined to 9.4 percent in 2006-07. It recorded a growth rate of 13.44 percent during the reference period (Exhibit 2.5). The buoyancy of this tax during the period 1991-92 to 2006-07 is recorded at 1.06 reflecting an encouraging responsiveness to changes in GDP (Table 2.6).

Electricity Duty

The consumers pay an additional amount, known as electricity duty, along with the electricity rates for consuming electricity. This tax acts as a good source of revenue for the State Governments. The revenue from this tax was Rs. 1,596 crore in 1991-92, but it went up to Rs. 4,692 crore in 2001-02 and further to Rs. 8,161 crore in 2006-07 (Table 2.4), recording a growth rate of 11.99 percent during 1991-92 to 2006-07 (Exhibit 2.5). Accordingly, its buoyancy is recorded at 0.95 during the period (Table 2.6). Its contribution to the revenue receipts from taxes on commodities and services was 5 percent in 1991-92, which fell to 4.2 percent in 2001-02 and further decelerated to 3.8 percent in 2006-07 (Table 2.4)

Entertainment Tax

Entertainment tax is levied on admission to places of amusement or entertainment, *viz.* cinema, circus, theatrical performances, exhibitions, sports and games etc. This generated revenue to the tune of Rs. 368 crore in 1991-92. It went up to Rs. 1,147 crore in 2000-01, but has shown a slight decline to Rs. 799 crore in 2001-02 (Table 2.4). It has decreased further to Rs. 705 crore in 2006-07 (Exhibit 2.4). It has recorded a growth rate of 4.76 percent during the period 1991-92 to 2006-07 (Exhibit 2.5). Accordingly, its share in total revenue from commodities and services (all States taken together) has reduced from 1.2 percent in 1991-92 to 0.7 percent in 2001-02 and further to 0.3 percent in 2006-07.

Conclusion

As in most developing economies, India also gets a substantial bulk of its revenue from indirect taxes. The indirect taxes in India have contributed significantly to the tax-GDP ratio. The ratio of indirect taxes to GDP was 13.25 percent in 1991-92, which declined to 12.17 percent in 2006-07.

Further, the trends in tax revenue in India indicate that the Union raises around 65 percent of the total revenue. Out of this proportion, the ratio of taxes on goods and services to taxes on income and property has changed substantially from 77:23 in 1991-92 to 54:46 in 2006-07 in the Union. At the State level, this ratio was 89:11 in 1991-92, which has changed marginally to 85:15 in 2006-07. Also, composition of revenue from taxes on commodities and services has changed significantly. Owing to the opening up of the economy and reforms in customs duty, the revenue significance of customs duty in total revenue from indirect taxes has declined over time. Customs duty and excise contributed about 75 percent of the revenue from goods and service taxes in 1991-92. That declined to 61 percent in 2000-01 and further to 43 percent in 2006-07. Among the States, at the goods and services level, sales tax share in revenue has gone up from 66 percent to 70 percent from 1991-92 to 2001-02 and further to 72 percent in 2006-07. This is the only important tax having a significant share in indirect tax revenue of the States.

Exhibit 2.1: Trends in Union Tax Revenue - Goods and Services

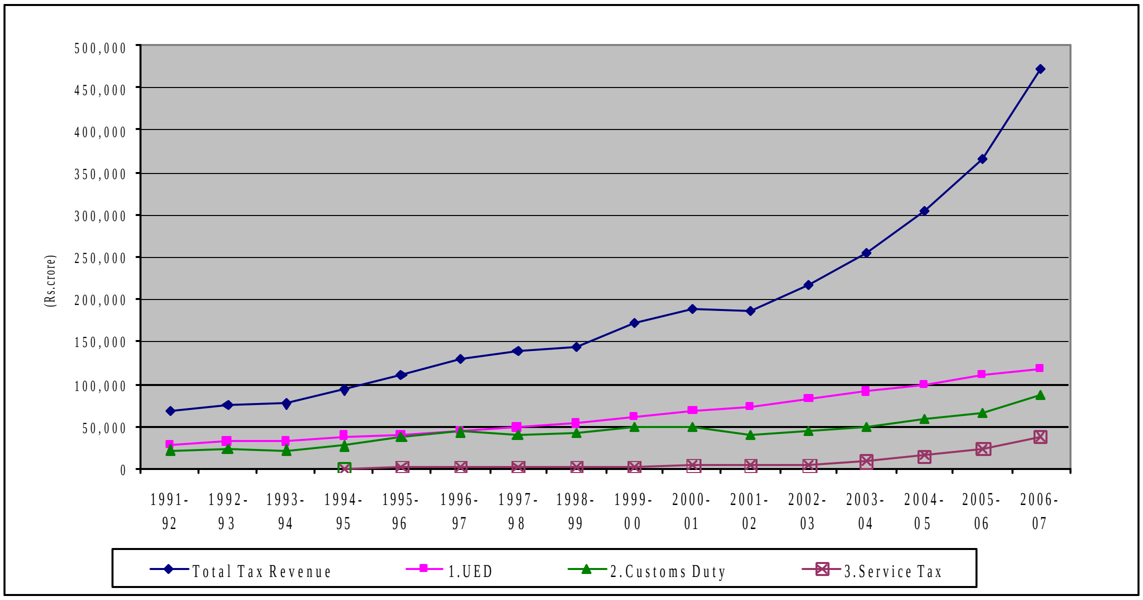

Exhibit 2.2: Compound Growth Rate of Union Taxes - Goods and Services (1991-92 to 2006-07)

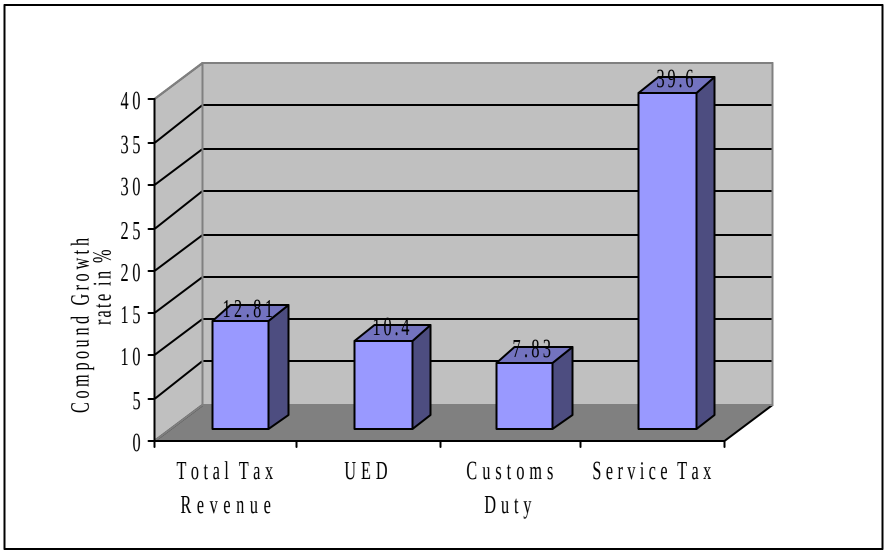

Exhibit 2.3: Buoyancy of Union Taxes - Goods and Services (1991-92 to 2006-07)

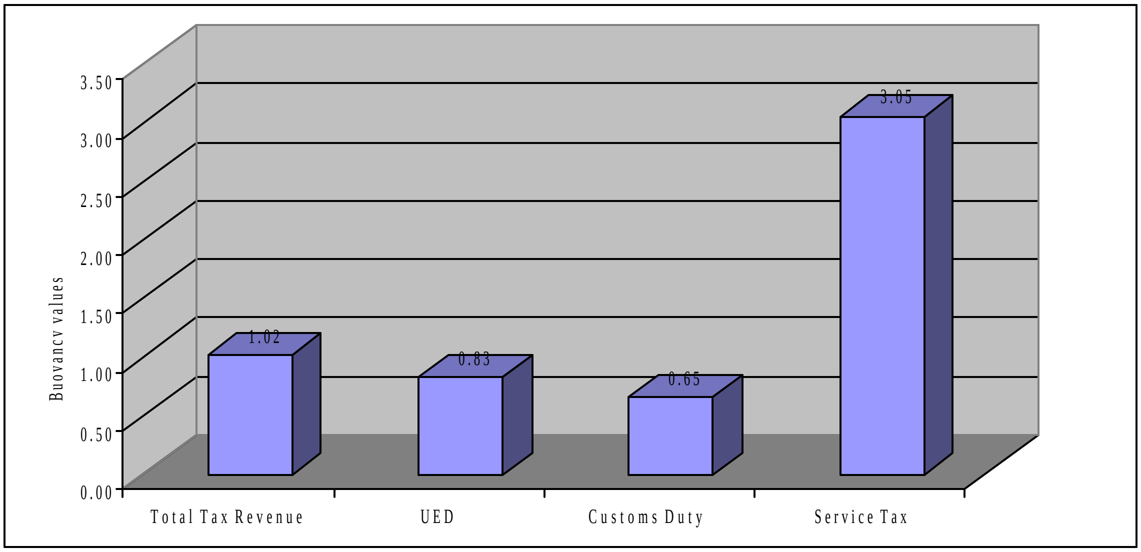

Exhibit 2.4: Trends in State Tax Revenue - Goods and Services

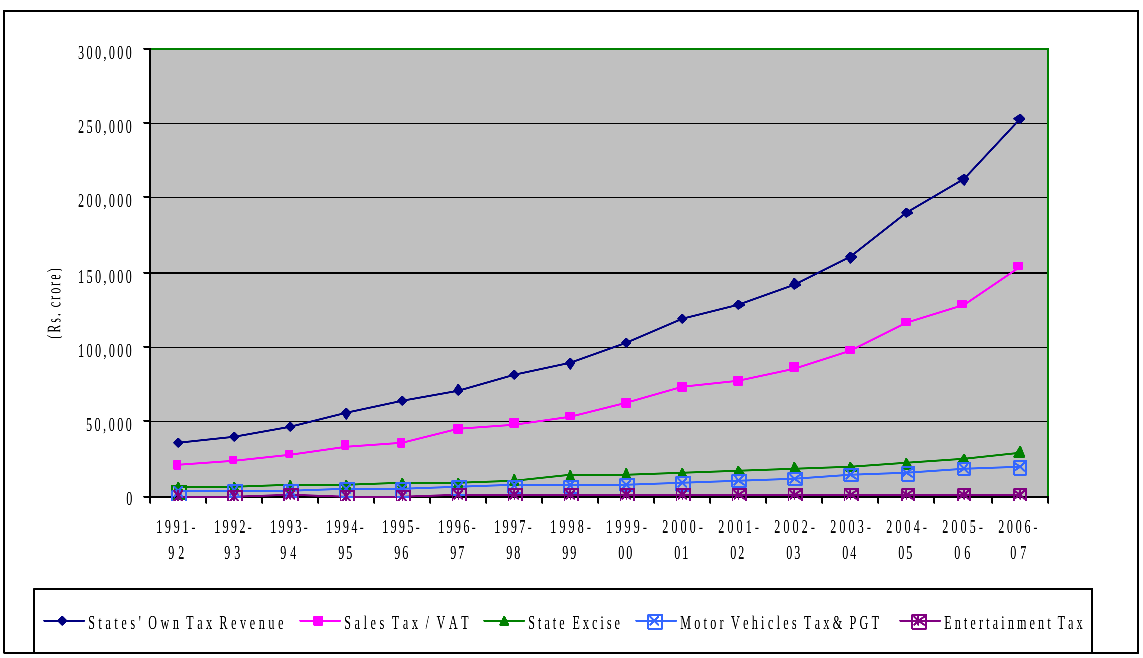

Exhibit 2.5: Compound Growth Rate of State Taxes - Goods and Services (1991-92 to 2006-07)

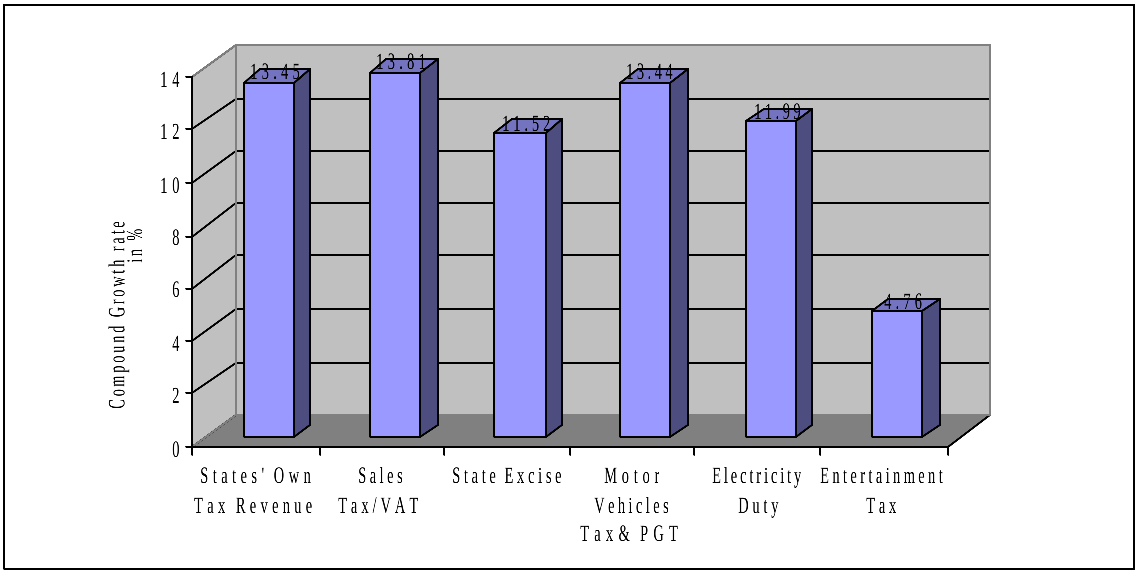

Exhibit 2.6: Buoyancy of State Taxes – Goods and Services (1991-92 to 2006-07)

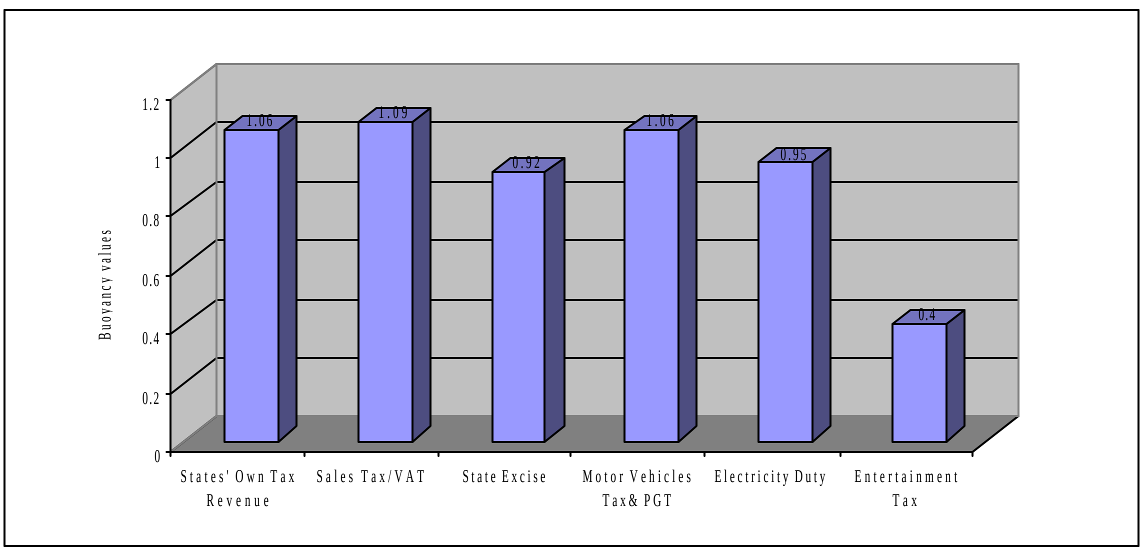

Table 2.1: Tax-GDP Ratio in India

(Figures in %)

Year	Tax-GDP Ratio	Direct Tax-GDP Ratio	Indirect Tax -GDP Ratio
1980-81	13.80	2.27	11.53
1981-82	14.32	2.45	11.87
1982-83	14.47	2.39	12.08
1983-84	14.36	2.24	12.13
1984-85	14.59	2.17	12.42
1985-86	15.56	2.25	13.32
1986-87	15.92	2.21	13.71
1987-88	16.08	2.11	13.97
1988-89	15.88	2.31	13.56
1989-90	15.98	2.30	13.68
1990-91	15.43	2.16	13.27
1991-92	15.80	2.55	13.25
1992-93	15.26	2.59	12.66
1993-94	14.19	2.53	11.67
1994-95	14.60	2.85	11.75
1995-96	14.75	3.01	11.74
1996-97	14.69	3.00	11.69
1997-98	14.49	3.32	11.17
1998-99	13.38	2.82	10.56
1999-00	14.07	3.12	10.95
2000-01	14.52	3.41	11.11
2001-02	13.80	3.21	10.59
2002-03	14.51	3.56	10.96
2003-04	15.03	3.98	11.06
2004-05	15.70	4.35	11.34
2005-06	16.41	4.68	11.73
2006-07(RE)	17.74	5.57	12.17

Source: Govt. of India (2007-08), *Indian Public Finance Statistics*, Ministry of Finance, New Delhi

Table 2.2: Tax Revenue: Union and States (Combined)

(Rs Crore)

Year	Union			States			Combined		
	Taxes on Income & Property#	Taxes on Commodities & Services#	Total Central Tax Rev.^	Taxes on Income & Property*	Taxes on Commodities & Services*	Total State Tax Rev.^	Taxes on Income & Property	Taxes on Commodities & Services	Total Central & State Tax Rev.
	1	2	3	4	5	6	7	8	9
1991-92	15,353 (22.8)	52,008 (77.2)	67,361 (65.3)	3,959 (11.1)	31,798 (88.9)	35,756 (34.7)	19,312 (18.7)	83,806 (81.3)	103,117 (100)
1992-93	18,140 (24.3)	56,496 (75.7)	74,636 (65.2)	4,228 (10.61)	35,640 (89.4)	39,868 (34.8)	22,368 (19.5)	92,136 (80.5)	114,504 (100)
1993-94	20,299 (26.8)	55,443 (73.2)	75,742 (62.0)	4,973 (10.7)	41,451 (89.3)	46,424 (38.0)	25,272 (20.7)	96,894 (79.3)	122,166 (100)
1994-95	26,966 (29.2)	65,328 (70.8)	92,294 (62.3)	7,005 (12.6)	48,729 (87.4)	55,735 (37.7)	33,971 (22.9)	114,057 (77.1)	148,029 (100)
1995-96	33,564 (30.2)	77,660 (69.8)	111,224 (63.5)	8,110 (12.7)	55,755 (87.3)	63,865 (36.5)	41,674 (23.8)	133,415 (76.2)	175,089 (100)
1996-97	38,891 (30.2)	89,871 (69.8)	128,762 (64.4)	8,430 (11.9)	62,672 (88.1)	71,102 (35.6)	47,321 (23.7)	152,543 (76.3)	199,864 (100)
1997-98	48,282 (34.7)	90,938 (65.3)	139,220 (63.2)	9,400 (11.6)	71,830 (88.4)	81,229 (36.8)	57,682 (26.2)	162,768 (73.8)	220,449 (100)
1998-99	46,601 (32.4)	97,196 (67.6)	143,797 (61.8)	9,950 (11.2)	79,045 (88.8)	88,995 (38.2)	56551 (24.3)	176241 (75.7)	232,792 (100)
1999-00	57,960 (33.7)	113,792 (66.3)	171,752 (62.61)	11,473 (11.2)	91,109 (88.8)	102,582 (37.4)	69,433 (25.3)	204,901 (74.7)	274,334 (100)
2000-01	68,306 (36.2)	120,297 (63.8)	188,603 (61.5)	13157 (11.2)	104,824 (88.8)	117,981 (38.5)	81,463 (26.6)	225,121 (73.4)	306,584 (100)
2001-02	69,197 (37.0)	117,863 (63.0)	187,060 (59.4)	16,042 (12.5)	112,054 (87.5)	128,097 (40.6)	85239 (27)	229917 (73)	315,157 (100)
2002-03	83,085 (38.4)	133,181 (61.6)	216,266 (60.3)	17,587 (12.4)	124,556 (87.6)	142,143 (39.7)	100,672 (28.1)	257,737 (71.9)	358,409 (100)
2003-04	105,090 (41.3)	149,258 (58.7)	254,348 (61.4)	20,477 (12.8)	139,443 (87.2)	159,921 (38.6)	125,567 (30.3)	288,701 (69.7)	414,269 (100)
2004-05	132,181 (43.3)	172,777 (56.7)	304,958 (61.7)	24,655 (13.0)	164,478 (87.0)	189,133 (38.3)	156,836 (31.7)	337,255 (68.3)	494,091 (100)
2005-06	157,557 (43.0)	208,594 (57.0)	366,151 (63.3)	30,230 (14.2)	182,077 (85.8)	212,307 (36.7)	187,787 (32.5)	390,671 (67.5)	578,458 (100)
2006-07	219,724 (46.4)	253,788 (53.6)	473,512 (65.2)	38,834 (15.4)	213,714 (84.6)	252,548 (34.8)	258,558 (35.6)	467,502 (64.4)	726,060 (100)

Notes:

1.Figures within parentheses in columns marked (#) are expressed as percent to total taxes collected by Union

2.Figures within parentheses in columns marked (*) are expressed as percent to total taxes collected by States

3 Figures within parentheses in columns marked (^) are expressed as percent to total taxes collected by Union & States (combined)

Source: Government of India, Budget Documents (various issues)

Table 2.3: Taxes on commodities and services: Union Government

(Rs Crore)

Years	UED	Customs Duty	Service Tax	Gross Tax Revenue
	1	2	3	4
1991-92	28,110 (41.7)	22,256.7 (33.0)		67361
1992-93	30,832 (41.3)	23,776.4 (31.9)		74,636
1993-94	31,697 (41.8)	22,192.7 (29.3)		75,742
1994-95	37,347 (40.5)	26,789.1 (29.0)	407 (0.4)	92,294
1995-96	40,187 (36.1)	35,756.8 (32.1)	862 (0.8)	111,224
1996-97	45,008 (35.0)	42,851 (33.3)	1,059 (0.8)	128,762
1997-98	47,962 (34.5)	40,192.8 (28.9)	1,586 (1.1)	139,220
1998-99	53,246 (37.0)	40,668.3 (28.3)	1,957 (1.4)	143,797
1999-00	61,902 (36.0)	48,419.6 (28.2)	2,128 (1.2)	171,752
2000-01	68,526 (36.3)	47,542 (25.2)	2,613.4 (1.4)	188,603
2001-02	72,555 (38.8)	40,268 (21.5)	3,302 (1.8)	187,060
2002-03	82,310 (38.1)	44,852 (20.7)	4,122 (1.9)	216,266
2003-04	90,774 (35.7)	48,629 (19.1)	7,891 (3.1)	254,348
2004-05	99,125 (32.5)	57,611 (18.9)	14,200 (4.7)	304,958
2005-06	111,226 (30.4)	65,067 (17.8)	23,055 (6.3)	366,151
2006-07	117,613 (24.8)	86,327 (18.2)	37,598 (7.9)	473,512

Source: Government of India, Budget Documents (various issues)

Notes: 1.Figures within parentheses are expressed as percent to gross tax revenue(Col.4) of the Central Government

2.UED: Union Excise Duty

Table 2.4: Taxes on Commodities and Services: State Governments

(Rs Crore)

Year	Sales Tax	State Excise	Motor Vehicles & Passengers & Goods Tax	Electricity Duty	Entertainment Tax	Total tax revenue on Commodities & Services
	1	2	3	4	5	6
1991-92	21,064 (66.2)	5,439 (17.1)	2,973 (9.30)	1,596 (5.0)	368 (1.2)	31,798
1992-93	23,349 (65.5)	6,265 (17.6)	3,473 (9.7)	1,748 (4.9)	470 (1.3)	35,640
1993-94	27,638 (66.7)	7,106 (17.1)	4,062 (9.8)	1,726 (4.2)	522 (1.3)	41,451
1994-95	33,154 (68.0)	7,747 (15.9)	4,565 (9.4)	2,242 (4.6)	447 (0.9)	48,729
1995-96	35,477 (63.6)	8,516 (15.3)	5,234 (9.4)	2,377 (4.3)	440 (0.8)	55,755
1996-97	43,927 (70.1)	8,805 (14.0)	5,780 (9.2)	2,718 (4.3)	606 (1.0)	62,672
1997-98	48,842 (68.0)	11,271 (15.7)	6,858 (9.5)	3,194 (4.4)	665 (0.9)	71,830
1998-99	53,116 (67.2)	13,387 (16.9)	7003 (8.9)	3773 (4.8)	660 (0.8)	79045
1999-00	62,301 (68.4)	15,032 (16.5)	8,252 (9.1)	3,667 (4.0)	828 (0.9)	91,109
2000-01	73,364 (70.0)	16,036 (15.3)	8,740 (8.3)	4,431 (4.2)	1,147 (1.1)	104,824
2001-02	76,885 (68.6)	17,110 (15.3)	11,316 (10.1)	4,692 (4.2)	799 (0.7)	112,054
2002-03	86,038 (69.1)	18,994 (15.2)	12,010 (9.6)	5,256 (4.2)	800 (0.6)	124556
2003-04	97,590 (70.0)	19,638 (14.1)	14,328 (10.3)	5,580 (4.0)	756 (0.5)	139,443
2004-05	116,754 (71.0)	21,940 (13.3)	16,017 (9.7)	7,255 (4.4)	862 (0.5)	164,478
2005-06	128,769 (70.7)	25,036 (13.8)	18,414 (10.1)	7,718 (4.2)	649 (0.4)	182,077
2006-07	153,573 (71.9)	29,316 (13.7)	20,047 (9.4)	8,161 (3.8)	705 (0.3)	213,714
Gr. Rate	13.81	11.52	13.44	11.99	4.76	13.18

Note: The figures within parentheses are expressed as percent to total taxes on commodities and services collected by State Governments (Col. 6)

Source: RBI Bulletin (various issues)

Table 2.5: Fiscal Significance of Sales Tax in States

(Rs Crore)

States	**1991-92**	**2001-02**	**2006-07**
Non-Special Category States			
Andhra Pradesh	1,674 (54.8)	7,741 (61.6)	15,467 (64.64)
Bihar$$	940 (71.8)	1,450 (59.4)	2,081 (51.6)
Chattisgarh @@		940 (47.2)	2,843 (56.3)
Goa	81 (71.7)	401 (70.5)	845 (65.4)
Gujarat	2,011 (69.5)	5,857 (63.3)	12,817 (69.4)
Haryana	620 (47.7)	2,945 (59.2)	6,853 (62.7)
Jharkhand @@		1,515 (73.0)	2,458 (78.6)
Karnataka	1,653 (57.0)	5,269 (53.5)	11,762 (50.5)
Kerala	1,122 (67.0)	4,441 (75.0)	8,563 (71.7)
MP$$	948 (44.8)	2,361 (50.2)	5,261 (50.2)
Maharashtra	3,809 (64.0)	12,131 (57.0)	24,131 (60.2)
Orissa	394 (58.5)	1,402 (56.8)	3,765 (62.1)
Punjab	753 (48.8)	2,684 (55.7)	4,829 (53.54)
Rajasthan	824 (53.2)	3,069 (54.1)	6,721 (57.9)
Tamil Nadu	2,442 (65.4)	8,386 (64.5)	17,727 (63.8)
Uttar Pradesh $$	1,898 (54.3)	6,163 (59.7)	13,279 (57.7)
WB	1,415 (57.8)	3,802 (58.4)	7,079 (60.5)
Special Category States			
Arunachal Pradesh	0.43 (10.5)	17 (50.0)	62 (79.5)
Assam	293 (57.2)	1,073 (68.5)	2,783 (79.9)
Himachal Pradesh	67 (34.7)	355 (38.8)	914 (55.2)
Jammu & Kashmir	62 (37.8)	400 (46.6)	1,211 (63.6)
Manipur	8 (57.1)	30 (57.7)	97 (79.5)
Meghalaya	18 (41.9)	81 (59.6)	216 (70.8)
Mizoram	0.34 (11.3)	10 (52.6)	54 (79.4)
Nagaland	13 (72.2)	30 (57.7)	85 (71.4)
Sikkim	3 (27.3)	35 (43.8)	75 (43.4)
Tripura	15 (51.7)	106 (66.7)	233 (68.1)
Uttaranchal@@		486 (54.3)	1,361 (54.1)

Note: Figures within parentheses are expressed as percent to the States' Own Tax Revenue

@@ Newly formed States (not existing in 1991-92); $$ Bifurcated States.

Source: RBI Bulletin, various issues.

Table 2.6: Growth Rate & Buoyancy of Central And States' taxes

	Gr. Rate	Buoyancy
	1991-92 to 2006-07	
Combined (Union and States)		
Total Tax Revenue	13.05	1.03
Taxes on Income and Property	17.35	1.35
Taxes on Commodities and Services	11.57	0.93
Union		
Total Tax Revenue	12.81	1.01
Taxes on Income and Property	17.79	1.38
Taxes on Commodities and Services	10.32	0.83
1.Union Excise Duty	10.40	0.83
2.Customs Duty	7.83	0.65
3.Service Tax	39.60	3.05*
States		
Total (States' Own)Tax Revenue	13.45	1.06
Taxes on Income and Property	15.31	1.20
Taxes on Commodities and Services	13.18	1.04
1.Sales Tax	13.81	1.09
2.State Excise	11.52	0.92
3.Motor Vehicles Tax & PGT	13.44	1.06
4.Electricity Duty	11.99	0.95
5.Entertainment Tax	4.76	0.40

Note: * Buoyancy for service tax has been calculated for the years 1994-95 to 2006-07

Source: The figures are based on calculations from Tables 2.1, 2.2, 2.3 and 2.4.

3

Central Taxes on Commodities and Services

The Indian Constitution empowers the Central Government to levy "Duties of Customs" to have a wedge between the domestic prices and the prices of the imported goods. This provides a level playing field for the domestic producers.

In addition to the tax on international trade, the Union Government has the authority to impose some important domestic trade taxes. These taxes include union excise duty and service tax etc. Whereas under the former category of tax, the Union Government has the authority to impose a broad spectrum of excise duties on production or manufacture, the States are also assigned the power to levy sales tax on consumption. Also, the States are empowered to levy tax on many other goods and services in the form of entry tax, octroi, entertainment tax, electricity duty, motor vehicles tax, passengers and goods tax etc.

Due to this dichotomy of authority to levy different domestic trade taxes under the Constitution, India has been rather slow in the adoption of VAT. This has also become an obstacle in introducing European-style VAT in India in spite of the fact that various tax reform committees have recommended that union excise duty, sales tax, and other domestic trade taxes be replaced by a comprehensive VAT that could tax all commodities and services.

This chapter enumerates all the taxes levied by the Union Government that have a bearing on the proposed GST. The taxes levied by the State Governments will be analysed in the following chapter.

Customs Duty

Customs Duty is levied by the Union Government under the authority bestowed upon it by the Indian Constitution[1]. Accordingly, the Union Government has been levying customs duty since Independence. The revenue from this levy forms part of the divisible

[1] As per entry 83 in the Union List, under the 7th Schedule of the Constitution, the Union Government is authorized to levy "Duties of Customs including export duties".

pool of taxes and is shared by the Union with the States[2]. With the increasing volume of imports and exports, and the low growth rate of Union Excise revenue, the importance of Customs duties has gone up considerably.

Structure of Customs Duty

The statutory rates of import duties, called tariff rates, are fixed by the Parliament. However, the Union Government has the power, under the law, to provide full or partial duty exemption. Such rates are called 'effective rates'. Over time, the Government has been making efforts to lower the number of statutory and effective rates of duties by the converging of rates and by removing the exemptions.

Import duty rates are either: (a) ad valorem, or (b) specific, and/or (c) ad valorem cum specific. Export duties are normally ad valorem and are levied only on a few items.

The structure of customs duties consists of various categories of import duties and export duties. The structure has undergone major changes as India has signed a number of Regional Trading Agreements with various countries. These Agreements were signed to promote trade liberalization. Duty concessions have been extended via these agreements with participating countries. In addition, the adoption of the policy of open economy has also had an impact upon the rate structure to bring it in conformity with the structure prevailing in other countries.

The Tax Base: The tax base for customs duty (import and export duties) is primarily the value (*cif* value) of goods imported or exported. The determination of these values differs for calculation of different types of duties. The rupee value also depends on the prevailing rate of foreign exchange on the relevant date, under section 14 of the Customs Act, 1962. The current system of levy and collection of Customs duties are governed by two main statutes, *viz.* the Customs Tariff Act, 1975 and the Customs Act, 1962. These enactments provide the rates at which the duties of Customs are levied. The First Schedule under the Customs Tariff Act gives import tariff, based on the Harmonized System of Nomenclature (HSN), which is in 8 digits. The commodities under this Schedule are divided into 99 Chapters (13 sections), which are further sub-divided into respective subheadings[3]. Whereas Section 8 provides the authority to levy or increase the rate of duty on export goods, Section 8A of the Act provides emergency power to the Government to increase the rate of import duty.

Variants of Import Duties

While the main customs duty is known as basic customs duty, there are many variations of this duty, which are levied along with the basic duty. Specific features of basic customs duty, as well as its variants, are presented below:

[2] This has become part of the divisible pool since 2000 on the recommendations of the Tenth Finance Commission.
[3] Each Chapter and Section contains Notes to help determine whether the goods are classifiable under the particular chapter or not.

***Basic duty of Customs**:* It is leviable under Section 12 of the Customs Act, 1962, at the rates mentioned in the First Schedule of the Customs Tariff Act, 1975, on goods imported into India (Annexure Tables A.3.1a and A.3.1b). There are preferential rates of duty for goods imported from certain preferential areas/ developing countries and other countries under bilateral/ multi lateral treaties. The duty is levied on assessable value computed in terms of section 14 of the Customs Act, 1962[4]. The rates of Basic Customs Duty may be the standard rate or the preferential rate.

***Standard and Preferential Rates**:* Duty at the 'Standard rate' is charged where there is no provision for preferential treatment. To be eligible for preferential treatment, the goods should be imported from any preferential area. The Union Government has the power to increase or reduce or discontinue the preferential rate in respect of any article specified in the First Schedule provided it considers it to be necessary in the public interest. Preferential rate is applied only when the owner of the article (importer) claims at the time of delivery of the imports (with supporting evidence) that the goods are chargeable with the preferential rate of duty.

Preferential rates of customs duty have been made applicable in respect of imports from certain countries such as Sri Lanka, Mauritius, Seychelles and Tonga provided certain conditions are satisfied. The goods in question must actually be manufactured or produced in such preferential areas. Rules have been framed in order to determine whether the goods have been manufactured or produced in such areas. Determination of origin of the goods is essential in order to avail of the benefits of these concessional rates of duty.

India views Regional Trade Agreements (RTAs) as 'building blocks' towards the overall objective of trade liberalization. Hence, it is participating in a number of RTAs which include Free Trade Agreements (FTAs); Preferential Trade Agreements (PTAs); and Comprehensive Economic Cooperation Agreements (CECAs) etc. These agreements are either bilateral[5] or with a regional grouping[6]. To ascertain the applicable rate of duty, one has to refer to the Customs Tariff rates of duties along with the exemption notifications, if any.

***Additional Duty of Customs**:* This duty is equal to Central Excise Duty. Under Section 3(1) of the Customs Tariff Act, 1975, the goods imported into India are subject to

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[4] The assessable value is worked out as Free on Board (FOB) + Freight + Insurance + Landing Charges (1% of CIF).

[5] The major RTAs that India has entered into are: South Asia Free Trade Area (SAFTA); Asia-Pacific Trade Agreement (APTA); Bangladesh-India-Myanmar-Sri Lanka and Thailand Technical and Economic Cooperation (BIMSTEC); Global System of Tariff Preferences (GSTP); and Tariff preferences for Mauritius, Seychelles, and Tonga.

[6] Other bilateral agreements of which India is a signatory are: India and Singapore Comprehensive Economic Cooperation Agreement; India-Sri Lanka Free Trade Agreement (ISFTA); India-Chile Preferential Trade Agreement; India-Afghanistan Preferential Trade Agreement; India-Bhutan Trade Agreement; India-Nepal Trade Treaty; Framework Agreement for establishing free trade between India and Thailand; Trade Agreement between India and Bangladesh; Tariff preference for Myanmar; Duty preference scheme for less developed countries; Free trade Agreement concluded with ASEAN. Notification remains to be issued.

levy of an additional duty equal to the excise duty leviable on like articles if produced or manufactured in India. It is popularly known as countervailing duty (CVD). It is levied to counter balance the excise duty leviable on such articles produced or manufactured in India. It includes (i) Excise duty leviable under the Central Excise Tariff Act, 1985; (ii) Additional duties of excise leviable under Additional Duties of Excise (Textile and Textile Articles) Act, 1975, and Additional duties or Excise (Goods of special importance) Act, 1957; and (iii) Excise duties and cesses leviable under miscellaneous Acts. Additional duty of customs is levied on the assessable value of the product plus basic customs duty.

Additional duty of Customs (not exceeding 4%; and for articles of jewellery, 1%) – also called Special CVD*:* is levied on all the goods imported into India under Section 3(5) of the Customs Tariff Act, 1975. It was levied in Budget 2005 to partially compensate for various domestic taxes like sales tax and value-added tax (VAT) and to provide a level playing field to indigenous goods which have to bear these taxes. It is levied on assessable value plus basic customs duty plus additional duty of customs leviable under section 3(1) of the Customs Tariff Act. Special additional duty (SAD) was extended to all imported goods in the 2006 Budget. Goods which are exempted from VAT, basic customs duty and countervailing duty (CVD), imported by export-oriented units (EOUs), kerosene for the public distribution system (PDS), liquefied petroleum gas (LPG) for domestic use and certain precious metals are exempt from this duty[7]. This duty is not to be included in the assessable value for levy of education cess on imported goods. The manufacturers are also allowed to take credit for this additional duty when they make the payment of excise duty on their finished products.

National Calamity Contingent Duty (NCCD)*:* This duty was levied under the Finance Act, 2003. The duty is levied at the rate of Rs. 50/ per M.T on imported crude oil and at the rate of 1% on polyester filament yarn. The latter duty was, however, removed in the 2008 budget but was imposed on mobile phones, two-wheelers, motor cars and multi-utility vehicles.

Education Cess*:* It is leviable at the rate of 2% of aggregate duties of Customs (including CVD but excluding safeguard duty and antidumping duty) w.e.f. 9th July, 2004. The goods- as mentioned in Customs notification 69/2004-Cus., dated 9-7-2004- are fully exempted from the levy of this cess.

Secondary and Higher Education Cess*:* It is leviable at the rate of 1% of aggregate duties of Customs (including CVD) w.e.f. 1st March, 2007. The goods- as mentioned in customs notification 69/2004-Cus., dated 9-7-2004- are fully exempted from the levy of this cess.

Anti-Dumping Duty**:** It is leviable under Section 9A of the Customs Tariff Act, 1975, on the import of specific goods from a specific country. This duty protects the domestic industry. It is levied when the goods are exported from any country to India at less than its 'normal' price. The investigations for the purpose of levy of anti- dumping duty are

[7] Customs notification numbers 19/2006 and 20/2006.

carried out by the Ministry of Commerce on the basis of the notifications issued by the Ministry of Finance. Normally, the amount of the anti-dumping duty imposed is specific; if it is levied on an ad valorem basis then it is calculated on the assessable value of the goods. Anti-dumping duty is leviable on about 132 items, viz. mostly chemicals, drugs of Chinese origin, CFL, torches, graphite electrodes, iron and steel items, silk fabrics etc.

Safeguard duty: It is levied under section 8B of the Custom Tariff Act, 1975, on imports which threaten to cause serious harm to the domestic industry. The investigations for the purpose of levy of safeguard duty are carried out by the Director General of Safeguards in Ministry of Finance (Central Board of Excise and Customs) and the applicable notifications are also issued by the Ministry of Finance (Central Board of Excise and Customs). Normally, the amount of Safeguard Duty imposed is specific; if it is levied on an *ad valorem* basis then it is calculated on the assessable value of the goods.

Export Duty and Export Cess

Export duty is levied on the export of specified goods out of India. It is mainly levied to discourage the export of any specific commodity or to mop up windfall export profit. The items on which export duty is leviable and the rates of export duty are provided in the second schedule to the Customs Tariff Act, 1975. Currently only ores and concentrates of iron and chromium attract this levy. It is levied on FOB value.

Export cess is leviable on specified articles on their export under various enactments passed by the Government. The cess is collected as duty of customs and handed over to the agencies in charge of the administration of the commodity concerned.

Changes in the Peak Rate of Basic Customs Duty

As a result of the tax reforms, efforts have been made to bring down the peak rate of import duty to be in line with the liberalization policy[8]. The peak rate was reduced from nearly 300% to 110% in 1992-1993, and then to 85% in 1993-1994. The following two years – 1994-1995 and 1995-1996 – saw the rate being lowered further to 65% and 50%. The 1994 Budget also saw a sea change in the scheme of customs exemptions with the removal of the 'end-use based' exemptions. In 1991, the peak duty was reduced to 150%. Since then, the peak rate (as well as the number of rates) has come down steadily (Table 3.1). The current peak rate of duty is 10% on non-agricultural items (except for natural rubber sheets, fish and cars). The average industrial tariff is about 9.4%[9]. Reduction in duty rates has been accompanied by reduction in dispersal of duty rates as evidenced by the average rate of 9.4% with a peak rate of 10%.

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[8] In this context, the Tax Reforms Committee (TRC)8 made threefold recommendation. First, the TRC suggested that the very high import duty rates should be brought down in a phased manner (in 1991, many items attracted more than 200% duty). Second, it proposed that the number of exe mptions should be reduced. Third, it emphasized the need to strengthen India's tax administration. It argued that in developing countries, tax policy is only as effective as its tax administration. The TRC highlighted, among other measures, the need to increase the use of information technology in strengthening tax administration.

[9] For ASEAN countries, the average is much lower. In Phillippines- it is 6.3%, in Malaysia - 8/4%, and Indonesia - 6.9%.

Cen VAT

Excise duty is levied on manufacture or production of goods. The power to levy and collect excise duty emanates from entry 84[10] of the Union List (Seventh Schedule) of the Constitution. The duties of excise levied and collected by the Central Government are called 'Central excise duties' or 'Union excise duties'. In fact, when the context is clear, they are simply referred to as 'excise duties'[11].

Excise as a levy, either in the shape of a tax or a toll, has been collected in India from ancient times. An excise duty on liquor and salt was levied to augment resources even during the *Mauryan* period. Products like sugar, cloth, leather and dairy products were subject to excise during the *Mughal* period. The British can be credited for the introduction of the modern excise system when in 1894 they imposed a duty at the rate of 5 percent *ad valorem* on cotton yarn with counts above twenty[12]. Thereafter, the tax net was widened gradually, taking note of the recommendations of various expert committees[13].

By 1974-75, union excise duty was levied on 124 groups of commodities. A major step was taken in the Budget for 1975-76, when a residuary entry relating to 'goods not elsewhere specified' was introduced in the Central Excise Tariff in the form of Item No. 68. The duty on this item was imposed at 1 per cent *ad valorem*.

Evolution of Rate Structure

The Indirect Taxes Enquiry Committee (Jha Committee) made a comprehensive study of the various facets of indirect tax structure. The Committee made extremely important recommendations to enlarge the tax base and reform the tax structure. Subsequently, the Report on the Task Force on Indirect Taxes (2002)[14] examined the structure of the excise system and made relevant recommendations on structure and

[10] 84. Duties of excise on tobacco and other goods manufactured or produced in India except (a) alcoholic liquors for human consumption; (b) opium, Indian hemp and other narcotic drugs and narcotics, but including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.

[11] States levy and collect duties of excise on alcoholic liquor for human consumption and on narcotic drugs etc. Entry 51 of State List states: "51. Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India: (a) alcoholic liquors for human consumption; (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.". See for details Chapter 4, *supra*.

[12] For a more detailed discussion see Report of the Indirect Taxation Enquiry Committee, 1978, Ministry of Finance, Department of Revenue.

[13] The most important Committees being the Government of India (1953-54): Report of the Taxation Enquiry Commission; (1978): Report of the Indirect Taxation Enquiry Committee, Ministry of Finance, New Delhi; (1990): Report of the Working Group for Review of the Modvat Scheme, Ministry of Finance, New Delhi; (1991-93): Tax Reforms Committee, Interim and Final Reports, Ministry of Finance, New Delhi; (2001): Report of the Advisory Group on Tax Policy and Tax Administration for the Tenth Plan, Planning Commission, New Delhi; (2002): Report of the Task Force on Indirect Taxes, Ministry of Finance, New Delhi; and (2004): Report of the Task Force on Implementation of the Fiscal Responsibility and Budget Management Act, 2003, Ministry of Finance, New Delhi.

[14] Kelkar Committee

procedures. A major breakthrough was attempted by the *Tax Reforms Committee (1991-93)*. It made the following important recommendations:

(a) Excise duty should be levied at two or three rates, i.e. at 10, 15, and 20 per cent. On non-essential consumption items, higher rate of excise duty may be charged at 30, 40 or 50 percent (this implies that the maximum rate on a commodity will not exceed 50 per cent, with a few exceptions like cigarettes).

(b) The Committee identified certain specific commodities on which exemption from excise duty ought to be removed. The Committee recommended that a duty of 10 percent be imposed on these items.

(c) The Committee recommended special dispensation for commodities that had been enjoying exemption for long. It recommended introduction of Simplified Assessment Procedure (SAP) for small scale units whose turnover did not exceed Rs. 30 lakh. A nominal duty of 2 per cent (beyond Rs. 15 lakh) was also recommended for such tiny units so as to initiate them into the tax net.

(d) The Committee recommended switching over to *ad valorem* rates of duties, except when it was not feasible for administrative reasons (like petroleum products, tobacco products, textiles, coffee, tea, marble etc).

Taking note of the recommendations of the Chelliah Committee, steps were taken gradually to rationalize the rate structure. Clearly it would not have been possible to compress the heterogeneous duty structure in one go given the fact that it might have a serious impact on the revenue collection. A gradual approach was, therefore, followed; each year witnessed the reduction in the number of rates. Thus, the reform in the excise duty structure, that began on a serious note in 1991-92, was continued year after year. This also included switching over from specific rates to *ad valorem* rates in several cases. As a result, the excise duty structure, as it stood in 1995-96, comprised 11 *ad valorem* rates, ranging from 0 to 50 per cent.

In the Budget for 1996-97, the Finance Minister spoke of a four-rated duty structure as the 'ideal' duty structure with the following composition:

--Zero rate (to apply to 'essential' or 'sensitive' items)

--A lower rate for goods of mass consumption

--A single normal rate on all other goods

--A higher rate for luxury items.

The four- rated structure was proposed to be put in place in three years' time. With this objective in view, the rates of excise duties were rationalized.

One startling feature of the 1996-97 Budget was the imposition of basic excise duty on processed textile fabrics[15] and the extension of the Modvat Credit Scheme to fabrics also. Excise duty was imposed at the rate of 5% *ad valorem* on processed cotton fabrics and at the rate of 10% *ad valorem* on other processed fabrics. Since the grey fabrics were not yet subjected to excise duty, the independent processors were allowed to take Modvat credit on imputed value[16]. Composite mills could take Modvat credit on an actual basis.

The process of rationalization of the rate structure resulted in the reduction of duty on several commodities, viz. tooth paste (from 20% to 10%); detergents (from 30% to 25%); cartons, boxes and bags made of paper and paperboard (from 20% to 10%); Glassware produced by semi-automatic process (from 20% to 10%); glassware used for table, kitchen etc.(from 15% to 10%); articles of asbestos cement (from 25% to 20%); and ceramic articles, other than glazed tiles(from 20% to 15%).

It is, however, to be noted that while the rate structure was rationalized in many cases to reduce the dispersal of rates, exemption from duty was also extended to a few other items[17]. The reform process was continued in the following years. Every year some rationalization of rates was attempted to bring down the rates to a three-rate structure. Finally, the Budget for 2000-2001 contained the historical announcement of the convergence of the three *ad valorem* rates of 8%, 16% and 24%. In the Budget for 2001-2002, while the Cenvat rate of 16% was maintained, another milestone was achieved when the three rates of special excise duties were compressed to a single rate of 16%. This was a historical achievement in reforming the excise duty structure[18]. An attempt was also made to tackle with the exemptions from duty. (crafted in the earlier Budget) to a single rate of 16%, described as the CENVAT (Central Value Added Tax). However, the special excise duty rates were increased from two to three rates, *viz*. 8%, 16% and 24%. A moderate excise duty of 4% (without Cenvat credit benefit)[19] was imposed on some of the hitherto exempted items in the hope that the rate would be increased by 4% point in each subsequent year. In the Budget for 2002-2003, the special excise duty of 16% was abolished on polyester filament yarn, air conditioners, tyres for replacement and some other items. The optional rate of 4% that was introduced last year was increased to 8%. At the same time, some more items were included in the 4% category.

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[15] Till now, fabrics were subjected to only additional excise duty in lieu of sales tax. Fabrics were exempt from duty under the Central Excise Act, 1944.

[16] The Modvat credit allowed was 50% of the duty payable on fabrics.

[17] The following items were exempt from excise duty: vanaspati and margarine; writing and printing paper supplied to all- State Text Book Corporations; animal fats and oils; asbestos fibre; metallic ores; and tapioca products.

[18] In his Budget Speech, the Finance Minster described the achievement thus:
"Mr. Speaker, Sir, in the matter of rates of duties of excise I have almost achieved the ultimate with only one basic rate of CENVAT and one rate of special excise duty. The procedures in excise have also been made modern. I can humbly claim that excise duty is now a model of value added tax up to the manufacturing stage."

[19] The rate of duty of 4% was optional. A manufacturer opting for this was not allowed benefit of Cenvat credit. A manufacturer desiring to take benefit of Cenvat credit has to pay duty at the normal rate of 16%.

Textiles had mostly remained out of the normal excise duty structure. In the Budget for 2001-2002, an option was given to the weavers to pay excise duty and take advantage of the Cenvat credit scheme. Similar option was extended to the knitting sector. However, as a deviation from the normal Cenvat rate of 16%, the rate of excise duty on fabrics, made-ups (home textiles) and garments was fixed at 12%.

The later Union Budgets gradually geared the rate structure to the rates of GST. In the Budget for 2003-2004, the mean rate of 16% Cenvat rate was still kept undisturbed. Excise duty on certain items was reduced to 8%. A rate of 10% was also created for certain items like garments and woven fabrics. The optional exemption on woven, crocheted or knitted fabrics was withdrawn. Major changes were made in the excise duty structure for the textile sector.

In the Budget for 2004-2005, the efforts made in the preceding years to move towards a Central VAT rate were recognized and the process was continued. It was said that "the most important goods in the manufacturing sector must therefore bear an excise duty of 16 per cent". Rates of duties on certain items were adjusted upwards or downwards, including raising duty on iron and steel to the new rate of 12%. However, the most important change made was with regard to textiles. The mandatory duty on power loom sector was withdrawn. Instead, an optional route was opened. This was a major departure from the immediate past. In the process, the mandatory Cenvat chain for textile sector was abolished. Also, there was to be no mandatory duty on pure cotton, wool and silk, irrespective of whether these were in the form of fibre, yarn, fabric or garment.

In the Budget for 2005-2006, the mean rate of 16% excise duty was retained along with the lower rate of 8% and a higher rate of 24%.

The same is true for the Budget for 2006-2007. However, in this Budget, exemption from excise duty was also withdrawn and duty imposed at 8% or 16%.

In the Budget for 2008-09, the standard rate of excise duty was reduced from 16% to 14%.

The standard rate of Cenvat got reduced to 10%, when a reduction in duty by 4 percent was announced by the Government on 7th December 2008 as part of the stimulus package to induce demand. When a further stimulus package was announced on 24th February 2009, the standard rate of Cenvat was reduced to 8 per cent *ad valorem*.

Variants of Union Excise Duties

Excise duty levied and collected under section 3 of the Central Excise Act, 1944, is the most predominant excise duty. It is called Central Value Added Tax (Cenvat)[20]. In addition to CenVAT, there are some variants of it that have been levied to fulfil different

[20] The name Cenvat was given in 2000. It is also popularly referred to as 'Basic excise duty'. See section 3 of the Central Excise Act, 1944.

objectives. However, some of the duties stand effectively ‘abolished’[21]. Given below are the types of excise duties levied and collected by the Union Government.

(1) Additional duty under the Additional Duties of Excise (Goods of Special Importance) Act, 1957:

The First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, specifies three categories of products on which additional excise duty (in lieu of sales tax) is leviable. These are: sugar; certain tobacco products; and certain textile articles. However, with effect from 1/3/2006, the duty has been abolished[22] and all goods specified under the schedule are now exempt by notification No.11/2006-CE, dated 1/3/2006. Though the statute, namely, the Additional Duties of Excise (Goods of Special Importance) Act, 1957, is not yet repealed, the additional duty stands merged in the Cenvat rates of duties.

(2) Additional duty on Tea and Tea Waste

Section 157 of the Finance Act, 2003 (32 of 2003) imposed additional duty at the rate of Re 1 per kg on tea and tea waste. This duty is for use by the Union (by surcharge) and not shareable with the States. However, tea and tea waste now stand exempted from this duty *vide* notification No. 7/2005-CE, dated 1.3.2005.

(3) Additional duty on Motor Spirit (Petrol)

The duty was imposed on petrol by Section 111 of the Finance (No.2) Act, 1998. The duty is for the purposes of the Union and is not distributed to the States. In 1998, the duty was imposed at the rate of Re 1 per litre. It was increased to Rs. 1.50 per litre by the Finance Act, 2003, and subsequently increased to Rs. 2 per litre by the Finance Act, 2005.

(4) Special Additional Excise Duty on Motor Spirit (petrol) and High Speed Diesel Oil

By Section 147 of the Finance Act, 2002 (20 of 2002), Special Additional Excise duty was imposed on motor spirit (petrol) and HSD at the rate of Rs.7 per litre on motor spirit and Re.1 per litre on HSD. The duty was imposed for the purposes of the Union, by surcharge. The effective rate of special additional duty on petrol is Rs. 6 per litre. However, 10% ethanol blended petrol is exempt from this special additional duty. HSD also now stands exempted from this duty.

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[21] One such duty is special duty of excise. This duty is leviable on certain goods specified in the Second Schedule to the Central Excise Tariff Act, 1985. The goods are: certain tobacco products, pan masala, aerated waters, soft drink concentrates, special boiling point spirits including petrol, tyres and tubes, certain man-made yarns, air-conditioners, certain categories of motor vehicles, motor cars, certain lorries and trucks, and certain types of chassis. However, all goods have been exempted from special duty of excise by notification No. 9/2006, dated 1.3.2006, and the special excise duty stands merged with the Cenvat rate for the concerned commodities. Effectively, therefore, special duty of excise is non-existent at present.

[22] Though the Act imposes the duty, for all practical purposes it is abolished in as much as there is complete exemption granted to all goods since 1.3.2006.

(5) Additional Duty on HSD

The duty was imposed by section 133 of the Finance Act, 1999 (27 of 1999). In 1999, the duty was imposed at the rate of Re 1 per litre. It was increased to Rs. 1.50 per litre by the Finance Act, 2003, and subsequently increased to Rs. 2 per litre by the Finance Act, 2005. The duty is for the purposes of the Union and is not distributed to the States.

(6) National Calamity Contingent Duty under Customs Duty (NCCD)

The duty was imposed for the purposes of the Union. The duty applies to certain specified products. It was imposed by the Finance Act, 2001. The duty imposed in 2001 was increased by the Finance Act, 2005. The Finance Act 2008 has added certain other products within the scope of this levy. At present, this duty is levied on pan masala, cigarettes, certain other tobacco products like cigarettes of tobacco substitutes, hookah or gudaku tobacco, smoking mixtures for pipes and tubes, *beedis*, zarda, snuff and some other tobacco products, crude petroleum, high tenacity yarn of polyesters, synthetic filament yarn of polyesters, telephones for cellular networks or other wireless networks, certain categories of motor vehicles and motor cars; three-wheeler vehicles, certain categories of transport vehicles, lorries and trucks, scooters, motor cycles, and mopeds.

(9)Additional duty of excise (Pan Masala and certain tobacco products)

The duty was imposed, by way of surcharge for the Union, by the Finance Act, 2005. It applies to pan masala, tobacco, cigars, cheroots and cigarillos, cigarettes, certain other tobacco products like smoking mixture for pipes and tubes, chewing tobacco, snuff, and cut tobacco

(7) Additional duties of excise on textiles and textile articles

The duty was imposed as Additional Duties of Excise (Textiles and Textile Articles) Act, 1978. At present all products are exempt from this levy by Notification No.31/2004, dated 9/7/2004.

(8) Education Cess

The Finance (No. 2) Act, 2004, imposed a cess called the Education Cess as surcharge for the purposes of the Union. This was levied to fulfil the commitment of the Central Government to provide finance to universalize the quality of basic education. The cess is applicable at the rate of 2% of the aggregate of all duties of excise (including special duty of excise or any other duty of excise, but excluding the Education cess, and the Secondary and Higher Education cess[23]) on all excisable goods.

(9) Secondary and Higher Education cess

The Finance Act, 2007, imposed a cess called the Secondary and Higher Education Cess. This is a surcharge for the purposes of the Union and is levied to fulfil the commitment of the Central Government to provide finance for secondary and higher

[23] The Secondary and Higher Education Cess was imposed by the Finance Act, 2007

education. The cess is applicable at the rate of 1% of the aggregate of all duties of excise (including special duty of excise or any other duty of excise, but excluding the Education Cess, and the Secondary and Higher Education Cess) on all excisable goods.

Cenvatable status of duties

The above duties when paid as input duty are Cenvatable, except for Additional duty on Motor Spirit (Petrol), Special Additional Excise Duty on Motor Spirit (petrol) and High Speed Diesel Oil, and Additional Duty on HSD.

Structure of Cenvat

The CenVAT rates are prescribed under the First Schedule of the Central Excise Tariff Act, 1985 (No.5 of 1986). These rates, popularly called the tariff rates[24], are prescribed for commodities classified under Chapters 1 to 96 of the First Schedule. The classification of goods under these chapters is broadly designed on the basis of the international harmonised system of classification of commodities (HSN).

A commodity can be levied excise duty only if it arises as a result of 'manufacture'[25]. Since the excise duty falls on the activity of 'manufacture', i.e. existence of 'manufacture' is a pre-requisite for levy and collection of excise, no CENVAT rate is prescribed under Chapter 1 which covers 'Live animals'. Similarly, no CENVAT rate is prescribed for 'Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage' falling under Chapter 5. Chapter 10 relating to cereals also does not prescribe any excise duty as they are not 'manufactured' goods. For certain other Chapters the CENVAT rate is prescribed as Nil as there is no intention to levy and collect excise duty on these commodities.

Principal rates of Cenvat

(a) Standard rate of 8%: For a majority of the commodities covered by the First Schedule of the Central Excise Tariff Act, 1985, the CENVAT is levied as the effective duty at the rate of 8%. This may be referred to as the 'standard' rate.

(b) Other rates: Some commodities are subjected to excise duty at a lower rate of 4% (Annexure Table A3.3) and a few commodities are subjected to excise duty at a rate higher than the standard rate of 8%.

Pan masala and pan masala containing tobacco (gutka) are not taxed according to the *ad valorem* rate[26]. With effect from 1st July 2008, these two commodities are

[24] Tariff rate may or may not be the 'effective' rate. If any goods are exempt from part or the whole duty, the reduced rate becomes the effective rate of duty.

[25] The Supreme Court has held that an article does not become liable to excise duty merely because of its specification in the Schedule to the Central Excise Tariff Act unless it is saleable and known to the market. See *Commissioner of Central Excise, Chandigarh vs Gurdaspur Distillery* reported in 2008 (224) ELT 337 (SC).

[26] Pan masala is one commodity that has been prone to substantial evasion of excise duty. The excise department has been struggling to contain the evasion. In 2008, a new section 3A was introduced in the

subjected to excise duty on the basis of the number of packing machines installed in the factory of production. The amount payable per machine is specified in notification No. 42/2008-CE (Appendix A.3.2). Thus, the amount of duty payable by a manufacturer depends upon the number of packing machines. The quantity of goods produced is immaterial for this purpose.

Salient Exemptions in Excise Duty Structure

The excise duty structure is replete with exemptions of different kinds. The important ones relate to small scale industries and to some specific areas, as described below.

Exemption for small scale units: The exemption is applicable for the manufacture of specified goods.[27] The exemption is applicable to units whose clearances of excisable goods for home consumption are below Rs. 4.5 crore in the preceding financial year. An eligible unit can avail of exemption from excise duty on clearances up to Rs. 1.5 crore in a financial year. Some notable features of the exemption scheme are:

- If a manufacturer has more than one factory, the limit of Rs. 1.5 crore applies to clearances from all his factories
- If a factory is run by more than one manufacturer, the limit of exemption applies to clearances by all such manufacturers and not separately.
- No Cenvat credit is allowed if the clearances remain within the exemption limit of Rs. 1.5 crore.
- The exemption does not apply to goods bearing the brand name or trade name of another person[28].

An SSI unit eligible for exemption is also allowed the option not to avail of the exemption and thus, has to pay duty at the normal rate.

Area-based exemptions: The scheme of area based exemptions was introduced for the first time in 1999[29] for notified areas of the North East. The scheme was made applicable to specified commodities produced in specified areas and was intended to encourage investment in the North East. However, the area based exemption scheme could no longer remain confined to North East. In due course of time, the Government extended the area based exemption scheme to Jammu and Kashmir, Uttarakhand,

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Central Excise Act, 1944, to enable the Government to charge excise duty on the basis of capacity of production in respect of notified goods. Under section 3A, the Government can levy excise duty on pan masala and pan masala containing tobacco (gutka) on the basis of capacity of production of the packing machines installed in the factory of production. For further details see Pan masala packing machines (Capacity determination and collection of duty) Rules, 2008.

[27] See Notification No. 8/2003CE, dated 1.3.2003.

[28] 'Brand name' or 'trade name' means a name or a mark, such as symbol, monogram, label, signature or invented word or writing which is used in relation to such specified goods for the purpose of indicating, or so as to indicate a connection in the course of trade between such specified goods and some person using such a name or mark with or without any indication of the identity of that person.

[29] See notification No. 32/99-CE and 33/99-CE.

Himachal Pradesh and Sikkim. The structure of exemption has differed and not remained uniform for all the concerned States. When the scheme was introduced in 1999, an eligible manufacturer was allowed refund of that much portion of the excise duty that was paid by him in cash (i.e. other than by utilizing the Cenvat credit). Later on, for tobacco products (for which the scheme was abandoned at one stage but introduced again) the manufacturers were required to utilize the amount of exemption in any of the States of North East for investment in plant and machinery in a manufacturing unit or for infrastructure or for civil work or for social project. The exemption was provided to specified goods manufactured by an eligible unit in the specified State and/or located in specified Industrial Growth Centre, Industrial Infrastructure Development Centre or Export Promotion Industrial Park or Industrial Estate.

A special feature: Full credit allowed despite exemption

As has been noted above, in certain cases the value addition is exempt from excise duty. However, through a special dispensation, in case such a product is used as an input by another manufacturer, he is allowed to avail of the full credit, that is, equivalent to the normal amount of duty payable on such inputs[30].

Other exemptions: In addition to the above, exemption has also been provided to certain specific goods. These exemptions may be unconditional or conditional. For example, an exemption may apply if the product is used for an intended purpose or it is an 'end use' exemption. The other exemptions can be grouped as job work related exemptions, exemption for 'captive use', exemption to cottage and village industry products, repairing, goods exhibited in exhibition and trade fairs, technical, education and research institutes, goods produced in government factories, mines, mints, defense production, prisons etc; solar and other natural energy, chullahs and nuclear fuel; export oriented exemption; goods meant for use in export goods/services; exemption for ship repair units; exemption for captive use of certain goods; and exemption for certain other specific uses or purposes

Service Tax

The taxation of services in India is a recent phenomenon. When the tax was introduced for the first time on the services in 1994, there was no specific entry for imposing tax on services in List I-'Union List' or List-III-'Concurrent List' of the Seventh Schedule of the Constitution of India. The Parliament's power to impose tax on services was considered to emanate from the residuary Entry, namely, Entry 97 of the Union List: "Any other matter not enumerated in List II or List III including any tax not mentioned in either of those Lists".

[30] This can be illustrated by the following example: Assume that a plastic material is produced by a factory in the notified area of Assam and the factory is eligible for exemption. Assume that the normal amount of excise duty payable on a consignment is Rs. 1 lakh. Assume that the manufacturer utilizes Rs. 60000 of Cenvat credit and pays Rs. 40000 in cash to discharge the duty liability. In this case, the manufacturer would get a refund of Rs. 40000. However, the user of plastic using this as input would get a Cenvat credit of the full amount of Rs. 1 lakh.

Subsequently, the Constitution was amended and Article 268A was inserted by the Constitution (Eighty-eighth Amendment) Act, 2003, to provide for levy of service tax by the Union. Article 268A enables the Parliament to make laws for collection and the appropriation of services by the States as well[31]. A specific entry for taxing services, Entry 92C, was also inserted in List-I[32].

The tax on services in India came to be introduced on the basis of the report of the National Institute of Public Finance and Policy (NIPFP) submitted to the Government in 1993. In principle, the report preferred to go for taxation of services comprehensively but for a few exceptions. However, for certain practical reasons the report did not consider it feasible to introduce the service tax on a comprehensive basis. The NIPFP, therefore, recommended that service tax may initially be imposed only on select services[133].

The Government introduced the taxation of services in 1994 by imposing tax at the rate of 5% on three specified services. These services are: Services relating to non-life insurance, Telephone services; and Services provided by stock brokers. At the time of introduction, the tax was levied at a modest rate of 5 per cent. Gradually it has been increased, the current rate being 10 per cent[34]. The imposition of Education Cess and Secondary and Higher Education Cess has made the net incidence of service tax equal to 10.3%.

Several Expert Groups and Committees contributed to the evolution of service tax in India. An expert group headed by Rao[35] recommended a 'general and comprehensive tax to cover all services with a small and clearly defined exemption list'. The Group identified services that could be put into the 'Negative list' and the services that deserve to be exempted from levy of service tax. The Group also favoured eventual integration of

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[31] 268A. Service tax levied by Union, and collected and appropriated by the Union and the States.- clause (1) states that taxes on services shall be levied by the Government of India and such a tax shall be collected and appropriated by the Government of India and the States in the manner provided in clause (2).

(2) The proceeds in any financial year of any such tax levied in accordance with the provisions of clause (1) shall be (a) collected by the Government of India and the States; (b) appropriated by the Government of India and the States, in accordance with such principles of collection and appropriation as may be formulated by Parliament by law.

32 The Entry reads as: "92C. Taxes on services"

[33] NIPFP recommended imposition of service tax on: (1) Construction and service contractors, (2) Stock, real estate, customs agents and brokers, (3) Lease/distribution of cinematograph films, (4) Milling, processing, manufacturing or repacking of products for others (i.e. 'job work'), (5) Services of professionals, including consultants, film actors, directors, etc., (6) Lease of property whether personal or real, (7) Warehousing, (8)Hotels, motels, rest houses, inns and resorts, (9) Restaurants, cafes and other eating places, including clubs and caterers, (10) Services of dealers in securities, (11) Transport operators,viz. taxi cabs, cars for rent or hire, tourist buses and other common carriers by land, air or sea, (12) Services of franchise grantees of telephone and telegraph, radio and television broadcasting, cable TV operators, (13) Computer services, (14) Services of banks, non-banking financial intermediaries and financial companies, (15) Non-life insurance companies, (16) Entertainment services (cinema, theatre, video parlours etc.), (17) Decorators, tent houses etc., (18) Repairs and maintenance services.

[34] The rate of service tax was reduced from 12 per cent to 10 per cent by notification No. 8/2009-ST, dated 24 February 2009.

35 Government of India (2001), Final Report of the Expert Group on Taxation of Services, Department of Revenue, Ministry of Finance, Government of India

Cenvat[36] with service tax, both goods and services being charged at a uniform revenue-neutral rate. It also felt that the entire transport sector, including railways, might be subjected to service tax, without any discrimination. An advisory group chaired by Shome, set up by the Planning Commission[37], recommended that the Central Government should allow the States to levy tax on all services other than financial services (including all insurance services), telecommunication, postal telecommunication, and transportation of goods and passengers by air, sea and rail. Gradually, the tax was expanded. At present, service tax is applicable to 110 specified services (Annexure A.3.6)[38].

Credit of input tax

From 1994 to 2002, there was no mechanism devised to allow the credit of tax paid on input services. A new scheme for permitting credit of the service tax paid on an input service used in an output service was introduced in August 2002[39]. However, the scheme was narrow in scope. It permitted credit for the tax paid on an input service only when the input service and output service fell in the same category, i.e. fell in the same sub-clause of clause (90) of section 65 of the Finance Act, 1994; this clause defined taxable services.[40]

In the following year, the credit rules were amended to remove the restriction of input service and output service falling in the same 'category' of services'[41]. However, a substantial liberalisation in the credit scheme was achieved only when the Cenvat credit scheme and service tax credit schemes were merged into one scheme in September 2004. Generally speaking, the Cenvat Credit Rules, 2004[42], provided for credit of the tax paid on input services used in providing output services or when used for the manufacture of excisable goods. Similarly, credit for the excise duty paid on inputs (goods) for providing output services or when used in the manufacture of excisable goods is allowed. The

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[36] Cenvat (Central Value Added Tax) means the duty of excise levied under section 3(1) (a) of the Central Excise Act, 1944. The name was given by the Finance Act, 2000.

37 Government of India: (2001) Tax Policy and Tax Administration for the Tenth Plan, Planning Commission, New Delhi.

[38] Four new services have been brought into tax net through the Union Budget 2009-10.

[39] Service Tax Credit Rules, 2002 *vide* Notification No. 14/2002-ST, dated 1.8.2002, effective from 16.8.2002.

[40] The following illustration clarifies this.

Illustration: (1) A photography studio in course of providing photography services avails the service of processing labs for developing and processing of exposed film and printing of photographs. In this case services provided, by the colour lab to the photography studio and by the photography studio to a customer, both fall in the same category of service i.e. photography service. Therefore, photography studio is entitled to take credit for service tax paid by the processing lab.

(2) An advertising agency may avail services of a photography studio and/or a sound recording studio and/or a video tape production agency during the course of rendering service to its client. Service provided by the photography studio or the sound recording studio or the video tape production agency, as the case may be, does not fall in the category of advertising agency service. Therefore, advertising agency is not entitled to take credit of service tax paid by a photography studio or a sound recording studio or a video tape production agency.

[41] *Vide* Notification No. 5/2003-ST, dated 14.4.2003.

[42] *Vide* Cenvat Credit Rules, 2004 [Notification No. 23/2004-CE (NT), dated 10.9.2004.

definition of input service[43] is wide enough and includes services used in relation to business such as accounting, financing, modernization of factories etc.

Import of services

In 2006, the Government imposed tax on the import of services. For this purpose, the taxable services are categorized into three categories. The import of a taxable service is determined by rules called the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006. The implementation of the tax on import of services has given rise to some disputes. The field officers as well as the tax payers lack clarity in the absence of simplified scheme of rules.

Export of Services

It is not intended to levy service tax on the export of services. The taxable services are categorized into 3 categories and the export of individual service is determined by Export of Service Rules, 2005. The implementation of these rules has also not been without difficulty. Disputes have arisen in individual cases with regard to whether the service can be said to have been exported out of India or not. The fulfilment of the condition 'used outside India' as a qualification for export have caused significant amount of confusion. Recently the Ministry of Finance has come out with a clarification in terms of Circular No 111/5/2009-ST (Annexure A.3.4).

Conclusion

The authority of the Union Government in the area of taxes on commodities and services encompasses the arena of taxes in international trade as well as those in domestic trade. While the taxes on international trade are independent of the taxes on domestic trade and demarcate between the domestic and international prices of the commodities being imported, one of its components, *viz.* additional duty of customs, known as countervailing duty (CVD), is collected along with the customs duty. Its revenue is also accounted for under the customs duty. The incidence of the CVD is equal to the excise duty leviable on like articles, if produced or manufactured in India. If the imported commodity is used further in the manufacturing process, the CVD paid at the time of import is, however, claimed as tax credit. Therefore, the revenue of CenVAT is reduced by the amount of input credit claimed for the CVD paid at the time of imports.

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[43] 'input service' means any service-

(i) used by a provider of taxable service for providing an output service; or

(ii) used by the manufacturer, whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products up to the place of removal, and includes services used in relation to setting up, modernization, renovation or repairs of a factory, premises of provider of output service or an office relating to such factory or premises, advertisement or sales promotion, market research, storage up to the place of removal, procurement of inputs, activities relating to business, such as accounting, auditing, financing, recruitment and quality control, coaching and training, computer networking, credit rating, share registry, and security, inward transportation of inputs or capital goods and outward transportation up to the place of removal;

In addition to the international trade tax levied as customs duty, the Union Government levied two important domestic trade taxes. These are union excise duty called CenVAT and service tax. Union excise duty is known as Central VAT (CenVAT). The structure of CenVAT has evolved over a long period. Since 1990-91, with the process of reforms, the CenVAT rates have been rationalized. In addition to this there are many additional taxes or surcharges or cess levied. These are Additional duty under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, Additional duty on a few specified commodities, National Calamity Contingent Duty (NCCD), Education Cess, and Secondary and Higher Education Cess etc.

Service tax is being levied by the Union Government since 1994. To begin with, only three services were brought under the tax net. Gradually the scope was enlarged and as of now, 110 services are under the tax regime of the Union Government. While initially there was no set off for the services used as input, over time the system of tax credit has been incorporated to make not only service tax vatable when services are used as input but also to make the overall central taxes on domestic trade a one tax regime due to the vatability between the CenVAT and service tax.

Table 3 1: Changes in Peak Rate of Customs Duty

Year	No. of major Basic Duty Rates (Advalorem)	Peak Basic Rate (Advalorem)	Basic Surcharge or Special Customs Duty (SCD)	SAD
1990-91	22	More than 300	-	-
1991-92	20	150	-	-
1992-93	16	110	-	-
1993-94	16	85	-	-
1994-95	12	65	-	-
1995-96	9	50	-	-
1996-97	8	50	2% SCD	-
1997-98	7	40	5% SCD	-
1998-99	7	40	5% SCD	4
1999-00	5	40	10% Surcharge	4
2000-01	4	35	10% Surcharge	4
2001-02	4	35	-	4
2002-03	4	30	-	4
2003-04	4	25	-	4
2004-05	4	20	-	-
2005-06	3	15	4	-
2006-07	3	12.5	4	-
2007-08	3	10	4	-

Table 3.2: Items attracting excise duty at 4%

1704 90	Sugar confectionery (excluding white chocolate and bubble gum)
1904 1010, 19041030, 19041090, 19043000, 19049000	Certain prepared foods obtained by the swelling or roasting of cereals or cereal products (It includes corn flakes, paws, mudi and the like, bulgur wheat)
1905 31 00 or 1905 90 20,19059010, 19053219	Biscuits, Wafer biscuits, Sweet Biscuits, Communion wafers, other than coated with chocolate or containing chocolate, pastries and cakes
21069011	Sharbat
21069020	Pan masala containing not more than 15% betel nut , scented supari, where the retail sale price is declared on the package and such retail sale price does not exceed Re. 1 per package
2106 90 99	Ready to eat packaged food
27111200, 27111300, 27111900	Liquefied petroleum gases
3003,3004	Certain medicaments, including ayurvedic, unani, homeopathic or bio-chemic, other than menthol crystals, certain medicaments like pencillins, ampicillin, etc
3005	Wadding, gauze, bandages and similar articles impregnated or coated with pharmaceutical substances
33	Henna powder, not mixed with any other ingredient
32149090	Ink for writing instruments including for markers and highlighters
35040091	Isolated soya protein
3907, 39239020	Polyester chips, ascetic bags
40070010,400821	Heat resistant latex rubber thread, heat-resistant rubber tension tape
4301 or 4302	Raw, tanned or dressed fur skins
4408,4410,4412,44	All goods (Sheets for veneering, for plywood , particle board, oriented strand board and similar board of wood, fibre board of wood, plywood, veneered panels and similar laminated wood, articles of wood, other than articles of densified wood and flush doors
44182010	Flush doors
48	Paper and paperboard or articles made therefrom manufactured, starting from the stage of pulp, in a factory, and such pulp contains not less than 75% by weight of pulp made from materials other than bamboo, hard woods, soft woods, reeds (other than sarkanda) or rags
5501, 5502, 5503, 5504, 5505, 5506 or 5507	All goods (sewing thread of man-made filaments, synthetic filament yarn, artificial filament yarn, man-made filament yarn, woven fabrics of synthetic filament yarn), all goods, other than nylon filament yarn of 210 deniers or in multiples thereof, with tolerance of 6 per cent
64	Footwear of retail sale price exceeding Rs. 250 and not exceeding Rs. 750 per pair
6601	Umbrellas and sun umbrellas
68	Goods in which not less than 25% by weight of fly ash or phospho-gypsum or both have been used
7117	Imitation jewellery
732111	LPG Gas stoves (with burners only, without other functions such as grills or oven)
7323 or 7615 19 10	Pressure cookers of steel or aluminium
842121	Water filtration or purification equipment
85,8523	MP3/MP4 or MPEG 4 Player, with or without radio or video perception facility, recorded video cassettes intended for television broadcasting and supplied in formats such as Umatic, Betacom or any similar format
85279911	Portable receivers for calling, alerting or paging
85393110,8539	Compact Fluorescent Lamps (CFL), vacuum and gas filled bulbs of retail sale price not exceeding Rs. 20/- per bulb
848690 or 9017	Parts of drawing and mathematical instruments, used in the manufacture of such drawing and mathematical instruments—on end use basis
9402, 3006	Medical, surgical, dental or veterinary furniture and parts thereof, certain pharmaceutical goods

	like blood grouping reagents, first-aid-boxes and kits
9603	All goods (Brooms, brushes, hand-operated mechanical floor sweepers, not motorized, mops and feather dusters, , etc
4820	Registers, account books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, blotting-pads, binders (loose-leaf or other), folders, file covers, manifold business forms, interleaved carbon sets and other articles of stationery, of paper or paperboard; albums for samples or for collections and book covers, of paper or paperboard
6814	Articles of mica
68 (except headings 6804, 6805, 6811, 6812, 6813)	Solid or hollow building blocks, including aerated or cellular light weight concrete blocks and slabs
8413	Power driven pumps primarily designed for handling water, namely, centrifugal pumps (horizontal or vertical), deep tube-well turbine pumps, submersible pumps, axial flow and mixed flow vertical pumps
9004, 9003, 70151010	Sunglasses for correcting vision and goggles, frames and mountings for spectacles, goggles or the like, of value below Rs. 500 per piece, rough ophthalmic blanks, for manufacture of optical lenses
9019, 9022, 9018	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus (other than parts and accessories thereof), all goods for medical, surgical, dental and veterinary use (other than parts and accessories thereof), instruments and appliances used in medical, surgical, dental or veterinary scinces, including scientigraphic apparatus, other electromedical apparatus and sight-testing instruments (other than parts and accessories thereof)
1507,1508,1509, 1511	Soya-bean oil, ground-nut oil, olive oil, palm oil and their fractions, whether or not refined, but not chemically modified,
1516, excluding 15161000	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared, Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 1516 ; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, not elsewhere specified or included
5004,5007	Silk yarn (other than yarn spun from silk waste) not put up for retail sale, woven fabrics of silk or of silk waste
5105,5108	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments), yarn of animal hair (carded or combed), not put up for retail sale
5106,5107	Yarn of carded wool, not out up for retail sale, yarn of combed wool, not out up for retail sale
5110, 5113	Yarn of coarse animal hair or of horse-hair (including gimped horse-hair yarn), whether or not put up for retail sale, woven fabrics of coarse animal hair or of horse-hair
5209,5210	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/m^2 and woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/m^2
5211	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m^2
5302,5305	True hemp (cannabis sativa l), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock), coconut, abaca (manila hemp or musa textilis nee),ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres(including yarn waste and garneted stock)
5306,5308	Flax yarn, Yarn of other vegetable textile fibres; paper yarn but excluding (coir yarn)
5309	Woven fabrics of flax, woven fabrics of other vegetable textile base fibres ; woven fabrics of paper yarn
54	Certain man-made filament yarn and fabrics
5508,5204	Cotton sewing thread, sewing thread of man-made staple fibres, whether or not put up for retail

	sale
5509,5510,5511	Yarn (other than sewing thread) of synthetic,artificial and man-made staple fibres, not put up for retail sale
5512, 5513, 5514	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres, woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding and not exceeding 170g/m^2,
5601 (excluding 560100 and 56012200)	Wadding and other articles of wadding—made of cotton , etc
5602,5603	Felt, non-wovens whether or not impregnated, coated, covered or laminated
5707 (excluding 56075010)	Twine (excluding nylon fish twine), cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics
57	Carpets and textile floor coverings
58,60,61	Special woven fabrics; tufted fabrics; Lace; Tapestries; Trimmings; Embroidery (with some exceptions), knitted or crocheted fabrics, articles of apparel, knitted or crocheted

Annexure A.3.1. Changing Tariff Rates of Customs Duty

Sl No.	Budget Head	2003-04	2004-05	2005-06	2006-07	2007-08
3	Animal or Vegetable Fats etc.	15,30,40, 40,75,100	30,45,75,100	15,30,45, 75,100	15,30,40, 45,75,100	15,30,40, 45,100
6	Ores, Slag and Ash	5	5	5,15	5,12.5	5,10
7	Petroleum oils etc	10,15,20,25	10,15,20	10,15,55	5,10,12.5, 15,55	5,10,55
8	Petroleum oils etc					
9	Petroleum oils etc					
10	Inorganic chemicals	5,15,30	5,15,20	5,15	10,12.5	5,10
11	Organic chemicals	15,25,30	15,20	10,15,20	12.5,15	10
17	Miscellaneous Chemical products	Free, 25,30,50	15,20,50	Free,10,15,2 0	Free,12.5,30	
18	Plastic & Articles Thereof	30	20	15	12.5	10,30,50
19	Rubber and Articles Thereof	3,25,30	20,70	3,15,20,70	3,12.5,25,70	3,10,25,70
20	Pulp paper, Paper Boards & Articles thereof	5,15,30	5,15,20	5,15	5,12.5	5,10
28	Primary materials of Iron & Steel	25,30,40	20,40	15,20	20	10
29	Iron & Non Alloy Steel	30	20,40	20,40	12.5	10
30	Stainless Steel	40	40	20	12.5	10
31	Other Alloy Steel, Hollow Drill Bars & Rods	40	40	20	12.5	10
32	Articles of Iron & Steel	30	20	15	12.5	10
33	Copper	25	20	15	12.5	5,10
35	Aluminum	15,30	15,20	10,15	12.5	5,10
40	Tools Implements and other Misc articles of base metal	30	20	15	12.5	10
41	Machinery Excluding Machine Tools and Their Parts etc	15,25,30	NIL, Free,10,20	Free, 15%	Free,12.5	10

42	Machine Tools, parts & accessories	Free,25	20	15	12.5	10
44	Electrical machinery	15,25,30	Free,5,10,15,20	Free,15	12.5	7.5,10
46	Motor Vehicles and Parts thereof	Free,30,105	20,105	15,100	Free,12.5,100	Free,10, 100
48	Optical, Photograpic, Cinematographic etc.	Free,15,25,30	Free,10,15,20	Free,10	12.5	Free,7.5,10
50	Project Imports	25,30,150	20,150	15,100	12.5,100	10,100

Annexure A.3.2. Changing Effective Rates of Customs Duties - 2003-04 to 2007-08

S. No.	Budget Head	2003-04	2004-05	2005-06	2006-07	2007-08
3	Animal or Vegetable Fats etc.	85%, 30%, 75%, 15%, 65%, 50%, 45%,	85%, 65%, 75%, 15%,50%, 75%, 45%,	20%, 65%,85%, 75%,15%, 50%, 45%,	12.5,20,65,85,75,	10,12.5,20,65,45,75,15, 50, 40
					15,80,50,75,45	
6	Ores, Slag and Ash	15%	15%	10%	7.5,	7.5,2
7	Petroleum oils etc	5%, 10%, 15%, 20%, 25%, Nil	5%, Nil, 10%	Nil, 5%, 10%	Nil, 5,10	Nil, 5, 7.5
8	Petroleum oils etc					
9	Petroleum oils etc					
10	Inorganic chemicals	Nil, 5%, 15%, 20%	Nil, 5%, 15%	Nil, 5%, 10%	Nil, 5,10	Nil, 5, 10, 7.5
11	Organic chemicals	Nil, 5%, 15%, 20%	Nil, 5%, 15%, 10%	Nil, 5%, 10%	10, Nil, 5, 2	7.5 20 Nil 5,10,2
17.	Miscellaneous Chemical products	Nil, 5%, 15%, 25%	5%, Nil, 15%,	5%, 15%, 20%, 10%	Nil, 5,12.5, 15.5,	7.5,20,Nil, 10,15
18.	Plastic & Articles Thereof	Nil, 5%, 15%	Nil, 5%, 15%	Nil, 5%, 10%	5, Nil, 7.5	Nil, 5, 10
19.	Rubber and Articles Thereof	3, 15%,	3%	3%	3%	3%
20.	Pulp paper, Paper Boards & Articles thereof	Nil, 5%	Nil, 5%	Nil, 5%	5, Nil,	Nil, 5%
28.	Primary materials of Iron & Steel	Nil, 5%, 15%, 25%	10%, 5%, 15%,	5%, 10%	5, 7.5	5%
29	Iron & Non Alloy Steel		“	“	“	“
30.	Stainless Steel	Nil, 5%	5%	5%, 10%,	5,	5%
31	Other Alloy Steel, Hollow Drill Bars & Rods					
32	Articles of Iron & Steel					
33	Copper		Nil, 10%, 15%	10%		7.5
35			15%	10%		7.5
40.	Tools Implements and other Misc articles of base metal	25% (ch. 83)	Nil,(Ch. 82)	Nil, Nil (Ch83)	Nil, 7.5	12.5
41.	Machinery Excluding Machine Tools and Their Parts etc	Nil, 5%, 10, 15, 20%,	Nil, 5%, 20% 45%, 10%	5%, Nil, 10%, 15%,	10, Nil, 5, 12.5	Nil, 5, 10
42.	Machine Tools, parts & accessories	25%?	20%?	Nil ?	7.5 Nil	12.5
44.	Electrical	Nil, 5%, 10%, 15%,	Nil, 10%, 5%,	Nil, 5, 10%	Nil, 5%, 10	Nil, 5

	machinery		15%,			
46.	Motor Vehicles and Parts thereof	20%, 25%, 60%	15%, 20%, 60	15%, 60%,	12.5, 60	2, 10, 60
48.	Optical, Photograpic, Cinematographic etc.	Nil, 5%, 15%, 20%, 25%	Nil, 5%, 15%, 10%,	5, 10%, Nil, 15%	Nil, 5%, 12.5, 10,	Nil, 5, 10,
50.	Project Imports	Nil, 5%, 25%,	Nil, 5%, 10%, 20%,	Nil, 5, 10	10, 5, Nil	Nil, 7.5, 5

Annexure A.3.3

CenVAT Rates According to Rate Categories

Items attracting excise duty at 4%

1704 90	Sugar confectionery (excluding white chocolate and bubble gum)
1904 1010, 19041030, 19041090, 19043000, 19049000	Certain prepared foods obtained by the swelling or roasting of cereals or cereal products (It includes corn flakes, paws, mudi and the like, bulgur wheat)
1905 31 00 or 1905 90 20	Biscuits
1905 32 19 or 1905 32 90	Wafer biscuits
1905 90 10	Pastries and cakes
21069011	Sharbat
2106 90 30	Scented supari, where the retail sale price is declared on the package and such retail sale price does not exceed Re. 1 per package.
21069020	Pan masala containing not more than 15% betel nut
2106 90 99	Ready to eat packaged food
27111200, 27111300, 27111900	Liquefied petroleum gases
29024300	p-Xylene
29173600	PTA
29173700	DMT
29261000	Acrylonitrile
30 or any Chapter	Nicotine polacrilex gum
3001	All goods
3003	Certain medicaments, including ayurvedic, unani, homeopathic or bio-chemic, other than menthol crystals
3004	Certain medicaments like pencillins, ampicillin, etc
3005	Wadding, gauze, bandages and similar articles impregnated or coated with pharmaceutical substances
3006 (except 300660 and 30069020)	Certain pharmaceutical goods like blood grouping reagents, first-aid-boxes and kits
33	Henna powder, not mixed with any other ingredient
32149090	Ink for writing instruments including for markers and highlighters
35040091	Isolated soya protein
3907	Polyester chips
39239020	Ascetic bags
40070010	Heat resistant latex rubber thread
400821	Heat resistant rubber tension tape
4301 or 4302	Raw, tanned or dressed fur skins
4408	All goods (Sheets for veneering, for plywood
4410 or 4411	All goods (Particle board, oriented strand board and similar board of wood, fibre board of wood)
4412	All goods (Plywood, veneered panels and similar laminated wood)
44182010	Flush doors
48	Paper and paperboard or articles made therefrom manufactured, starting from the stage of pulp, in a factory, and such pulp contains not less than 75% by weight of pulp made from materials other than bamboo, hard woods, soft woods, reeds (other than sarkanda) or rags

4802, 4804, 4805, 4807, 4808 or 4810	All goods (Uncoated paper and paper board, uncoated kraft paper, composite paper, corrugated paper/board, etc)

48119092	Aseptic packaging paper
5402, 5403 or 5406	All goods, other than nylon filament yarn of 210 deniers or in multiples thereof, with tolerance of 6 per cent
5501, 5502, 5503, 5504, 5505, 5506 or 5507	All goods (sewing thread of man-made filaments, synthetic filament yarn, artificial filament yarn, man-made filament yarn, woven fabrics of synthetic filament yarn)
64	Footwear of retail sale price exceeding Rs. 250 and not exceeding Rs. 750 per pair
6406 (except 64069930 and 64069940)	All goods
6601	Umbrellas and sun umbrellas
6603	Parts of walking sticks, seat sticks, whips, riding-crops and the like
68	Goods in which not less than 25% by weight of fly ash or phospho-gypsum or both have been used
69	Ceramic tiles, manufactured in a factory not using electricity for firing the kiln.
70151010	Rough ophthalmic blanks, for manufacture of optical lenses
7105	Dust and powder of synthetic precious or semi-precious stones
7117	Imitation jewellery
731021210 or 73102910	Open top sanitary (OTS) cans
732111	LPG Gas stoves (with burners only, without other functions such as grills or oven)
7323 or 7615 19 10	Pressure cookers of steel or aluminium
842121	Water filtration or purification equipment
84 or any other Chapter	Specified textile machinery or equipment
8443	High speed cold-set web offset rotary double width four plate wide printing machines with a minimum speed of 70,000 copies per hour
84 or 90	Electronic milk fat tester
85	MP3/MP4 or MPEG 4 Player, with or without radio or video perception facility
8523	Recorded video cassettes intended for television broadcasting and supplied in formats such as Umatic, Betacom or any similar format
85279911	Portable receivers for calling, alerting or paging
85393110	Compact Fluorescent Lamps (CFL)
8704	Refrigerated motor vehicles
8703	Cars (for the transport of up to 7 persons, including the driver) for physically handicapped persons
9003	Frames and mountings for spectacles, goggles or the like, of value below Rs. 500 per piece
848690 or 9017	Parts of drawing and mathematical instruments, used in the manufacture of such drawing and mathematical instruments—on end use basis
9402	Medical, surgical, dental or veterinary furniture and parts thereof
9603	All goods (Brooms, brushes, hand-operated mechanical floor sweepers, not motorized, mops and feather dusters, , etc
9607	Slide fasteners and parts thereof
44	Articles of wood, other than articles of densified wood and flush doors
4820	Registers, account books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, blotting-pads, binders (loose-leaf or other), folders, file covers, manifold business forms,interleaved carbon sets and other articles of stationery, of paper or paperboard; albums for samples or for collections and book covers, of paper or paperboard
4821	Paper or paperboard labels of all kinds, whether or not printed

4823 70 10	Paper pulp and moulded trays
6814	Articles of mica
68 (except headings 6804, 6805, 6811, 6812, 6813)	Solid or hollow building blocks, including aerated or cellular light weight concrete blocks and slabs
8413	Power driven pumps primarily designed for handling water, namely, centrifugal pumps (horizontal or vertical), deep tube-well turbine pumps, submersible pumps, axial flow and mixed flow vertical pumps
84831010	Crank shafts for sewing machines
8539	Vacuum and gas filled bulbs of retail sale price not exceeding Rs. 20/- per bulb
90 or any Chapter	Specified medical equipment (21 in number)
9004	Sunglasses for correcting vision and goggles
9018	Instruments and appliances used in medical, surgical, dental or veterinary scinces, including scientigraphic apparatus, other electromedical apparatus and sight-testing instruments (other than parts and accessories thereof)
9019	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus (other than parts and accessories thereof)
9022	All goods for medical, surgical, dental and veterinary use (other than parts and accessories thereof)
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified
1509	Olive oil and its fractions, whether or not refined, but not chemically modified
1510	Other oils and their fractions obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509
1511	Palm oil and its fractions, whether or not refined, but not chemically modified
1512	Sunflower seed, safflower or cotton seed oil and fractions thereof, whether or not refined, but not chemically modified
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified
1514	Rape, colza or mustard oil and their fractions, whether or not refined, but not chemically modified
1515	Other fixed vegetable fats and oils (including jojoba oil) oil and their fractions, whether or not refined, but not chemically modified
1516, excluding 15161000	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared
1517 , excluding 15171022	Margarine; edible mixture or preparations of animal or vegetable fats or oils or of fractions of different fats and oils of Chapter 15, other than edible fats or oils or their fractions of heading 1516 (other than lynoxyn)
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 1516 ; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, not elsewhere specified or included
19053100	Sweet biscuits
19053219	Communion wafers, other than coated with chocolate or containing chocolate
19059010	Pastries and cakes
19059020	Biscuits not elsewhere specified or included
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale
5005	Yarn spun from silk waste, not put up for retail sale

Annexure A.3.3 (Contd.…..)

5006	Silk yarn and yarn spun from silk waste put up for retail sale; silk-worm gut
5007	Woven fabrics of silk or of silk waste
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments)
5106	Yarn of carded wool, not out up for retail sale
5107	Yarn of combed wool, not out up for retail sale
5108	Yarn of animal hair (carded or combed), not put up for retail sale
5109	Yarn of wool or fine animal hair, put up for retail sale
5110	Yarn of coarse animal hair or of horse-hair (including gimped horse-hair yarn), whether or not put up for retail sale
5111	Woven fabrics of carded wool or of carded fine animal hair
5112	Woven fabrics of combed wool or of combed fine animal hair
5113	Woven fabrics of coarse animal hair or of horse-hair
5204	Cotton sewing thread, whether or not put up for retail sale
5205	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale
5206	cotton yarn (other than sewing thread),containing less than 85% by weight of cotton, not put up for retail sale
5207	Cotton yarn (other than sewing thread) put up for retail sale
5208	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/m^2
5209	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/m^2
5210	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/m^2
5211	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m^2
5212	Other woven fabrics of cotton
5302	True hemp (cannabis sativa l), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock)
5305	Coconut, abaca (manila hemp or musa textilis nee),ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garneted stock)
5306	Flax yarn
5308	Yarn of other vegetable textile fibres; paper yarn but excluding (coir yarn)
5309	Woven fabrics of flax
5310	Woven fabrics of jute or other textile base fibres of heading 5303
5311	Woven fabrics of other vegetable textile base fibres ; woven fabrics of paper yarn
54	Certain man-made filament yarn and fabrics
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale
5509	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale
5510	Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale
5511	Yarn (other than sewing thread) of man-made staple fibres, put up for retail sale
5512	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres
5513	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/m^2
5514	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170g/m^2
5515	Other woven fabrics of synthetic staple fibres
5516	Woven fabrics of artificial staple fibres

5601 (excluding 560100 and 56012200)	Wadding and other articles of wadding—made of cotton , etc
5602	Felt, whether or not impregnated, coated, covered or laminated
5603	Nonwovens, whether or not impregnated, coated, covered or laminated
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading 5404 or 5405, impregnated, coated, covered or sheathed with rubber or plastics
5605	Metallised yarn, whether or not gimped being textile yarn, or strip or the like of heading 5404 or 5405, combined with tariff item description of goods unit rate of duty
5606	Gimped yarn, and strip and the like of heading 5404 or 5405, gimped(other than those of heading 5605 and gimped horsehair yarn); chenille yarn(including flock chenille yarn); loop wale-yarn
5707 (excluding 56075010)	Twine (excluding nylon fish twine), cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics
5608 (excluding 56081110 and 56081900)	Knotted netting of twine, etc
5609	Articles of yarn, strip or the like of heading 5404 or 5405, twine, cordage, rope or cables, not elsewhere specified or included
57	Carpets and textile floor coverings
58	Special woven fabrics; tufted fabrics; Lace; Tapestries; Trimmings; Embroidery (with some exceptions)
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use (with some exceptions)
60	Knitted or crocheted fabrics
61	Articles of apparel and clothing accessories; knitted or crocheted
62	Articles of apparel and clothing accessories; not knitted or crocheted
63	Other made up textile articles

Annexure A.3.4. Select Notifications Changing Structure of Custom Duty-in Recent Years

Sl. No	Notification No	Brief Subject of Notification	Other Brief Details
1.	25/2002 Cus Dt. 1/3/02 as amended	Effective rates of duty for capital goods used by IT/ Electronic industry subject to actual conditions. The effective rate of basic duty 15%	The exemption is available only if the procedure in the customs (Import of Goods at concessional rate of duty for manufacture of Excisable Goods) Rules, 1996 is followed. The notification lays down the list and description of imported goods and description of finished goods.
2	138/91 Cus Dt. 22/10/91 as amended	Full exemption of duty (basic and additional) to specified goods imported for purpose of development of software for export.	The exemption is available for 13 different sets of goods. The exemption is available only on fulfillment of several conditions.
3.	140/91 Cus Dt. 22/10/91 as amended	Full exemption of duty (basic and additional) to specified goods imported for purpose of development of software for export.	The exemption is available for 13 different sets of goods. The exemption is available only on fulfillment of several conditions.
4.	95/93 Cus Dt. 2/3/93 as amended	Full exemption (basic and additional duty) to specified goods for manufacture etc., of electronics hardware and software in an integrated manner in the Electronic Hardware Technology Park Complex	Exemption available to 21 sets of goods on fulfillment of several conditions.
5.	96/93 Cus Dt. 2/3/93 as amended	Full exemption (basic and additional duty) to specified goods for manufacture etc., of electronics hardware and software in an integrated manner in the Electronic Hardware Technology Park Complex	Exemption available to 20 sets of goods on fulfillment of several conditions.
6.	21/08 Cus Dt. 1/3/02 as amended	Exemption and effective rates of basic and additional duty for specified goods of chapters 1 to 99 in customs tariff	The exemption is for sets of goods in 433 Sl. Nos. (Some nos. deleted). It has 91 "conditions" and 45 lists of goods annexed to the notification.
7.	27/03 Cus Dt. 1/3/03	Effective rates of duties for specified tariff items	The notification has a list of tariff items (many Sl. Nos. in the list have several tariff items.
8.	25/99 Cus Dt. 28/2/99 as amended	Concessional rate of duty on goods imported for the manufacture of excisabe goods. Effective rates-5% for goods in list 'A'; 15% for goods in List 'B'; 25% for List 'C'	Subject to the procedure in Col 4 of Sl No. 1 above. List 'A' has 168 Sl Nos; 'B' 4 Sl No.s & 'C" 4 Sl. Nos.
9	25/98 Cus Dt. 2/6/98 as amended	Full exemption of duty for listed goods in four chapters of the Tariff viz 70, 84, 85 or 90.	The notification has 68 Sl. Nos.
1.	25/99 Cus Dt. 28/2/99 as amended	Concessional rate of duty on goods imported for the manufacture of specified excisable goods. The rates are:- a) 'NIL' for goods in list 'A' b) 5% for goods in list 'B'	List 'A' has 224 Sl Nos. List 'B' 4.
2.	25/02 Dt. 1/3/02	Exemption to capital goods imported for use by	

		IT/ Electronics industry. Full exemption of basic custom duty. The procedure in Customs (Imported of goods at conecessional Rate of Duty etc). Rules 1996 to be followed.	
3.	27/04 Dt 23/1/04	Effective rate of duty for specified goods of 9 chapters. The applicable rates of basic customs duty are 15% and 10%. The exemption is available provided the goods are used in the manufacture of specified goods. The customs (Import of goods at concessional rate etc). Rules 1996 is to be followed.	The list of goods is 32 in number
4.	21/2002 Dt. 1/3/02 as amended	Exemption and effective rates of basic and additional duty for specified goods of chapters 1-98	The goods are listed in 462 Sl Nos. (Some nos. have been omitted). The notification has 47 lists in the Annexure to the notification.
5.	5/04 Dt. 8/1/04	Customs duty peak rate reduction to 20% on all goods (except agricultural commodities). The exemption is for both 'Standard' and preferential rates	The goods are listed in 378 Sl. Nos.
6.	25/98 Dt. 2/6/98 as amended	Effective rate of duty for goods of Chapters 70, 84, 85 or 90. Full exemption of basic customs duty	The goods are listed in 68 Sl. Nos.
1.	25/99 Dt. 28/2/99 as amended	Concessional rate of suty on goods imported for the manufacture of excisable goods. 'NIL' in the case of imported goods specified in List 'A' and 5% in the case of goods in List 'B'	List 'A' has 224 Sl. Nos. List 'B' 7
2.	25/2002 Dt. 1/3/02 as amended	Exemption to capital goods for use by IT/ Electronics industry. Full exemption of basic customs duty. The procedure set out in customs (Import of goods at concessional rate etc) Rules 1996 to be followed.	The goods are listed in 67 Sl. Nos.
3.	27/04 Dt. 23/1/04	Effective rate of basic customs duty for specified goods of 9 chapters for use in manufacture of specified goods. The procedure in the customs (Import of goods at concessional rate etc). Rules 1996 to be followed.	The effective rates of duty are 15% and 10%. The goods are listed in 32 Sl Nos.
4.	24/05 Dt. 1/3/05	Exemption to goods of specific headings from customs duty when imported for use in manufacture of goods (ITA Bound). Full exemption of basic custom duty	Goods listed in 5 Sl nos.
5.	21/02 Dt. 1/3/02 as amended	Exemption to effective rate of basic and additional duty for specified goods of Chapter 1-98	507 Sl Nos. 94 conditions and 49 lists (some are deleted) S. Nos. 463-507 are new entries.
6.	13/05 Dt. 1/3/05	Peak rates of duty reduced to 15% from 20% on goods (except agricultural commodities. Some goods are advalorem cum specific (which ever is higher)	362 Sl Nos.

7.	25/98 Dt. 2/6/98 as amended	Effective rate of duty for goods in chapters 70, 84, 85 or 90. Full exemption of basic duty	69 Sl Nos.
1.	25/99 Dt. 28/2/99 as amended	Concessional rate of duty on goods imported for the manufacture of excisable goods. Full exemption of basic duty for goods in List ‘A’ and 5% duty for goods in List ‘B’. Exemption available if the procedure in Customs (Import of goods at concessional rate etc). Rules 1996 is followed.	224 Sl Nos. for list ‘A’ and 7 for List ‘B’ (some omitted)
2.	25/02 Dt. 1/3/02 as amended	Full exemption of basic duty to capital goods imported for use by IT/ Electronics industry provided the above mentioned procedure is followed	67 Sl. Nos.
3.	27/04 Dt. 1/3/04 as amended	Effective rates for specified goods of 9 chapters for use in manufacture of specified goods. Effective basic duty rates are 5% and 10%	34 Sl. Nos. (3 omitted)
4.	24/05 Dt. 1/3/05 as amended	Full exemption of basic customs duty for goods of specific headings (ITA bound)	5 Sl. Nos.
5.	21/02 Dt. 1/3/02 as amended (last amendment Dt. 28/2/06	Exemption and effective rates of basic and additional duty for specified goods of chapters 1 to 98	540 Sl. Nos. (Some are deleted) 99 conditions lists 50 (Some are omitted)
6.	13/06 Dt. 1/3/06	Peak rate of 12.5% for non agricultural items. Some rates are advalorem cum specific, whichever is higher	362 Sl. Nos.
7.	25/98 Dt. 2/6/98 as amended	Effective rate of duty for goods of 4 chapters. Full exemption from basic customs duty	69 Sl Nos.
1.	25/99 Dt. 28/2/99 as amended	Concessional rate of duty on goods imported for the manufacture of excisable goods. The basic duty rate is ‘NIL’ for goods specified in list ‘A’; 5% for goods in list ‘B’. The exemption is available provided the ‘end use’ based procedure is followed	List ‘A’ has 224 Sl Nos; List ‘B’ 4
2.	25/02 Dt. 1/3/02	Exemption to capital goods imported for use by IT/ Electronics industry. Full exemption of basic duty of customs provided the ‘end use’ based procedure is followed.	67 Sl. Nos.
3.	24/05 Dt. 1/3/05	Exemption to goods of specific heading from customs duty (ITA bound). Full exemption of basic customs duty.	39 Sl. Nos
4.	21/02 Dt. 1/3/02 as amended	Exemption and effective rates of basic and additional duty for specified goods of chapters 1-98	570 Sl Nos. More than 105 conditions 50 Lists (some are deleted)
5.		Effective rates of duty for goods in 4 chapters. Full exemption of basic duty	69 Sl Nos.

Annexure A.3.5

Notification No. 42/2008-Central Excise

New Delhi, the 1st July, 2008

G.S.R. (E).- In exercise of the powers conferred by sub-section (3) of section 3A of the Central Excise Act, 1944, the Central Government hereby specifies on, -

(i) pan masala falling under tariff item 2106 90 20 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) except the pan masala containing not more than 15% betel nut; and
(ii) pan masala containing tobacco, commonly known as gutkha, falling under tariff item 2403 99 90 of the said Tariff Act (hereinafter referred to as specified goods),

manufactured with the aid of packing machine and packed in pouches having retail sale prices as specified in column (2) of Table-1 below, the rates of duty specified in the corresponding entry in column (3) or column(4) of the said Table, as the case may be:

Table-1

S. No.	Retail sale price (per pouch)	Rate of duty per packing machine per month (Rs. in lakh)	
		Pan masala	Pan masala containing tobacco
(1)	(2)	(3)	(4)
1.	Up to Rs. 1.00	9.25	12.50
2.	From Rs. 1.01 to Rs. 1.50	14	19
3.	From Rs. 1.51 to Rs. 2.00	18	24
4.	From Rs. 2.01 to Rs. 3.00	26	36
5.	From Rs. 3.01 to Rs. 4.00	34	47
6.	From Rs. 4.01 to Rs. 5.00	43	59
7.	From Rs. 5.01 to Rs. 6.00	51	70
8.	Above Rs.6.00	50 + 8.36 * (P - 6), where P represents retail sale price of the pouch	69 + 11.45 * (P - 6), where P represents retail sale price of the pouch

Illustration. - The rate of duty per packing machine per month for a gutkha pouch having retail sale price of Rs. 8.00 (i.e. 'P') shall be = Rs. 69 + 11.45*(8-6) lakhs

= Rs. 91.90 lakhs

Explanation 1. - For the purposes of this notification, "packing machine" includes all types of Form, Fill and Seal (FFS) machines and Profile Pouch Making Machine, by whatever names called, whether vertical or horizontal, with or without collar, single-track or multi-track, and any other type of packing machine used for packing of pouches of notified goods.

Explanation 2. - For the purposes of this notification, if there are multiple track or multiple line packing machine which besides packing the specified goods in pouches, perform additional processes involving moulding and giving a definite shape to such pouches with a view to distinguish the brand or to prevent the counterfeiting of the goods, etc., two such tracks or lines shall be deemed to be one individual packing machine for the purposes of calculation of the duty liability.

Provided that in case of multiple track or multiple line packing machine which are incapable of performing such additional processes, each such track or line shall be deemed to be one individual packing machine for the purposes of calculation of the duty liability.

Explanation 3. - For the purposes of this notification, "retail sale price" means the maximum price at which the specified goods in packaged form may be sold to the ultimate consumer and includes all taxes, local or otherwise, freight, transport charges, commission payable to dealers, and all charges towards advertisement, delivery, packing, forwarding and the like and the price is the sole consideration for the sale:

Provided that where on the package, more than one retail sale price is declared, the maximum of such retail sale prices shall be deemed to be the retail sale price:

Provided further that if the goods are cleared in wholesale packages containing a number of standard packages with retail sale price declared on them, then, such declared retail sale price shall be taken into consideration for determining the rate of duty under respective S. Nos. referred to in Table-1.

2. The number of packing machines, for the purpose of computation of the rate of excise duty specified in the opening paragraph shall be determined in terms of Pan Masala Packing Machines (Capacity Determination and Collection of Duty) Rules, 2008.

3. The duty levied and collected on such specified goods shall be the aggregate of the duty leviable under the Central Excise Act, 1944 (1 of 1944), the additional duty of excise leviable under section 85 of the Finance Act, 2005 (18 of 2005), the National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001 (14 of 2001), Education Cess leviable under section 91 of the Finance Act, 2004 (23 of 2004) and Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007 (22 of 2007) and shall be apportioned in the ratios specified in the Table-2 below.

Table-2

Sr. No.	Duty	Duty ratio for pan masala	Duty ratio for pan masala containing tobacco
(1)	(2)	(3)	(4)
1	The duty leviable under the Central Excise Act, 1944	0.3161	0.7355
2	The additional duty of excise leviable under section 85 of the Finance Act, 2005	0.1355	0.0883
3	National Calamity Contingent Duty leviable under section 136 of the Finance Act, 2001	0.5193	0.1471

4	Education Cess leviable under section 91 of the Finance Act, 2004	0.0194	0.0194
5	Secondary and Higher Education Cess leviable under section 136 of the Finance Act, 2007	0.0097	0.0097

Annexure A.3.6

List of Taxable Services

A	Business Services
	Professional Services
1	Architect
2	Chartered Accountant
3	Company Secretary
4	Consulting Engineer
5	Cost Accountant
6	Custom House Agents
7	Design Services
8	Fashion designing
9	Interior Decorator
10	Management or Business Consultant
11	Manpower Recruitment Agent
	Real Estate Services
12	Real Estate Agent
13	Renting of Immovable Property
	General Business Services
14	Advertising Agency
15	Auctioneers
16	Automated Teller Machines (ATMs) Operations, Maintenance or Management
17	Business Exhibition
18	Clearing and Forwarding Agent
19	Erection, Commissioning or Installation
20	Franchise
21	Intellectual Property
22	Mailing List compilation and Mailing
23	Management, Maintenance or Repair
24	Marketing Research Agency
25	Mining
26	Opinion Polls
27	Packaging Activity
28	Photography
29	Public Relations
30	Sale of Space or Time for Advertisement
31	Scientific or Technical Consultancy
32	Security Agency
33	Survey and Exploration of Mineral
34	Survey and Map-making
35	Technical Inspection and Certification
36	Technical Testing and Analysis
37	Supply of Tangible Goods for Use
	Other Business Services
38	Business Auxiliary Services
39	Cleaning Activity
40	Support Services of Business or Commerce

B	**Communication Services**
	Telecommunication services
41	Development and Supply of Content
42	Information Technology Software Service
43	Internet café
44	Online Information and Database Access or Retrieval
45	Internet Telecommunication Service
46	Telecommunication Services
	Courier Services
47	Courier Agency
	Audio-Visual Services
48	Broadcasting Agency or Organization
49	Cable Operator
50	Programme Producer
51	Sound Recording
52	Video Tape Production
C	**Construction and related Engineering Services**
53	Commercial or Industrial Construction
54	Construction of Residential Complex
55	Works Contract Execution
56	Site Preparation
D	**Educational Services**
57	Commercial Training or Coaching
E	**Financial Services**
58	General Insurance
59	Insurance Auxiliary Services (General Insurance Business)
60	Insurance Auxiliary Services (Life Insurance)
61	Life Insurance
F	**Banking and Other Financial Services**
62	Asset Management Service by Individuals
63	Banking and Other Financial Services
64	Clearing House Services
65	Commodity Exchanges
66	Credit Card, Debit Card, Charge Card or Other Payment Card
67	Credit Rating Agency
68	Foreign Exchange Brokers
69	Forward Contract
70	Investment Management Service Provided Under ULIP
71	Recovery Agent
72	Registrar to an Issue
73	Stock Exchanges
74	Share Transfer Agent
75	Stock Broker
76	Underwriter
G	**Health related Services**
77	Health Club and Fitness Centre

H	**Tourism and Travel related Services**
78	Air Travel Agent
79	Rail Travel Agent
80	Rent-a-Cab Scheme Operator
81	Tour Operator
82	Transport By Cruise Ship
83	Travel Agent
I	**Transport and Transport related Services**
84	Airport Services
85	Authorised Service Station
86	Containerised Rail Transport
87	Transport of Goods by Aircraft
88	Transport of Goods by Road
89	Transport of Passengers Embarking in India for International Journey by Air
90	Transport of Goods other than Water, through Pipeline or other Conduit
J	**Services Auxiliary to all modes of transport**
91	Cargo Handling
92	Storage and Warehousing
K	**Port related Services**
93	Dredging
94	Other Port (Minor Ports)
95	Port (Major Ports)
96	Ship Management
97	Steamer Agent
L	**Events and Personal Services**
98	Convention
99	Event Management
100	Mandap Keeper
101	Outdoor Caterer
102	Pandal or Shamiana Contractor
103	Sponsorship
104	Beauty Treatment
105	Club or Association
106	Dry Cleaning
107	Transport of goods by rail.
108	Transport of (i) coastal goods; and (ii) goods through inland water.
109	Legal consultancy
110	Cosmetic and plastic surgery service

Annexure A.3.7

<u>Circular No.111/05/2009-ST</u>

F.No.137/307/2007-CX.4 (Pt.)

Government of India

Ministry of Finance

Department of Revenue

(Central Board of Excise & Customs)

*****

New Delhi, dated the 24th February, 2009.

Subject: Applicability of the provisions of the Export of Services Rules, 2005 in <u>certain situations</u>

In terms of rule 3 (2) (a) of the Export of Services Rules 2005, a taxable service shall be treated as export of service if "*such service is provided from India and used outside India*" Instances have come to notice that certain activities, illustrations of which are given below, are denied the benefit of export of services and the refund of service tax under rule 5 of the Cenvat Credit Rules, 2004 [notification No. 5/2006-CE (NT) dated 14.03.2006] on the ground that these activities do not satisfy the condition 'used outside India',-

(i) Call centres engaged by foreign companies who attend to calls from customers or prospective customers from all around the world including from India;

(ii) Medical transcription where the case history of a patient as dictated by the doctor abroad is typed out in India and forwarded back to him;

(iii) Indian agents who undertake marketing in India of goods of a foreign seller. In this case, the agent undertakes all activities within India and receives commission for his services from foreign seller in convertible foreign exchange;

(iv) Foreign financial institution desiring transfer of remittances to India, engaging an Indian organisation to dispatch such remittances to the receiver in India. For this, the foreign financial institution pays commission to the Indian organisation in foreign exchange for the entire activity being undertaken in India.

The departmental officers seem to have taken a view in such cases that since the activities pertaining to provision of service are undertaken in India, it cannot be said that the use of the service has been outside India.

2. The matter has been examined. Sub-rule (1) of rule 3 of the Export of Services Rule, 2005 categorizes the services into three categories:

(i) Category (I) [Rule 3(1)(i)] : For services (such as Architect service, General Insurance service, Construction service, Site Preparation service) that have some nexus with immovable property, it is provided that the provision of such service would be 'export' if they are provided in relation to an immovable property situated outside India.

(ii) Category (II) [Rule 3(1)(ii)] : For services (such as Rent-a-Cab operator, Market Research Agency service, Survey and Exploration of Minerals service, Convention service, Security Agency service, Storage and Warehousing service) where the place of performance of service can be established, it is provided that provision of such services would be 'export' if they are performed (or even partly performed) outside India.

(iii) Category (III) [Rule 3(1)(iii)] : For the remaining services (that would not fall under category I or II), which would generally include knowledge or technique based services, which are not linked to an identifiable immovable property or whose location of performance cannot be readily identifiable (such as, Banking and Other Financial services, Business Auxiliary services and Telecom services), it has been specified that they would be 'export',-

(a) If they are provided in relation to business or commerce to a recipient located outside India; and

(b) If they are provided in relation to activities other than business or commerce to a recipient located outside India at the time when such services are provided.

3. It is an accepted legal principle that the law has to be read harmoniously so as to avoid contradictions within a legislation. Keeping this principle in view, the meaning of the term 'used outside India' has to be understood in the context of the characteristics of a particular category of service as mentioned in sub-rule (1) of rule 3. For example, under Architect service (a Category I service [Rule 3(1)(i)]), even if an Indian architect prepares a design sitting in India for a property located in U.K. and hands it over to the owner of such property having his business and residence in India, it would have to be presumed that service has been used outside India. Similarly, if an Indian event manager (a Category II service [Rule 3(1)(ii)]) arranges a seminar for an Indian company in U.K. the service has to be treated to have been used outside India because the place of performance is U.K. even though the benefit of such a seminar may flow back to the employees serving the company in India. For the services that fall under Category III [Rule 3(1)(iii)], the relevant factor is the location of the service receiver and not the place of performance. In this context, the phrase 'used outside India' is to be interpreted to mean that the benefit of the service should accrue outside India. Thus, for Category III

services [Rule 3(1)(iii)], it is possible that export of service may take place even when all the relevant activities take place in India so long as the **benefits of these services accrue outside India**. In all the illustrations mentioned in the opening paragraph, what is accruing outside India is the benefit in terms of promotion of business of a foreign company. Similar would be the treatment for other Category III [Rule 3(1)(iii)] services as well.

4. All pending cases may be disposed of accordingly. In case any difficulty is faced in implementing these instructions, the same may be brought to the notice of the undersigned. These instructions should be given wide publicity among trade and field officers.

5. Please acknowledge receipt.

6. Hindi version follows.

Yours faithfully,

(Gautam Bhattacharya)
Commissioner (Service Tax)
Tel: 23093027

4

State Taxes on Commodities and Services

As per the State List of the Constitution, as given in Appendix II of the Report, the important taxes that are assigned to the States include sales tax (now known as State-VAT), state excise, motor vehicles tax, passengers & goods tax, entertainment tax, electricity duty etc.

Sales Tax

Sales tax (State-VAT) is the most important tax on commodities levied by the States since the thirties. While most of the States levied sales tax at the first-point of sale, *i.e.* on the sale made by the manufacturer or the wholesaler[1], some of the States levied tax on the last registered dealer selling commodities to the consumer or to the unregistered dealer[2]. Of late, sales tax has been replaced by a system of value added tax (VAT) witnessing a paradigm shift in the States' tax system.

Structure of State VAT

VAT - a multi-point sales tax with set-off- is collected at each stage of the production and distribution process. It provides tax credit for all taxes paid on inputs (including capital goods) and therefore, does not have any cascading effect.

The standard rate of VAT is 12.5%. Essentials are taxed at a low rate of 4% or are exempt from the tax. In addition, there are two special rates of 1% on silver and bullion, and 20% or more on petroleum products (Table 4.1).

Goods exempted from VAT, as given in Table 4.1, fall under 46 categories comprising natural and unprocessed products, goods which are legally barred from taxation and goods which have social implications. While the list is common for all the States, each State has the authority to identify and add a maximum of ten goods to the list of exempted items. These goods must be of local social importance for the

1 Purohit, Mahesh C. (2001), Sales Tax and Value Added Tax in India, Gayatri Publications, Delhi.
2 The last-point tax is akin to a retail sales tax in the literature on public finance. In the Indian context, the sale is taxable only when made by the last registered dealer to a consumer. For details of exclusions in different countries, see Due, John F. (1984), "The Exclusion of Small Firms from Sales and Related Taxes", Public Finance, vol. 39, No.2, pp. 202-212. Also, see Due, John F "VAT Treatment of Farmers and Small Firms in Malcolm Gill's (1990), Value Added Tax in Developing Countries, World Bank, Washington, D.C., pp. 58-69.

individual State and should not have any inter-State implication, *e.g. kumkum* or bell metal (*kansa)* in Maharashtra or *Gamocha* in Assam.

In addition to exempted items, VAT has three rate-categories. First category consists of those special items that are taxable at the rate of 1%. These include gold, silver, gold and silver ornaments, precious stones (including semi-precious stones) and real, artificial or cultured pearls.

Another category is that of basic necessities, *viz.* medicines and drugs, declared goods, agricultural products and food items. This category is taxed at the rate of 4% (Table 4.1). It has a very long list of 270 items which includes chemicals, inputs and capital goods.

All the goods that are not enumerated in either of the above two lists are taxed at the rate of 12.5%.

There is also a category of goods taxable at the rate of 20% but the commodities listed in this schedule are not covered by VAT. This category covers items like motor spirit (petrol, diesel and aviation turbine fuel), liquor etc. (Table 4.1).

While there exists a general uniformity among all the States, variations do exist amongst some of the States. Zone-wise variations in the levy of tax on the above categories have been shown in Tables 4.2 through 4.5.

Industrial incentives

Most of the States have granted industrial incentives under the sales tax regime. These have affected the revenue of the States by over 25%; the incentives conform to the tenets of "beggar thy neighbour policy". It was, therefore, resolved in the Empowered Committee, as recommended by the *First Report of the Finance Ministers on Introduction of VAT*, that no new incentives would be granted under sales tax. However, as a sound social policy, the States have promised to continue the incentives granted earlier (under the sales tax regime) with deferment for the un-expired period of exemption.

Introduction of VAT in India has been accompanied by the abolition of all other taxes such as turnover tax, surcharge, additional surcharge and special additional tax. However, many of the States also levy a purchase tax (e.g. Punjab, Tamil Nadu, Gujarat, Bihar and Madhya Pradesh). The purchase tax is leviable (i) on goods taxable under VAT but purchased from un-registered dealers (ii) goods purchased from any other person on which no taxes are payable by that registered dealer on the sale price of such goods and sent on consignment, (iii) on those taxable goods that are used in the production or packing of tax-free goods or (iv) on goods consumed or used in the manufacture of other goods for sale.

In Punjab, there is a specific provision for levying purchase tax on five commodities, *viz.*. paddy, wheat, cotton, sugarcane and milk (when purchased for use in the manufacture of any goods other than tax-free goods). The tax shall be leviable on the first purchase of these goods from within the State. In the case of milk, however, first purchase shall be when the purchase is made by a manufacturer of taxable goods. The purchase tax paid by the dealer shall not be admissible as input tax credit, unless the goods are sold in the State or used for the manufacturer of taxable goods in the State for sale or sold in the course of inter-State trade or in the course of export.

Luxury tax or Hotel tax is levied on luxuries provided in hotels (accommodation and other services) and lodging houses in the State.

Taxation of Inter-State Trade

While State-VAT is a State subject, taxation of inter-State sales is included under the Union List. It is taxed under the provisions of Central Sales Tax Act, 1956, enacted by the Union Government under the powers drawn from the Union List of the Constitution. However, the Union Government has assigned this tax to the States, *i.e.* the States have been authorised to levy and collect the tax and retain its yield.

Presently CST is levied on the basis of 'origin' and collected by the exporting State; this is inconsistent with the principles of VAT. Such a system was initially introduced to regulate inter-State trade. To ensure an equal tax treatment for commodities entering into inter-State trade and on those locally produced, the CST prescribes two different rates of tax: 4% on inter-State sales to registered dealers and 10% on sales to unregistered dealers; the rates are different as the registered dealer pays State Sales Tax (SST) on his sales while no SST is charged on the sales of the unregistered dealer.

In spite of the low rate of CST on registered dealers, the levy of CST on the basis of 'origin' goes against the principle of a unified market. It is in conflict with the principle of inter-jurisdictional equity. CST levied on inputs cascades and results in higher prices. The producing States use this measure to 'export' their tax to the consumers in other States. Such a tax also encourages consumers to buy locally produced goods at the expense of the interests of the national economy.

Resolving the long-drawn controversy, the Union and States have agreed to phase out CST over the next 4 years from 1st April 2007. Accordingly, CST is being reduced by 1 percentage point every year. It is already at the level of 2%. It will be brought down to zero percent by 1st April 2010.

State Excise

The state excise duty (SED) is another important source of revenue besides state-VAT. It is levied by the States on "alcoholic liquors for human consumption and opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol"[3]. A major part of the revenue under this tax comes from production and consumption of spirituous beverages, of which alcohol is the most important component.

The tax is levied on the production or regulation of liquor. The objective of levy of this tax (in addition to revenue) is to control and regulate illegal manufacturing and trading, which has grave repercussions on the quality of liquor. The State Governments, therefore, issue permits or license for manufacturing, trading & consumption. To prevent leakages, a few States have even taken over the wholesale

[3] Under the provisions of Article 268 of the Constitution, the Government of India levies SED on medicinal and toilet preparations but the States collect and retain the revenue of this tax.

distribution of liquor and undertaken auctioning of vending rights to ensure that only that liquor is consumed which is routed through the institutional network. The States that have gone in for prohibition earn negligible revenue from this tax, as is the case with Gujarat. For States not having prohibition, the yield has shown an increase over time.

Excise duty is collected in two components, *viz.* excise duty and license fee. While the former is levied on the basis of manufacture or consumption of alcoholic drinks, license fee is determined through auction-cum-tender.

A fixed fee system is followed for the licenses for retail sale of Country Liquor and Spiced Country liquor in the States of UP, Maharashtra, Orissa and MP. In Bihar and Tripura, the retail vending of Country Liquor is settled through auction and tender. On the other hand, in Rajasthan, license for country liquor is granted through auction-cum-lottery, *viz.* inviting applications and then having a draw of lots whenever there was more than one application for a liquor shop. Licenses for Indian Made Foreign Liquor (IMFL) and Beer are granted using the same procedure as that for Country liquor in Rajasthan.

Fixed fee is paid for wholesale license of IMFL in the States of Rajasthan, Bihar, Orissa, Andhra Pradesh and Tamil Nadu. Retail sale of IMFL is granted through fixed license fee system in the States of UP, Maharashtra, Orissa and MP. On the other hand, the license for retail sale of IMFL follows auction-cum-tender method in the States of Bihar and Tripura (Table 4.9). In Gujarat, there is a ban on manufacturing and pricing of IMFL.

In Haryana, the quota of country liquor as well as IMFL is fixed by the Government every year. The total quota of country liquor is equitably distributed amongst the distilleries and the supply is made on regular basis to the licensees accordingly. In Himachal Pradesh, the license fee is fixed for foreign liquor and Beer. In Sikkim, the excise duty of the manufacturing units in alcohol is collected at the exit point of the units.

The method of fixing the rate of excise duty varies from State to State. The excise duty is charged progressively based on increase in price range for IMFL in the States of Kerala, Karnataka, Andhra Pradesh, Rajasthan and Arunachal Pradesh. The excise duty is charged on IMFL according to the ex-distillery price in UP and Madhya Pradesh. The excise duty for Country Liquor is charged according to proof strength in the States of UP and Himachal Pradesh. The excise duty on beer is charged according to proof strength in States of Bihar, UP, Himachal Pradesh and Orissa (Table 4.9).

In the States of Maharashtra and Rajasthan, the excise duty is levied on the MRP of Beer as an *ad-valorem* duty. In the case of Country Liquor and IMFL, the State of Maharashtra levies state excise at a certain percentage of the manufacturing cost or at a specific rate, whichever is higher, while for other States the rates are specific in nature.

The Rate Structure of State Excise Duty

In Maharashtra, the state excise duty on beer is levied according to the strength of the beer, at 100 percent of the manufacturing cost or Rs. 15 per bulk litre in case of mild beer, and at 125 percent of the manufacturing cost or at a specific rate of Rs. 20 per bulk litre, whichever is higher. In Orissa, the rate is Rs. 10-21 per bulk litre (BL) of fermented beer. In Himachal Pradesh, the rate of state excise duty on Beer is Rs.4.67 per bottle of 650ml or Rs. 6.20 per bulk litre. The rate is quite high in UP, at Rs. 25.38-46.15 per bulk litre depending upon the strength of the beer. In Karnataka, the rate of additional exc ise duty on Beer varies from Rs. 125 to Rs. 140 and above according to the DP range. Bihar levies this duty at Rs. 6, Rs. 8 and Rs.18 per BL (which varies according to the percentage of alcohol), while MP has the highest rate of Rs.25 per BL (Table 4.7).

In Kerala, while civilians are charged higher rates of excise, the maximum is Rs. 100 on IMFL, for the army there is a concessional rate of excise on IMFL of Rs. 21 per proof litre. This rate is applicable solely for IMFL supplied through the Canteen Stores Department (CSD) to the Army personnel No duty is imposed on IMFL to Naval personnel on board the ships. Likewise, in Manipur, a low rate excise duty is levied on IMFL procured by the armed forces and para-military forces i.e. Rs. 50 per London Proof Litre. Otherwise, Manipur has been under prohibition, and manufacturing and distribution of liquor is not allowed in the State. In UP, the rate on IMFL is Rs.130-Rs.496 per bottle of 750 ml. In Bihar, the rates of duty on IMFL prevalent before the adoption of the New Excise Policy, 2007, were Rs. 100, Rs. 120 and Rs.130. These rates have since been merged into the basic license fee of foreign liquor at the average rate of Rs.120 per LPL. Under the New Excise Policy, 2007, a part of the duty on Beer prevale nt before adoption of the New Policy has been merged into basic license fee at the rate of Rs.10 per BL. In Karnataka, the sales tax was merged with the Excise Duty from 2001 and this was renamed as Additional Excise Duty (AED). In Karnataka, there is a Basic Excise Duty as well as Additional Excise Duty on all IMFL products. The rate of basic state excise duty on IMFL is Rs.45/BL whereas the rate of AED on IMFL varies from Rs.60 to Rs.450 for the DP range of Rs.275 to Rs.7526 and above. In MP, the state excise on foreign liquor ranges from Rs.160 to Rs.400 (Table 4.7).

Country liquor was taxed at Rs. 2 per BL in Karnataka but its sale was abolished by the Government from 2007 onwards; in Bihar, it is integrated with the license fee, *i.e.* the duty rate of excise on country liquor is Rs. 70 and basic license fee is Rs. 70. A comparison of state excise duty rates suggests that the rate varies from Rs. 5 per proof litre to Rs. 125 per proof litre[4] in MP. In Haryana, it is taxed at Rs.5 per proof litre, whereas in Himachal Pradesh the rate on Country liquor is Rs. 7 per proof litre. In Rajasthan, the rate of state excise on country liquor is Rs.116.67 per London Proof Litre[5]. In UP, the SED on country liquor is Rs.59-Rs.85 per bulk litre.

In the case of wine, the rate of state excise is quite low in Haryana and this varies according to the strength at Rs. 3 to Rs. 4 per bulk litre. Similar rates prevail in Kerala where the duty on wine is Rs. 3-12 per proof litre. In UP, the excise duty on a

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[4] Country Liquor: It is a plain spirit which has been made in India from materials recognized as bases for country spirit, namely mahua, rice, gur or molasses. It includes spiced country liquor.

[5] LPL (London Proof Litre) has the same meaning as proof litre. It is the percentage of proof alcohol in alcoholic liquor.

LPL=Bulk × (proof strength/100)

bottle of 750 ml of wine is levied either at a specific rate of Rs. 66.66 or at an *ad-valorem* rate of 25 percent of MRP of the bottle, whichever is higher. Karnataka levies the Additional Excise Duty ranging from Rs.10/BL to Rs. 70 according to the DP range on bottled wine and Rs.3.85/BL to Rs. 8.85 according to the DP range on bulk wine. Madhya Pradesh levies a whopping Rs.250/PL. It is followed by Gujarat, where the state excise duty on wine is Rs. 100 per proof litre, In Orissa, the state excise duty on wine is Rs. 35-140 per London Proof Litre.

In the case of Indian Made Foreign liquor (IMFL[6]), Karnataka levies a basic excise duty of Rs.45 while the additional excise duty varies according to the DP range; Bihar and Madhya Pradesh levy duty on the wholesale price according to brand of the liquor. In Haryana, the rate of state excise duty on IMFL is Rs. 25 per proof litre, whereas in Kerala the rate of state excise duty ranges progressively from Rs. 34.50 to Rs.100 according to the different price ranges. In Orissa, the rate of state excise duty on IMFL varies from Rs. 140 to Rs. 200 per London Proof Litre. In Tamil Nadu, the rate of state excise duty on IMFL varies from Rs. 30 to Rs.113.24 per proof litre. There are concessional rates of state excise duty for Rum supplied through CSD (Canteen Stores Department) to the Army. In Maharashtra, the rate of state excise duty on rum for Army is 40 percent of the manufacturing cost or Rs. 20 per bulk litre, whichever is higher; in Uttaranchal, the rate of state excise duty is Rs. 43 per AL.[7]. In Orissa, the rate is Rs. 50 per London Proof Litre. In UP, the rate is Rs. 53.33 per bulk litre (Table 4.7)

The license fee for possession of liquor for star hotels shows variations across the States. The fees are Rs. 3 to 6 lakhs in Bihar, whereas in Orissa it varies from Rs.2 to 3 lakhs. The license fee for possession of liquor in hotels varies according to the location of hotels. For the hotels in the six major cities of Orissa, it is Rs. 2.50 lakh. For other areas, it is Rs. 2 lakh for hotels without lodging in Urban Areas and Rs. 2 lakh for hotels with lodging. In Bihar, license fees for hotels in Corporation Area of Patna and Muzzafarpur is Rs. 5 lakh whereas in the other areas it is Rs. 4 lakh. In Himachal Pradesh, the license fees vary from Rs. 35,000 to Rs. 60,000. Likewise, there are huge variations in the rate structure.

The structure of state excise as presented above indicates that the present system is heavily biased towards license fee. The excise duty has been reduced to an insignificant tax. Both the base and the rate of tax have to be evaluated to make state excise important. Only then can this duty play its usual role of a buoyant tax and have an important place in the fiscal structure of the States. The structure of state excise of different States indicates that the present system needs to be revamped

Motor Vehicles and Passengers & Goods Tax

Motor vehicles tax is levied on acquisition of vehicles and includes a one-off payment under the Indian Motor Vehicles Act, 1939. The main objectives of this Act

[6] IMFL: India Made Foreign Liquor includes whiskey, brandy, gin, rum, or vodka made in India.
[7] AL: It is the percentage of pure alcohol in alcoholic liquor. It may be calculated as follows:
AL= Bulk × ((v/v)/100) --- v/v = 1

are to control and regulate the vehicular traffic in the country[8]. The levies charged under this Act are for: (i) registering motor vehicles (ii) obtaining driving licenses (iii) transfer of ownership of motor vehicles (iv) trade certificates issued to manufacturers, dealers and for repairs of vehicles (v) permit for transport vehicles and (vi) certificate of fitness for transport. The levies include fees for registration, permit and driving license. The fees are raised and restructured from time to time. The States also levy tax on mechanically propelled vehicles. Although it is a Central tax, its yield is assigned to the State.

The States, under their respective Motor Vehicles Taxation Acts, also levy this tax. The tax rates, as shown in Table 4.10, vary from one State to another according to type of vehicle (such as private motor car, taxi, stage carriage etc.) or laden/unladen weight or cost of vehicle. Generally, private carriers are taxed at a higher rate as compared to public carriers.

The existing structure shows wide variations in tax rate. In fact, it is difficult to make comparisons of rates levied on different types of vehicles in different States. First, there are different schemes of classification of vehicles. Second, there is no uniformity in the bases of the various levies. Third, the tax is sometimes specific and some times *ad valorem*. Finally, in some States there is a one-off levy and in others, there is an *ad valorem* levy payable every year.

Lack of uniformity exists even in the case of scooters (two wheelers). Some States levy on the basis of engine capacity defined in terms of c.c., while in others it is on the basis of unladen weight (ULW). Some States like Andhra Pradesh and Maharashtra levy tax on an *ad valorem* basis.

The rate of tax on personal cars is levied on the basis of ULW and also on the basis of number of seats. Bihar and Punjab levy the tax on the basis of the number of seats while Andhra Pradesh, Gujarat, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Orissa, Tamil Nadu, and West Bengal follow the basis of ULW.

In the case of passenger transport vehicles, like stage or contract carriage, the seating capacity and route length on which the carriage plies form the tax base. The period of payment also varies; some States charge the tax quarterly while others charge annually. The tax on goods transport vehicles is primarily based on weight, *i.e.* registered laden weight (RLW) or unladen weight (ULW).

Apart from using it as a source of revenue, motor vehicles tax is used as an instrument for regulating and controlling vehicular emissions. This is done to protect the environment. Similarly, passengers & goods tax is used as a tool for regulating the flow of goods and the movement of people from one State to another.

Passengers & goods tax is levied on passengers and goods carried by road or by inland waterways. Both these taxes are similar in nature. In fact, these are treated as user charges or charge for construction and maintenance of roads. These taxes fall on the same base and are paid ultimately by the same group of persons. Some of the

8 The tax was initially introduced through the Indian Motor Vehicles Act, 1914. Over time, with the growth in the vehicular traffic and the expansion of the system of road transport, various amendments were introduced. Finally, a new law called the Indian Motor Vehicle Act, 1939, was introduced.

States levy both the motor vehicles tax, and the passengers & goods tax, while others have merged the two and levy a single tax[9]. Some of the States levy an additional surcharge on this tax. The rates of this tax, as given in Table 4.10, indicate considerable variations. They vary according to the nature and use of vehicles. Accordingly, vehicles are subjected to differential rates of tax. This is partly justified by the 'benefit principle', *i.e.* the users of the vehicles should bear the costs of the construction and maintenance of roads.

As per the definition of this tax in the Acts, it is levied on the use of motor vehicles. The tax is known as road tax and regarded as the price charged by the States for the services provided by them. Even in practice, a major proportion of this tax is earmarked by the States for the construction and maintenance of roads in the concerned[10] States.

The overall burden of the two taxes in different States shows that the incidence is in the range of Rs. 24, 000 to Rs. 26,000 per vehicle per annum. Many of the States, however, levy a substantially lower tax. Also, the combined tax incidence, captured on the basis of compounded levy, indicates a burden in the range of Rs. 4,000 to Rs. 6,000. In some of the States, the burden is relatively low (ranging from Rs. 2,000 to Rs. 2,400).

Electricity Duty

Electricity duty is one of the taxes specifically allotted to States. The power to tax the sale and consumption of electricity appears in Entry 53 of List II (the State list) under the Seventh Schedule of the Constitution. Bombay was the first State to levy an electricity duty in 1932 in the form of a tax on the sale or consumption of electricity[11]. The other States followed suit in due course.

Rate structure

Electricity duty is levied on the sale or consumption of energy specified either per unit or as a percentage of tariffs. The rate bases of levy and exemptions differ widely from State to State. While in some States, *viz.* Andhra Pradesh, Himachal Pradesh, Rajasthan, Orissa, UP, Karnataka, Gujarat and Bihar the duty is not included in the basic electricity tariff rate and is charged over and above this rate, in the electricity tariff rate in Manipur, the cost of the tax is inbuilt into the electricity tariff .

In Andhra Pradesh there are two rates of duty, one is for captive consumption at 25 paise per unit, and the other is 6 paise per unit. In Chhattisgarh, Himachal Pradesh and Orissa the rate varies according to the type of use *e.g.* domestic consumption, mines, commercial or industrial use. However, in Kerala there is a different duty structure for consumers who generate energy for self consumption. In

9 Rajasthan, for example, levies a combined tax called 'special road tax'.

10 Since local bodies also incur expenses on construction and maintenance of roads, these bodies are also authorized to charge some fees on the vehicles. On the recommendations of the Committee on Road Transportation Taxation (popularly known as the Keskar Committee), the local bodies were denied the right to levy this tax. Instead, they were paid compensation out of the revenue raised from the motor vehicles tax. Basically, the tax on vehicles is largely on the users of roads in urban areas and the revenue is contributed by the urban users of the roads.

11 Government of India,1953-54, *Report of the Taxation Enquiry Commission*, New Delhi.

Rajasthan, while the rate of duty is the same for domestic, commercial, industrial and mining use, a lower rate of duty is charged for agricultural use. In Gujarat and Karnataka, the rate structure is *ad valorem*. While in Karnataka it is 5% on the electricity charges payable, in Gujarat it varies according to the type of use. In Gujarat, however, the rate structure is *ad valorem* only for consumption other than self generation (purchase of power) and it is specific for self generation. For both domestic consumers and educational institutions in rural areas, the rate is 10% of the tariff and for the urban areas it is 20%. In Meghalaya, while the domestic consumers are charged at 5 paisa per unit, the industrial users are charged at two varying rates, according to the units used. The rate is 1 paisa per unit for first 15000 unit and 1.5 paisa for the next 25000 units. Also in some States, there is a different rate structure for metered and unmetered connections. In UP, for example, for unmetered connections the duty is 20% of the rate charged and for metered connections the duty varies according to the use of energy. A detailed chart of rate structure for different States is provided in Table 4. 11.

Exemptions

Exemptions from electricity duty are linked to constitutional provisions. Article 287 specifically exempts electricity sold for consumption to the Central Government from tax; it also prohibits taxation of electricity used for construction, maintenance or operation of railways[12].

In UP, energy consumed by cultivator in agricultural operations such as pumping of water for irrigation, crushing, milling etc. is exempted. Special Economic Zones are also exempted for ten years. Similarly, in Tamil Nadu, the sale of electricity for agricultural purposes and SEZs are exempted from levy of this duty.

Entertainment Tax

The Entertainment tax is a levy on admission to places of amusement or entertainment. Under entry 62 of List II in the Seventh Schedule of the Constitution; States are empowered to levy taxes on entertainment. Such taxes are levied on the price charged for admission to any place of entertainment such as a circus, cinema, theatre, exhibition, variety show etc.[13] Earlier, this tax used to be an important source of revenue for the States, but has lost its importance in recent times due to proliferation of means of home-based entertainment, which has also made it difficult to revise tax rates upwards[14]. Primarily the practice was to tax only such entertainments as were held within municipal limits; but with the growing extension of cinema as a form of entertainment, the tax itself came to be extended over the entire State.

There is the provision of passing the tax revenue to local bodies in some States. For example, in Tamil Nadu, 90% of collection from this tax is passed on to

[12] Government of Karnataka. 2001. *Final Report of the Tax Reforms Commission,* Finance Department, Government of Karnataka.
[13] Sury., M.M 1997. *The Indian Tax System*, Indian Tax Institute, Delhi, India.
[14] Srivastava., D.K. 2005, *Issues in Indian Public Finance*, New Century Publications, New Delhi,

local bodies. A different situation exists in UP, where the cinema show tax is being levied by the Nagar Nigam and Nagar Palika Parishad.

Rate Structure

Generally the entertainment tax is levied on the price charged for admission to any place of entertainment which includes cinemas, theatrical performances, exhibitions, drama/music performances, games and sports, Cable TV, cinematographic or video shows etc. Besides the above mentioned activities, a tax on horse races, betting, performances and pageants, and an entertainment duty on dance bar is also levied in some States. While entertainment duty on dance bar is levied in Maharashtra, duty on performance and pageants is levied in Karnataka.

While in some States the tax is levied with a progressive rate structure with different rates for different slabs, in the States of Rajasthan, Tamil Nadu and Haryana it is levied on a proportional basis. For instance, in Rajasthan the rate of tax is 30% of the payments for admission to entertainment in cinema halls and 10% of the monthly subscription charges per subscriber in the case of DTH service provider. Similarly, in Haryana the entertainment duty is levied at 30% of admission fee on cinema and 25% on other entertainments. In Andhra Pradesh, the rate of tax on cinema varies according to the location (municipal corporation area, different grades of municipalities and Gram Panchayats) and the type of theatres (air-conditioned or not, and permanent/touring/temporary) where as in Chattisgarh and Bihar the tax rate depends on the population size. In Uttarakhand, the tax on cinematograph exhibition varies according to the location and the size of population; in Orissa it varies according to the location only. In Maharashtra also, the rate varies according to different Zones. Although, the usual practice is to charge the tax on the tickets sold, in a few States like Andhra Pradesh, Uttarakhand and Himachal Pradesh, the tax is collected on the basis of a specified percentage of the gross collections or on the basis of occupancy ratio.

In addition to the tax on cinema, show tax at a specific rate ranging from Rs. 2 to Rs.12 is levied in Andhra Pradesh depending on the location. However, in Karnataka, the show tax differs on the basis of language of the films. In Bihar, there is a provision to pay tax at Rs.100 for every show. In Meghalaya, the show tax is 10% per show and in Tripura, the tax is collected at 20% of the face value of the ticket.

Also, in some States, tax on horse racing and betting is levied. In Andhra Pradesh, the rate of tax on horse race is 35% of total payment, while in Karnataka it is 70% on the rate of admission. In Tamil Nadu, tax on horse race is levied according to the price of ticket.

In addition, some of the States levy additional duties or surcharges on the basic entertainment duty. Goa, for example, levies a surcharge of 10% on the entertainment provided by cinematographic films. A surcharge of 5% is levied on horse race and betting in Tamil Nadu. Similar is the case of Uttarakhand, where a surcharge of 10 paisa is levied on horse race and betting. A comparative picture of the rates in different States is given in Table 4.12.

Concessions and Exemptions

Entertainment devoted to philanthropic, religious and charitable purposes; provided or sponsored by non-profit institutions; or organized in aid of the promotion of health, agriculture, industry and scientific development are generally exempted.

The scheme of exemption from the entertainment tax varies from State to State. The regional language films are exempted from the tax in Karnataka and Orissa. In Uttarakhand and UP State certain events like Drama, Nautanki, Kavi Sammelan etc are exempted. However, in Tripura, educational entertainment or entertainment meant for a scientific or charitable purpose are exempted from this tax. Similar is the case in Tamil Nadu, where exemption from entertainment tax is granted in respect of film shows conducted for raising funds for cultural, educational and charitable purposes. Entertainment tax on cable TV has also been exempted in Tamil Nadu with effect from 1st April 2008.

In southern States like Karnataka and Tamil Nadu, some tax concession is provided for regional language films. Similar is the case in Orissa and West Bengal. In West Bengal, the rate of tax is 10% on admission fee for Bengali /Nepali/Santhali films and 30% on admission fee for other language films. In UP, certain tax concession is provided to the owners of cinema halls for the revival of closed cinema halls and for the renovation of the existing halls.

The Future Prospects

The analysis of taxes on commodities assigned to the States under the Constitution suggests that no specific taxes on services are assigned to them. The commodity taxes assigned to the States include sales tax, motor vehicles tax, passengers and goods tax, state excise, entertainment tax and electricity duty. Sales tax is the most important tax among all these taxes, which has now been converted into State-VAT. It is proposed that this will be converted into State-GST (SGST). The other State taxes would continue to be levied except entertainment tax, which is likely to be made a part of the proposed GST.

Table 4.1: Rates of State-VAT in Indian States

(Rates as Adopted by the Empowered Committee)

Commodities exempted from VAT

Sl. No	Description of Goods
1	Agricultural implements manually operated or animal driven
2	Aids and implements used by handicapped persons
3	Aquatic feed, poultry feed and cattle feed, including grass & hay
4	Betel leaves
5	Books and periodicals & journals
6	Bread
7	Charcoal
8	Charkha, Amber Charkha, Handlooms and Gandhi Topi
9	Coarse grains other than paddy, rice and wheat
10	Condoms and contraceptives
11	Cotton and silk yarn in hank
12	Curd, Lassi, butter milk, separated milk
13	Earthen pot
14	Electrical energy
15	Fishnet and fishnet fabrics
16	Fresh milk and pasteurized milk
17	Fresh plants, saplings and fresh flowers
18	Fresh vegetables and fruits
19	Garlic and Ginger
20	Glass bangles
21	Human blood and blood plasma
22	Indigenous handmade musical instruments
23	Kumkum, Bindi, Alta and Sindur
24	Meat, fish, prawn and other aquatic products when not cured or frozen, eggs and livestock and animal hair
25	National Flag
26	Non-judicial stamp paper sold by Govt. Treasuries, postal items like envelope, postcard etc sold by Govt., rupee note & cheques
27	Organic manure
28	Raw wool and its waste
	-Waste of wool
29	Seeds
30	Semen including frozen semen
31	Silk worm laying, cocoon, and raw silk and its waste
	-Silk waste
32	Slates, slate pencils and Chalks
	-Slates
	-Slate pencils
	-Writing or drawing chalks and tailor chalks
33	Sugar and Khandasari
34	Tender green coconut
35	Textiles fabrics
	-Silk fabric
	-Cotton
36	Tobacco
37	Toddy, Neera and Arrack
	Unprocessed salt
39	Water other than aerated, mineral, distilled, medicinal, ionic, battery, de-mineralised and water sold in sealed container

a. Commodities Taxable at 1% Rate

Sl. No	Description of Goods
1	Bullions
2	Gold, Silver, Platinum Ornaments, new and old
3	Precious Stones
4	Paddy
5	Rice (other than paddy)
6	Wheat

b. Commodities Taxable at 4% Rate

Sl. No	Description of Goods
1	Agricultural implements not operated manually or not driven by animal
2	All equipments for communications such as private branch exchange and Electronic private Automatic Branch Exchange (EPABX)
3	All intangible goods like copyright, patent, R.E.P. License
4	All kinds of bricks including brickbats, jhama, Fly ash bricks, Refractory bricks, asphaltic roofing, earthen tiles
5	All types of yarn other than cotton and silk yarn in hank and sewing thread
6	Aluminum utensils and enameled utensils
7	Arecanut powder and betel nut
8	Asbestos
9	Bamboo, ratten, reed, and canes
10	Bearings
11	Beedi leaves
12	Belting of all varieties and descriptions
13	Bicycles, tricycles, cycle rickshaws and their parts
14 15	Biomass briquettes Bitumen
16	Bitumen
17	Castings
18	Centrifugal and monoblock and submersible pumps and parts
19	Cereal oats, meal and pellets; cereal grains otherwise worked
20	Coal, including coke in all its forms but excluding charcoal
21	Coffee beans and seeds, cocoa pod and chicory
22	Chemical fertilizers, pesticides, weedicides, insecticides
23	Clay including fireclay
24	Coir and coir products excluding coir mattresses
25	Common salt including iodized salt
26	Cotton and cotton waste
27	Crucibles
28	Crude petroleum oils and Crude Oils obtained from bituminous minerals
29	Degras: Residues resulting from the treatment of fatty substances or animal or vegetable waxes
30	Drugs, Medicines and Bulk drugs
31	Edible oils,(Non-refined and refined), but excluding coconut oil sold in sachets, bottles or tins of 200 grams or 200 milliliter each or less, including consumer containers when these are sold in bulk in a common container; oil cake
32	Electrodes
33	Embroidery or zari articles i.e.-imi, zari, kesab, saima dabka, chumki, gotta sitara, nasqi, kora, glass bead, badia
34	Exercise book, graph, book and note book/laboratory note book
35	Non-ferrous metals and alloys; non-ferrous metals such as aluminum, copper, zinc and extractions of these
	-Ferrous metals and alloys
36	Fibers of all types and Fiber waste

37	Flour, Atta
37A	Maida, suji, Besan
38	Fried grams
39	Gur, jiggery and edible variety of gur
40	Hand pumps, parts, and fitting
41	Herb, bark, dry plant, dry root, commonly known as jari booti and dry flower
42	Hides and skins, whether in raw or dressed state, other than fur skins and artificial fur
43	Hosiery goods
44	Hurricane lanterns
45	Husk of cereals unprepared, whether or not chopped, ground, pressed or in the form of pellets
46	Ice
47	Imitation jewellary and Synthetic gems
48	Incense sticks commonly known as agarbathi
48A	Dhupkathi or dhupbati
50	Industrial cables (high voltage cables,XLPE Cables, jelly filled cables)
51	IT products
52	Kerosine oil sold through PDS
53	Knitting wools
54	Lac and shellac
55	Leaf plates and cups
56	Lignite
57	Lime, limestone, clinker and dolomite
58	Mica, including splitting; Mica waste
59	Natural graphite
60	Natural Honey
61	Natural sands of all kinds, whether or not coloured
62	Natural sponge of animal origin
63	Newars
64	Napa slabs(Rough flooring stones)
65	Oil cake not used as cattle feed
66	Oil seeds
67	Pulses
68	Paper, Paper Board and Newsprint
69	Pipes and pipes fitting of all varieties including G.I. pipes, C.I. pipes, ductile pipes, and PVC
70	Plastic footwear, Hawai chappals and their parts
71	Plastic granules
72	Printed materials including diary and calendar
73	Printed ink excluding toner and cartridges
74	Raw cashew
75	Readymade garments
76	Renewable energy devices and spare parts
77	Residues of starch manufacture and similar residues, beet-pulp. Bagasse and other waste of sugar manufacture, brewing of distilling dregs and waste whether or not in the form of pellets
78	Safety materials
79	Sewing machines
80	Sewing thread of Man-made staple fiber
81	Ship and other water vessels
82	Spices of all varieties and forms including cumin seed, aniseed, turmeric and dry chilles
83	Sports goods excluding apparels and footwear
84	Starch
85	Sulphur of all kinds, other than sublimited sulphur, Precipitated sulphur and colloidal sulphur
86	Tamarind
87	Tea
88	Tractors, threshres, harvesters, and attachments and parts thereof

89	Transformers having a power handling capacity exceeding 16KVA but not 500KVA
90	Transmission towers
91	Umbrella except garden umbrella
92	Vegetable oil including gingelly oil and bran oil
93	Vegetable plaiting materials and other Vegetable products not elsewhere specified or included
94	Writing instruments

c. List of Goods Taxable @ 20%

Sl. No	Name of Commodity
1	Foreign liquor as defined from time to time in rule 3(6) (1) of the Bombay Foreign Liquor Rules, 1953
2	Country liquor as defined in Maharashtra Country Liquor Rules, 1973
3	Liquor imported from any place outside the territory of India, as defined from time to time in rule 3(4) of Maharashtra Foreign Liquor (Import and Export), Rules, 1963
4	Molasses and rectified spirit
5	High Speed Diesel Oil
	(a) When delivered-
	(i) to a retail trader for trading from a place of business situated within the geographical limits of the Municipal Corporations of the Brihan Mumbai, Thane and Navi Mumbai; and
	(ii) to a person other than the retail trader having place of business situated within the geographical limits of the Municipal Corporations of the Brihan Mumbai, Thane and Navi Mumbai.
	(b) In circumstances other than mentioned in clause (a) above.
6	Aviation Turbine Fuel (Duty paid) (Other than that covered by entry 3)
7	Aviation Turbine Fuel (Bonded)
8	Aviation Gasoline (Duty paid)
9	Aviation Gasoline(Bonded)
10	Any other kind of motor spirit
	(a) When delivered-
	(iii) to a retail trader for trading from a place of business situated within the geographical limits of the Municipal Corporations of the Brihan Mumbai, Thane and Navi Mumbai; and
	(iv) to a person other than the retail trader having place of business situated within the geographical limits of the Municipal Corporations of the Brihan Mumbai, Thane and Navi Mumbai.
	(b) In circumstances other than mentioned in clause (a) above.
11	Petrol
12	Diesel oil
13	Aviation spirit
14	Bhang
15	Opium
16	Narcotics
17	Tendu leaves
18	Natural gas
19	Arms and ammunition
20	Lottery tickets
21	Lime-stone(non-L.D. grade)
22	Timber (excluding converted timber)
23	Lime-stone(L.D. grade)
24	Light Diesel Oil (LDO)
25	Naptha
26	Medicines and drugs including vaccines, syringes and dressings, medicated ointments produced under drugs license, light liquid paraffin of I P grade

Table 4.2: Deviations with respect to EC Rates in the Western Zone

S.N.	Commodity Name	Rate of Tax (in %)					
		EC	Guj	Goa	Mah	MP	CG
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Agate (Akik) Stones and articles made therefrom	12.5	0	4	12.5	4	12.5
2	Pizza Bread	4	0	4	4	0	4
3	Unfried Potato katti	12.5	0	12.5	12.5	4	12.5
4	Cereals and pulses, Paddy, Rice, Wheat and pulses in whole grain, split in broken form	4	0	0	0	0	0 & 4 paddy
5	Flour of cereals and pulses except Maize flour, (atta, maida, rava, suji, besan)	4	0	0	0	0	0
6	Chillies, Tamarind and turmeric whole or in powder form	4	0	4	0	4	4
7	Farsan and eatables (other than sweet meats) as the State Govt. may by notification in the official Gazetter, specify for the purpose of this entry	12.5	0	4	4	4	4
8	Heena Powder (Mahendi)	12.5	0	12.5	12.5	0	0
9	Hurricane and hurricane lamps	4	0	4	0	0	4
10	Kerosene Stove	12.5	0	0	0	4	12.5
11	Handmade Soap	12.5	4	12.5	12.5	0	0
12	Husk and bran of cereals, pulses and oilseed	4	0	0	0	0	0
13	Gur and Jaggary	4	0	0	0	0	0
14	Hair Pins	12.5	0	12.5	4	12.5	12.5
15	Animal Hair	4	12.5	12.5	4	0	0
16	Plastic footwear	4	4	0	4	0	0
17	Veni, gajra, garlands prepared from fresh flowers	4	0	0	0	0	0
18	Exercise Book	4		0	4	*4*	4
19	Ghee	12.5	4		4	4	4
20	Tea	12.5	4	4	4	*4*	4
21	Country liquors	20*	60	0 & 4	20	0	0
22	Petrol	20*		18		28.75	22
23	High Speed Diesel	20*	21	19	23	23	22

* *Floor rate*

Table 4.3: Deviations with respect to EC Rates in the Southern Zone

S.N.	Commodity Name	Rate of Tax (in %)					
		EC	AP	KTK	KER	Pond	TN
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Pizza Bread	4			12.5	4	4
2	Cereals and pulses, Paddy, Rice, Wheat and pulses in whole grain, split in broken form	4	4	4 cereals 0 pulses	4 pulses		4
3	Flour of cereals and pulses except Maize flour, (atta, maida, rava, suji, besan)	4	4	0	4	0	4
4	Chillies, Tamarind and turmeric whole or in powder form	4	4	4		0	4
5	Hurricane and hurricane lamps	4			4	0	0
6	Kerosene Stove	12.5	4		4		0
7	Handmade Soap	12.5		4	4		4
8	Husk and bran of cereals, pulses and oilseed	4	0 oilseed	4 cereal			4 cereal
9	Gur and Jaggary	4	0		4	0	
10	Animal Hair	4	0	4	0	4	0
11	Plastic footwear	4		4	4	0	4
12	Exercise Book	4		4	4	4	4
13	Ghee	12.5			12.5	4	
14	Tea	12.5	4	4		4	4
15	Petrol	20*	33	25	26.03	12.5	30
16	High Speed Diesel	20*	22.25		22.49	12.5	21.43

** Floor rate*

Table 4.4: Deviations with respect to EC Rates in the Northern Zone

S.N.	Commodity Name	Rate of Tax (in %)								
		EC	**DLI**	**HAR**	**HP**	**J&K**	**Pun**	**Raj**	**UP**	**Utt**
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Pizza Bread	4		4		4	4	4	4	4
2	Cereals and pulses, Paddy, Rice, Wheat and pulses in whole grain, split in broken form	4	0		4		4	4	1	4
3	Flour of cereals and pulses except Maize flour, (atta, maida, rava, suji, besan)	4	0		4	0	0	4	0	1
4	Chillies, Tamarind and turmeric whole or in powder form	4	4	4	4	4	4	4	4	4
5	Heena Powder (Mahendi)	12.5	4					0	0	0
6	Hurricane and hurricane lamps	4		4			4	4	4	
7	Kerosene Stove	12.5	0					0		
8	Husk and bran of cereals, pulses and oilseed	4	4	4	4	4	4			4
9	Gur and Jaggary	4	0	0	0	0	0	4	0	
10	Animal Hair	4	0	0	0	4	0	0	0	
11	Plastic footwear	4	4		4	4	4			
12	Exercise Book	4	4	0	4	4	4	4	4	4
13	Ghee	12.5				12.5			4	
14	Tea	12.5	4		4	4	4	4	4	4
15	Country liquors	20*	20		0			0		0
16	Petrol	20*		20	25		27.5	28	23.62	
17	High Speed Diesel	20*	20	8.8	14		8.8	18	16.16	21

** Floor rate*

Table 4.5: Deviations with respect to EC Rates in the Eastern Zone

S.N.	Commodity Name	Rate of Tax (in %)								
		EC	Asm	Bhr	Jhr	Mni	Meg	Ors	WB	Tri
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Pizza Bread	4	0	4	4	0		0	4	12.5
2.	Cereals and pulses, Paddy, Rice, Wheat and pulses in whole grain, split in broken form	4	0	1				4	0	
3.	Flour of cereals and pulses except Maize flour, (atta, maida, rava, suji, besan)	4	0	1		4	0	4	0	0
4.	Chillies, Tamarind and turmeric whole or in powder form	4	4	4	4	4	4	4	4	4
5.	Heena Powder (Mahendi)	12.5								
6.	Hurricane and hurricane lamps	4		4	4				0	
7.	Handmade Soap	12.5			0			0		
8.	Husk and bran of cereals, pulses and oilseed	4	4			4			4	4
9.	Gur and Jaggary	4	4	0	0	4	4	4	0	4
10.	Hair Pins	12.5			4			4		
11.	Animal Hair	4		0	0	0	0	0	0	0
12.	Plastic footwear	4		4	4	4	4	4		4
13.	Exercise Book	4	0	4	4	4	4	4	4	4
14.	Ghee	12.5		4	4			4	4	12.5
15.	Tea	12.5	4	4	4	4		4	4	4
16.	Country liquors	20*		50	35			20		
17.	Petrol	20*	25.75	24.5	20	20	0	18		20
18.	High Speed Diesel	20*	15.5	18.36	14.4			18		12.5 m.p.

** Floor rate*

Table -4.6: Treatment of tax incentives under VAT for the units availing exemption under sales tax								
Parameters	**Maharashtra & Karnataka**	**Andhra Pradesh**	**Tamil Nadu**	**West Bengal**	**Himachal Pradesh**	**Uttar Pradesh**	**UttaranchaL**	**Madhya Pradesh**
Exemption from payment of output tax	Exemptions and deferment to continue for un-expired period. Inputs will be purchased after full payment of tax. In case of exemption input tax payment will be claimed as refund in return No output tax is payable.	Unit availing exemption will be converted as the unit availing deferment. The balance period as on 31.3.2005 to such unit will be doubled.	Any industrial unit availing a tax holiday or tax exemption on the date of commencement of the Act shall be treated as a unit availing tax deferment.	Unit availing exemption will be allowed exemption of output tax for the balance un-expired period.	Any dealer who manufactures and sells goods and who, was enjoying the benefit of any incentive of sales tax leviable on the sale of manufactured goods and who would have continued to be eligible for such incentive on the date of commencement of this Act, had this Act not come into force, may be allowed by the State Government, by notification, - (a) to continue to avail of the benefit of exemption from payment of tax on the sale of manufactured goods made by such dealer himself for the unexpired period, subject to the condition that no **input** tax credit shall be allowed to the subsequent dealer purchasing goods manufactured and sold by such dealer (**industrial** unit).	The **industrial** unit availing benefit of exemption from, or reduction in the rate of tax on the turnover of sales before the date of commencement of this Act or an **industrial** unit which is granted the facility of exemption from, or reduction in the rate of tax on or after such commencement, on the turnover of sales under the erstwhile Act or the Central Sales Tax Act, 1956 shall be entitled for exemption by way of refund of net tax paid along with the return of tax period in prescribed manner and on fulfilling the conditions of holding valid registration certificate and a valid certificate of entitlement The amount of refund shall not be more than an amount equal to net tax paid for relevant tax period, and the net tax payable has been deposited along with return. The facility of refund shall cease on the day when the amount or the period mentioned in the Certificate of Entitlement, whichever is earler, and the tax paybale on the turnover of sales of goods mentioned in the Certificate of Entitlement and which is manufactured in the **industrial** unit shall be deducted from the total amount mentioned or described in the Certificate of Entitlement,	Any exemption from or any concession in payment of tax or concession or reduction of tax in respect of any sale or purchase of any goods granted to any industrial unit or, such facility allowed under the relevant provisions of Repealed Act, shall continue for the remaining unexpired period.	Unit availing exemption will be allowed exemption of output tax for the balance un-expired period The dealer shall compute tax liability by deducting Input Tax Credit from tax collected on sales in M.P. and be eligible to retain the amount of tax collected in excess of Input Tax Credit.

Table 4.6 Contd…….

Deferment of tax	In deferment cases also, refund of input tax will be claimed in the return and the output tax will be deferred. The purchasing dealer will pay the tax on value addition	The deferment unit shall continue to avail the benefits for the period as mentioned in Eligibility Certificate.	The unit availing tax deferment shall be eligible to issue tax invoices and to claim input tax credit.		(b) to opt, in the prescribed manner, to avail of the facility of making deferred payment of tax for the unexpired period of incentive instead of availing the exemption specified in clause (a), or (c) to continue to avail of the facility of making deferred payment of tax on the sale of manufactured goods made by such dealer himself for the unexpired period and such dealer (**industrial** unit) shall be eligible to issue tax invoice and to claim **input** tax credit subject to the provisions of section 11 of this Act.	The **industrial** unit availing the benefit of tax deferment under the erstwhile Act or under the Central Sales Tax Act, 1956 before the commencement of this Act, or a unit which is granted facility of tax deferment under the erstwhile Act or under the Central Sales Tax Act, 1956 shall continue to avail the facility of deferment for net tax payable under this Act and the Central Sales Tax Act, 1956. The in dustrial unit availing the benefit of tax deferment or availing the facility of refund shall be eligible to issue tax invoices and to claim input tax credit.		The deferment unit shall continue to avail the benefits for the period as mentioned in Eligibility Certificate Both category of dealers shall make purchase from Registered Dealer after payment of tax
Remission of tax				Unit enjoying benefit of remission for specified period may be allowed remission of 95% of output tax payable for the balance un-expired period The deferment unit shall continue to avail the benefits for the period as mentioned in EC				

Table 4.7: Rates of State Excise Duty

States	Wine	Beer	Bhang/ KG	Country Liquor	IMFL	Rum for Army
Bihar		Rs. 6 per BL		Rs.70/LPL	Company's maximum	
Gujarat	Rs. 100 per PL		Rs. 60			Rs.25/PL
Haryana	Rs. 3-4 per BL			Rs. 5/PL	Rs. 25/PL	
Himachal Pradesh	Rs.1.50-2.00 per BL	Rs. 4.67 per bottle of 650 mls. or Rs.6.20 per BL	Rs. 20	Rs.7/PL	Rs.23/PL	Rs. 19-23/PL
Karnataka	Rs. 3.85-70 per PL*				Rs.60-450/BL*	
Kerala	Rs. 3-12 per PL				Rs.34.50-100/PL	
Maharashtra	100%-200% of manufacturing cost	100%-125% of the manufacturing cost or Rs. 15-20 per BL		Rs. 10-60/PL	200% of manufacturing cost or Rs.160/PL whichever is higher	40% of manufacturing cost or Rs. 20 per BL whichever is higher
Manipur	Rs.14 per BL				Rs. 50/LPL for Army	Rs.30
Mizoram	Rs. 30 per PL				Rs.8-52/PL	
Madhya Pradesh	Rs. 250 per PL		Rs. 60	Rs. 125/PL		
Orissa	Rs. 35-140/LPL	Rs.10-21 per BL	Rs. 300	Rs.16/LPL	Rs. 140-200/LPL	Rs.50/LPL
Rajasthan				Rs.116.67/LPL	Rs. 170-500/LPL	Rs.50/LPL
Tamil Nadu		Rs. 0.25-4.36/BL			Rs.30-113.24/PL	Rs.22/PL
Uttaranchal		Rs. 13	Rs. 20	Rs.25-75/BL		Rs.43/AL
Uttar Pradesh	Rs. 66.66 or 25%of max. retail price of bottle whichever is more/BL	Rs. 25.38-46.15 per BL	Rs. 20	Rs. 59.03-85/BL	Rs.130-496 per bottle of 750ml	Rs. 53.33/BL

Note:* In Karnataka the Sales Tax is merged with State Excise Duty and renamed as Additional Excise Duty. LPL: London Proof Litre, BL: Bulk Litre, AL: Alcoholic Litre and PL: Proof Litre, IMFL: India Made Foreign Liquor.

Table 4.8: License fees

States	Denatured Spirit	Bottling of IMFL	Manufacture of Wines	Distillery	Brewery	Possession of liquor for star hotels	Club License	Beer Bar License
Bihar						Rs. 3-6 lakhs	Rs. 3,00,000	Rs.30,000-1,00,000
H. Pradesh	Rs. 1000-2000/BL		Rs. 2000	Rs.75,000	Rs. 10,000	Rs. 35,000-60,000	Rs.1,000-5,000	
Kerala				Rs.25,000-Rs.2,00,000	Rs. 50,000-Rs. 2 lakhs			
Maharashtra			Rs. 25,300				Rs.55,000-2,34,300	Rs. 53,400-1,99,700
Meghalaya				Rs. 9,000				
Orissa		Rs. 3/BL		Rs.10,00,000-35,00,000	Rs. 25-50 lakhs	Rs.2-3 lakhs	Rs. 75,000-1,50,000	Rs.75,000-1,00,000
T. Nadu	Rs. 200-25000		Rs.200	Rs. 4,000		Rs. 1000	Rs. 1000	
Tripura		Rs. 5/BL						
UP		Rs. 0.20-1.35						

Note: BL: Bulk Litre
IMFL: India Made Foreign Liquor.

Table 4.9: The different methods of levying State Excise in States

Excisable Item	Fixed Fee: Whole Sale License	Fixed Fee: License for retail sale	Auction cum tender	Auction-Cum-lottery	Rate of Excise Duty	Excise Duty on wholesale price	Excise Duty on MRP	Excise duty charged acc. to proof strength	Excise Duty based on successive increase in price range
Country Liquor and Spiced Country Liquor	Rajasthan		Tripura	Rajasthan	Advalorem (Maharashtra)	Haryana	Maharashtra	UP	
	Bihar	UP	Bihar (Retail Vend)		Specific (other States)	Bihar		Himachal Pradesh	
	Orissa	Maharashtra				MP			
	AP	Orissa				Orissa			
	Tamil Nadu	MP							
IMFL	Rajasthan		Tripura	Rajasthan	Advalorem (Maharashtra)	Manipur	Maharashtra		Kerala
	Bihar	UP	Bihar(Retail Vend)		Specific (Other States)	Sikkim			Karnataka
	Orissa	Maharashtra				Bihar			Arunachal Pradesh
	Andhra Pradesh	Orissa				T. Nadu*			Andhra Pradesh
	Tamil Nadu	MP				Tripura			Rajasthan
						Kerala			
						Meghalaya			
						Orissa			
						Mizoram			
Beer	Himachal Pradesh	UP		Rajasthan	Advalorem (Maharashtra, Rajasthan)	Manipur	Maharashtra	Himachal Pradesh	Karnataka
		Maharashtra			Specific(Other States)	Meghalaya	Rajasthan	UP	
		Orissa				Sikkim		Orissa	
						Tripura		Bihar	
						Tamil Nadu			
						Kerala			
						Haryana			
						MP			
						Meghalaya			
						Mizoram			

Note: In Tamil Nadu the vend fee for IMFL is merged with Excise Duty.
In Karnataka, sale of country liquor is banned; no duty is levied in Bihar, no information available for states Sikkim, Tamil Nadu, Gujarat, Kerala, Mizoram and Tripura.
No information is available for license fees for Gujarat, Karnataka and Kerala.

Table 4.10: Rates of Motor Vehicles Tax

State	Structure Of Motor Vehicle Tax		
	Cars	Buses (Stage Carriage)	Trucks
Andhra Pradesh	ULW Up to 2286 Kgs 9% of the cost (Life Time Tax); Additional tax for drawing trailors INR 3906 (Life Time Tax)	100 to 120 kms INR 330/PQ 120 to160 kms INR 350/PQ 160 to 240 kms. INR 435/PQ	Vehicles exceeding 3000 kgs but not exceeding 4500 kgs in laden weight INR 954.45/PQ
Gujarat	6% of the sale price (lump sum-compulsory)	Stage carriage: seating capacity up to 9 INR 1200/PY and seating capacity exceeding 9, INR 1200 + 80 per Seating + 40 per Standing	For all types of goods vehicle, INR 2000 + 400 per every 1000 Kg or part thereof exceeding 3000 Kg.
Haryana	value of upto Rs.4 lakh INR Rs.2,000; Rs.4 lakh to Rs.10 lakh, 1% of the value of the car; value exceeding Rs.10 lakh 1.5% of the value of the car	Token tax of INR 550/py per seat subject to a maximum of INR 35,000/PY	Gross vehicle weight exceeding 1.2 tonne but not exceeding 6 tonnes INR 1200/PY
Himachal Pradesh	Personal Motor vehicles having engine capacity upto 1000 cc 2.5 % and above 1000 cc 3 % of the price of motor vehicle at the time of registration.	INR 500/seat per annum (Subject to the maximum of rupees 35000/ PY	Light Goods Vehicle INR 1500/PY
Karnataka	Having floor area up to 5 Sq. Mtrs, (i) cost of which does not exceed Rs.5 Lakhs,12 Percent of cost of the vehicle; (Ii) cost exceeds Rs.5 Lakhs but not exceeding Rs.10 Lakhs,13 Percent of cost (iii) cost exceeding Rs10 Lakhs, 16 percent of the cost (Life Time Tax)	Having floor area exceeding 5 sqr meter, but not exceeding 6 sqr meter, for every sqr meter INR 800/PQ; exceeding 6 sqr mtr bot not 9 sqr mtr INR 850/PQ; exceeding 9 sqr mtr but not 12 sqr mtr INR 950/PQ; above 12 sqr mtr INR 1100/PQ	Laden weight exceeding 1500 kgs but not exceeding 2000 kgs, INR 10,000 (Life Time Tax); exceeding 2000kgs but not 3000kgs INR 15,000 (life Time Tax)
Maharashtra	7% of the cost (One Time Tax)	INR 71/seat per annum+ Rs. 18/- per standee per annum; contract carriage: Ordinary Buses-INR 1500/seat per annum	Register laden weight exceeding 1500 kg & up to 3000 kg INR 2700/PY
Manipur	NA	Bus (>34 seats) INR2200/PY or INR 550/PQ ;Medium Bus (>23 seats <34) INR 1580/PY or INR 395/PQ	the registered laden weight exceeds 2.5 tonne but not exceed 3 tonne INR 1240/PY
Meghalaya	NA	Mini Bus (upto 30 seats) for every seat authorised to carry passenger INR 100/PY or INR 25/PQ; Omni Bus (above 30 seat) for every seat authorized to carry passenger INR 80/PY or INR 2O/PQ;	one metric tonne or less INR 680/PY and for every additional 1/2 metric tonne or part thereof authorized load of goods INR 180/PY
Mizoram	NA	INR 500/PY	LCV (Goods) Above 1-5 Mt Payload INR1300/PY
Orissa	Not exceeding 762 kgs. ULW, 5% of the cost of the vehicle or ten times of annual tax whichever is higher;	Up to 160 kms INR 172/PM; 161 to 240 kms INR 196/PM; 241 to 320 kms INR 245/PM and above 320 KMS INR	Laden weight between 5001-10000kg INR 2446/PQ; Annual Rate of Addl. Tax INR 446/PQ

	Exceeding 762 kgs not exceeding 1524 kgs ULW, 5% of the cost of the vehicle or ten times of annual tax whichever is higher; Exceeding 1524 kgs not exceeding 2286 kgs ULW, 5% of the cost of the vehicle or ten times of annual tax whichever is higher	294/PM and per standee INR 152/PY	
Rajasthan	NA	NA	Cost of chassis/vehicle upto Rs.10,00,000. 2% of the cost of horse
Sikkim	engine capacity upto 900 cc INR 1000/PY; above 900 cc upto 1490 cc INR 1200/PY; above 1490 cc upto 2000 cc INR 2500/PY; above 2500 cc, INR 3000/PY	INR 125/seat per year	Exceeding 2000 kgs but not exceeding for 4000 kgs gross vehicle weight. Every additional 250 kgs or Part thereof above 2000 kgs INR 1465/- plus INR 124/-
Tamil Nadu	NA	Per every passenger INR 400 /PY	Vehicles not exceeding 3000 Kgs in weight laden INR 600 (Life Time Tax)
Tripura	INR275/PY or INR 2750 (One Time Tax)	INR 1420 for 27 plus INR 42 for every addl. seat beyond 27	Upto 3000 Kg registered laden weight INR 500/PY
Uttarakhanda	NA	seating capacity for more than thirty-five persons INR 1115 + INR 45 for every seat in excess of thirty five seats and additional Tax Upto 4500 Kms for plain routes INR 154 per seat; for Hill routes INR 146 per seat and For each Kilometer exceeding 4500 Kms INR 0.04 per seat per Kilometer to be added to above amount	unladen weight exceeding 2,000 kilograms but not exceeding 3,000 kilograms 2.5% of cost of the vehicle and additional tax of INR 210 per metric ton of the gross vehicle weight of the vehicle or part thereof operating in hill routes; INR 85 per metric ton of the gross vehicle weight of the vehicle or part thereof operating in plain routes and INR 5000 for each year or thereof for vehicles operating under national permit
Uttar Pradesh	for petrol vehicles INR 5000 (One Time Tax); for diesel vehicles, 5% of the cost (One Time Tax);	seating capacity for more than thirty-five persons INR 1115 + INR 45 for every seat in excess of thirty five seats	unladen weight exceeding 2000 Kilograms but not exceeding 3000 Kilograms INR 748/PY

Notes: INR = Indian rupee; NA= not available; PY= per year; PQ= per quarter; PM= per month.

Table 4.11: Rate Structure of Electricity Duty

Name of State	Type of Use			
	Domestic	**Industrial**	**commercial**	**Agriculture**
Andhra Pradesh	6 paise per unit (except privileged and exempted categories)	Do	do	
Kerala	10 paise per unit	Do	do	
Rajasthan	40 paise per unit	Do	do	4 paise per unit (incase of metered supply) and 5% of the flat rate incase of non-metered supply
Orissa	4% of the energy charge in case of LT non industrial category.	4% of the energy charge for SSI and 6% of the energy charged incase of other LT industrial category.		2% of the energy charge
Karnataka	5% on the electricity charges			
Bihar	6 % of the value of energy.	Do	do	0.04 Paise per unit
UP	9 paise per unit		3 paise per unit (when consumed by the State)	
Tamil Nadu				Exempted
Gujarat	**Incase of Consumption other than self Generation** 10% of electricity tariff in rural areas and 20% of electricity tariff in Urban **For self generation** 10 paisa per unit in rural areas and 20 paisa for urban areas	For H.T.,the rate is 15% of electricity tariff and for L.T., the rate is 10% 40 paisa per unit	For Hall, Cinema, Hotel and Restaurant and residuary the rate is 25%. 25 paisa for Hall and Cinema, 30 paisa for Hotel and Restaurant, 20 paisa for Co-operative Sugar Factory and 40 paisa for residuary.	
Meghalaya	5 paisa	1 paisa per unit for first 15000 unit and 1.5 paisa per unit for the next 25000 units.		Exempted

Table 4.12: Rates of Entertainment Tax						
States	**Tax on Cinema Shows**	**Show Tax**	**Cable TV**	**Horse Racing and Betting**	**Totalisation tax**	**Others**
Andhra Pradesh	20% on the sale of tickets in case of air conditioned and air cooled theatres. And 18% incase of others.	Varies between Rs.2 to Rs.12 per show.	Incase of Municipalities rate varies between Rs.2 to Rs.5 per connections per month. In major Gram Panchayats the rate is Rs.200 per month and incase of minor Gram Panchayats the rate is Rs.100 per month (irrespective of number of connections)	35% of all payments	15%	
Bihar	Varies between 8 to 24% of gross collection capacity per show.	Rs.100 for every show		No betting tax		
Chhattisgarh	0-30%		Varies between 0 to Rs.20.			
Goa	Varies between 30% to 60% according to the amount of payment+10% surcharge.		Rs.20 per month per connection.			5 paisa in a rupee incase of entertainment provided by way of cyber café and pool parlour and 15% of the amount paid for admission when payment exceeds Rs.10 in case of theatrical performance and drama.
Karnataka	40% on the rate of admission for non-regional films		Varies between Rs.15 to Rs.20 per month	70% on the rate of admission		For Video parlors the tax varies between Rs.5, 000 to Rs.15, 000 per month. Amusement tax 5% on the rate of admission above Rs.50.
Kerala	20%					
MP	50% in case of Municipal corporation areas and 40% in rest of the areas.		Rs.20 per month per subscribe in urban and cantonment areas.			

Maharashtra			Varies between Rs.15 to Rs.45 per month per television.	100% on Horse race	10%	15% entertainment duty on amusement park. And 10% on Water sports activities. On dance bar the entertainment duty is Rs.15,000-Rs.30,000(per performance, per month)
Orissa			5% of monthly gross receipt	no betting tax		
Rajasthan	30% of the payments		Rs.20 per month per subscriber.	no betting tax		10% of the monthly subscription charges per subscriber in case of DTH service providers
Tamil Nadu	15% of the gross payment incase of new films and 10% of gross payment for old films.		Exempted	5% surcharge on betting tax	20% of every sum paid in Guindy and 15% of every sum paid in Uthagamandalam + 5% surcharge.	10% tax on amusements and for recreation parlours the rate of tax is 20% on each payment of admission.
Uttar Pradesh	60%+ maintenance fee at Rs.3 per ticket+ Film Development Fund levy at 50 paise per ticket.					
West Bengal	10% on admission fee for Bengali/Nepali/Santhali Films and 30% for other language films.	Rs.200	On cable operators rate is 5% of the gross receipts and on sub-cable operators the rate is Rs.1, 500 per year in Kolkata metropolitan area and Rs.1, 000 for others.	15%	For horse race 5% and for others 10%.	Rate of entertainment tax for hotel/restaurants is 30% of the total sum paid by a person if the admission fee includes the cost of food and drinks and If it is only for entertainment programme than the rate of tax is 60% of admission fee.
Assam			20% of the payment for admission received by the proprietor per connection per month.			12.5% in case of games, sports, music or dramatic performances organised by a State Body (or any other body affiliated to it) , or affiliated to an All India body constituted for similar purpose.

Himachal Pradesh	20% of the payment for admission.			For horse race the tax rate varies between 100% to 125% depending upon the payment for admission . And betting tax is 10% of all money paid		For television exhibition and admission to an aerial ropeway carrier,the rate is 20% and 25% of the payment respectively.
Manipur	For 1st class, Rs 7.5 per ticket, for 2nd class Rs 6.50 per Ticket and for 3rd class Rs. 5.60 per ticket	Rs 100 per show	Rs. 500.00 per month.			Rs. 100 per month for video parlours
Meghalaya	10%		Rs.10 per connection per month.	Betting tax on arrow shooting is 40% of the amount received as stake money.		12.5% in case of games/sports/music or dramatic performances organized by registered Organization under the Societies Registration Act.
Mizoram			20% of the payment for admission received by the proprietor per connection per month.			12.5% in case of games, sports, music or dramatic performances organised by a State Body (or any other body affiliated to it) , or affiliated to an All India body constituted for similar purpose.
Sikkim	40 to 75% of the admission charge		25% of the total collection			Video parlours are taxed at Rs.1000 to Rs.3000 per month. Pool parlours at Rs.200 to Rs. 5 per month and VCD libraries at Rs.100-Rs.300 per month.
Uttarakhand			20%	10 percent of all money paid into any totalistic or horse races by way of stakes and also money paid or agreed to be paid as bet to a licensed book maker by a backer + surcharge of 10 paise on each stake of bet levied after-words .		

5

Steps Towards GST in India

Introduction

The previous analysis of commodity taxes (Central level in chapter 3 and States' level in chapter 4) indicates that India's system of commodity taxes is unique. While the Union Government has the authority to impose a broad spectrum of union excise duties (UEDs) on production or manufacture of goods, the State Governments are assigned the power to levy tax on the sale of goods.

Evolution of Dual VAT

Due to this dichotomy of authority under the Constitution, India has not adopted a European style VAT. Instead, India now has dual-VAT, *i.e.* a VAT at the Federal level (Central VAT) and a VAT at the State level (State-VAT).

Central VAT

Currently the CenVAT is levied by the Union Government at the manufacturing level on almost all goods manufactured or produced in the country.

The Indian Constitution, under its Union List, empowers the Central Government to levy union excise duty. Accordingly, the Union Government initially levied Union Excise Duty (UED) on about a dozen articles. The tax rates were initially low. However, with the passage of time, the rates were revised and the tax base was enlarged to bring more items under the tax net. Although it was levied mainly on finished goods, it also covered raw materials, intermediate goods and capital goods.

The first reform in the UED regime was undertaken in 1986 through the introduction of a modified value added tax (Modvat) based on the Report of the Jha Committee[1]. This scheme provided a set-off for the taxes paid on inputs used in about a dozen articles. In 1987, the scheme was extended to cover some additional commodities.

The process of rationalization of indirect taxes got a further stimulus through the post 1991 reforms in the Indian economy. To begin with, based on the recommendations of the *Report of the Tax Reforms Committee* (TRC), the Modvat

[1] Government of India (1978), *Report of the Indirect Taxation Enquiry Committee*, Ministry of Finance, New Delhi.

was further extended to encompass a large number of commodities[2]. The procedures of Modvat have since been overhauled converting the then existing UEDs into Central VAT (CenVAT). Today, CenVAT is imposed on all the items that are manufactured in the economy.

The Union Budget 2006-2007 converted CenVAT into a three-rate structure of 16 percent, 8 percent and 4 percent. However, in the process of further rationalization of the rate structure, the 16 percent rate of CenVAT has been reduced to 14% on December 2008 and to 10% in February 2009.

CenVAT allows instant credit for all the taxes paid on inputs in the form of UEDs (*i.e.* Modvat/CenVAT) or additional duties of excise (ADE). Input credit is also given for additional duty of customs which is known as countervailing duty (CVD)[3] and is collected at the time of imports. For capital goods, however, only 50 percent of the duty can be claimed as input credit in a financial year; the remaining credit can be claimed in the next financial year, provided the goods are still in use (except for spares and components). A manufacturer producing only tax-exempt final products is not allowed to claim this credit. However, it is permissible for a manufacturer who produces both dutiable and exempted final products in the same factory.[4]

Along with CenVAT, the Union government also levies additional excise duty in lieu of sales tax[5]; additional duty of excise on textiles and textile articles; and cess on specified commodities.

Service Tax

The authority to levy tax on services was not specifically assigned in the Constitution to either of the Governments. The Union Government, using the powers given in the Residuary Entry in the Union List, started the levy of this tax with effect from July 1, 1994. The Union Government then amended the Constitution to include service tax in the Union List by inserting item 92(C) into the Seventh Schedule. This enables the Union to assign this tax to the States, solely or concurrently, whenever it so desires.

Initially, only three services, *viz.* general insurance, stock broking and telephone were taxed. The coverage of the tax was gradually expanded and presently,

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2 Government of India (1991-93), *Report of the Tax Reforms Committee, Vol. I to Vol. III,* Ministry of Finance, New Delhi.

3 This is levied as per the provisions of the Customs Act wherein this is referred to as Additional Duty of Customs. However, this is popularly known as countervailing duty (CVD). The rate of tax of CVD on imported goods is equivalent to the tax rate of CenVAT levied on indigenously manufactured goods.

4 This is subject to certain conditions, viz. maintenance of separate records in respect of inputs used to manufacture exempted products or payment of 8 percent of the total price (excluding taxes) of the exempted final products or in the case of a few specified items, on reversal of the credit availed.

5 Additional excise duty in lieu of sales tax was levied since 1956 on tobacco, textiles and sugar under a tax rental arrangement between the Union and the States. According to this arrangement, the Union Government was levying additional excise duty on these items and the States were refrained from levying sales tax on them. The net proceeds of this duty was distributed amongst the States on the basis of consumption. With the efforts of the country to move towards VAT, the proceeds of this tax are now included in the shareable pool and the States have also been allowed to levy VAT on these items.

service tax is levied on 110 services. Initially these services were taxed at a moderate rate of 5%. Gradually the rate was increased to 12%. The imposition of education cess, and secondary and higher education cess has made the net incidence of the service tax equal to 12.36%. Very recently, the standard rate of 12% has been reduced to 10%, the effective rate being 10.3%. The service tax is now integrated with CenVAT for the purpose of input credit since 1994-95.

State -VAT

In addition to CenVAT and service tax levied at the Central level, all the States levy state-VAT on the sale of goods.

Prior to the introduction of state-VAT, the States were levying a first-point sales tax. In addition to first-point sales tax; the States also levied additional sales tax, turnover tax or surcharge on sales tax. Considerable variations existed in these levies amongst the States.

The first-point sales tax, as well as the other supplementary taxes, suffered from many weaknesses such as cascading and uncontrolled incidence, multiplicity of rates, vertical integration of firms, non-neutrality and lack of efficiency in the tax system etc.[6]. Given these deficiencies in the prevailing structure of sales tax, efforts were made to replace it with a system of sub-national VATs.

The Government of India took the initiative to design an acceptable structure for VAT. This was accomplished by a study report titled *Reform of Domestic Trade Taxes in India* in 1994[7]. The Government of India sought comments on the Study Report from all the States and subsequently, a Conference of the Chief Ministers and Finance Ministers was convened on 24th May 1994 to discuss the Report. The Conference took the view that VAT being a new tax, the Report should be first reviewed by a small committee of Finance Ministers. Hence, a Committee of eight State Finance Ministers was constituted. This Committee gave its Report in August 1995[8]. The Committee made some crucial recommendations (Box 1).

The Report was placed before another Conference of Finance Ministers held on 4th July 1997. The Conference recommended that all the States should shift to VAT at the same time after being given sufficient time for preparation. It was also suggested that a Model VAT Legislation should be prepared for the guidance of the States. Accordingly, a Model VAT Law was prepared in 1998 and circulated amongst all the States.

Further, the Conference decided to constitute another Committee of State Finance Ministers to chart a time path for the introduction of VAT in all the States. The Report of the State Finance Ministers Committee was submitted in August 1998 and gave recommendations as shown in Box 2.

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6 Purohit, Mahesh C (2001), Sales Tax and VAT in India, Gayatri Publications, New Delhi.

7 NIPFP (1994), Reform of Domestic Trade Taxes in India, National Institute of Public Finance and Policy, New Delhi.

8 Report of the Committee of State Finance Ministers on Sales Tax Reform, August 1995; the Report of the Committee of State Finance Ministers for Charting a Time Path for Introduction of VAT, August 1998; and the Report of the Committee of Chief Ministers on Value Added Tax and Incentives to Backward Areas, 1999.

Under the sales tax regime, all the States have given huge concessions and sales tax incentives for the new industries. To review all such incentives, a small committee of Chief Ministers was set up under the chairmanship of Mr. Jyoti Basu, the then Chief Minister of West Bengal, which submitted its Report in 1999.

Box 5.1

Recommendations of the
First State Finance Ministers Committee of 1995

The Committee made the following recommendations:

"It would be desirable to adopt the VAT principle and give set off for tax paid on inputs including capital goods, but important and careful preparatory steps would be needed before full fledged State level VAT could be introduced. Such steps would include, *inter alia* the following points:

* Preparation of educational material which could be disseminated among the tax officers, trade, industry and the general public.

* Conducting workshops in different centers for tax officials and for trade and industry (separately).

* Developing a design for computerization of sales tax administration.

* Preparing model VAT legislation.

* Designing of a *Return Form* and other *Forms* needed together with the nature of documents to be maintained by the VAT taxpayers."

The recommendations of the Committees of Chief Ministers' and of the Finance Ministers are as follows:

- The number of rates prevailing under sales tax be reduced to a four-rate structure;
- The number of exemptions under sales tax be curtailed considerably;
- No new tax exemptions (known as incentives) be given to the industries and the existing incentives be converted into deferment;
- VAT should replace the existing sales tax system.

The resolutions of this Conference were a landmark in the history of tax reforms at the sub-national level as it was decided that all the States and Union Territories should implement uniform floor rates with effect from 1st January 2000 and VAT from 1st April 2001.

To oversee the implementation of these decisions, the Conference constituted a Standing Committee of State Finance Ministers. Also, it was decided that the interim period would be used for preparation, training, computerization and publicity. However, the Committee faced twin problems in implementation of the above recommendations. First, there were States that did not have sales tax, *viz.* Arunachal Pradesh and Mizoram. The Committee, therefore, recommended that these two States must introduce VAT by enacting a suitable legislation so as to fall in line with the rest of the country and should issue a notification fixing the date on which they would introduce sales tax similar to that prevailing in other States.

The second problem related to the States/Union territories which have not complied with the decision to have a uniform pattern of floor rates. The Standing Committee recommended that the 25% of Government of India's financial assistance to them be withheld with immediate effect. Also, it was suggested that a team of the Empowered Committee visit these States[9]/ Union territories to convince them to implement the same.

Box 5.2

Recommendations of the
Second State Finance Ministers Committee of 1998

The Committee recommended the following sequence of steps for the introduction of VAT at the state level:

1. Reduce the number of rates to 4 (including zero); the rates should not be below the agreed floor rates as per commodities.

2. Reduce the number of exemptions to the minimum in accordance with the recommendations of the First State Finance Ministers' Committee.

3. To begin with reduce the effective rate of tax on inputs by allowing partial set off.

4. Introduce Computerization.

Thus, it was felt that prior to the introduction of VAT, some preparations were essential. The States had attempted to rationalize their existing sales tax system by adopting two major reforms.

The first reform related to the adoption of a four-rate structure (*i.e.* zero, 4, 8 and 12.5 percent) in the existing sales tax. These rates were in addition to two special rates of 1 percent and 20 percent for a few specified items. The recommended rates were floor rates – the States had the freedom to adopt a higher rate on any of the commodities from the list. This has checked the rate war and diversion of trade amongst the States. However, when the States started implementing the four-rate categories, many of them found it difficult to impose it on some commodities due to the problems related to classification of commodities. Hence, a few changes were made in the items falling under the exempt list and in other categories. This was necessitated due to the fact that the *Report of the Finance Ministers Committee (1995)* had suggested that "*fine tuning of this classification would have to be done by a special group"*. As this was not done prior to the adoption of floor rates, the commodity list had to be revised. However, under the VAT regime, the States will have the three rate categories of 0, 4 and 12.5 percent (or some rate category which could be revenue neutral for that State).

9 While the withholding of the grant was never implemented, the Committee did visit the Union Territory of Pondicherry to convince it of the need to fall in line for the sake of uniformity in the new tax system.

The second reform pertains to the abolition of incentives related to sales tax as all the States granted various incentives to new industries in the form of exemption from tax on the purchase of inputs/ sale of finished goods as well as sales tax loans and/or tax deferral. Various studies and Committee Reports[10] have already argued against such incentives and pointed out that these incentives take the form of tax competition (war) or *harmful tax practices in a federation*.[11]. In terms of loss of revenue, all the States collectively sacrificed about 25 percent of the sales tax base.

In this context, it is important to note that initially all the sub-national governments have stopped giving sales tax related incentives to new industrial units. However, there still exist the concessions already granted to the existing units. After the introduction of VAT, these incentives have been converted into a system of tax deferral or remission. This provides for the smooth functioning of the chain of VAT transactions.

Box 5.3

Introduction of SVAT in Indian States

States	**No. of States**	**Date of Implementation**
1	2	3
Haryana	1	April 1, 2003
Andhra Pradesh, West Bengal, Kerala, Karnataka, Orissa, NCT Delhi, Tripura, Bihar, Arunachal Pradesh, Sikkim, Punjab, Goa, Mizoram, Nagaland, Jammu & Kashmir, Manipur, Maharashtra, Himachal Pradesh	18	April 1, 2005
Assam, Meghalaya	2	May 1, 2005
Uttaranchal	1	October 1, 2005
Jharkhand	1	January 1, 2006
Chhattisgarh, Gujarat, Madhya Pradesh, Rajasthan	4	April 1, 2006
Tamil Nadu	1	January 1, 2007
Uttar Pradesh	1	January 1, 2008

It was initially planned to introduce VAT at the State level from 1st April 2001, by replacing the existing sales tax. However, this could not done due to lack of adequate preparations. Haryana was the first State to introduce VAT on April 1, 2003. The other States postponed the introduction of VAT twice but it was finally

10 Report of the Finance Ministers Committee to Chart a Time Path for the Introduction of VAT (August 1998) and the Report of the Committee of Finance Secretaries for Identification of Backward Areas (November 1999).

11 The empirical studies attempted for the NCR Region indicate that the concessions of sales tax do not affect the location of industry. The concession could be relevant, if at all, when given by only one State. Similar results are seen from the other studies as well. When all the States give such concessions, it results in a zero sum game; no State benefits from such concessions. See for details, Purohit, Mahesh C et. al. (1992), Fiscal Policy for the NCR Region, Vikas Publishing House, New Delhi.

introduced in most of the States from 1st April 2005. Eventually, the remaining States followed suit (Box 3).

As of now, all the States have a system of VAT, known as state-VAT. The coverage of tax includes sale of all goods except diesel oil, petrol (gasoline), aviation turbine fuel (ATF), natural gas and liquor. It has two basic rate categories of 4% and 12.5% (standard rate) with some tax-exempt items and two special categories: 1% on gold, silver, and ornaments, and 20% on petroleum products.

Efforts Towards Introduction of GST

After successful implementation of State-level Value Added Tax (VAT) in all the States, further reforms involving the introduction of a goods and services tax (GST) are under way. It was originally planned that GST will be introduced with effect from the 1st April 2010. However, owing to some discussions still going on in the Empowered Committee of State Finance Ministers (EC), and owing to some delay in finalizing the design of GST, it is likely that the introduction of GST is delayed.

The basic objective for transition to GST is to have an efficient, effective and taxpayer friendly system of taxation of goods and services, in line with the best international practices. Also, there is a need for preserving the sovereign powers of the Central and State governments in taxation matters. Furthermore, the need is to propose a model that is easy to implement and is also acceptable to all the stakeholders. However, there are significant administrative issues involved in designing an effective GST model in a Federal system given the main objective of having a unified market.

In pursuance of this objective, the EC constituted a Joint Working Group to give recommendations regarding detailed framework to be adopted for GST. The Joint Working Group recommended a dual GST as it felt that a single harmonized GST is not possible given the prevailing Union-State relationship as well as the federal character of the economy.

It is proposed that the Indian GST model will have two components – one levied by the Union i.e. Central GST (hereafter referred to as CGST) and the other levied by the States and Union Territories (called SGST).

The CGST and SGST would be applicable to all transaction of goods and services at the rates prescribed by the respective Governments for their components of GST. Taxes paid against CGST will be allowed to be taken as input tax credit (ITC) for CGST only. The same principle will apply for SGST as well. That is, the cross utilisation of ITC between CGST and State GST will not be allowed.

Exports would be fully zero rated *i.e.* exports will be relieved of the burden of all embedded taxes and duties levied by both the Union and the State Governments. Further, given the Special Economic Zone (SEZ) Act, goods and services supplied to units located in SEZs should also be relieved of all embedded taxes and levies. But since SEZ is a legislative construct based on the concept of "deemed foreign territory", goods supplied to these zones would be zero rated. This benefit would only be limited to the processing zones of the SEZs. No benefit would be allowed for the sales from SEZ to Domestic Tariff Area. Necessary tax exemptions, remissions etc., related to industrial incentives would be converted into cash refund schemes to ensure continuation of GST chain. No new exemption, remission etc., or continuance of earlier exemption, remission etc., would be allowed. In such cases, the Central and the State Governments could provide reimbursement after collecting GST.

GST Rate Structure: Ideally, to keep the GST neutral to economic transactions, both CGST and State GST should be at single rates. Some advantages of single rate include reduced compliance and collection costs, and no distortions in resource allocations. However, keeping in view the economic realities of the Indian economy, the EC has decided to tax certain categories of goods at a rate lower than the standard rate, for both CGST and SGST. Also, precious metal, jewellery, precious stones and diamond will be taxed at a very low rate of 1%. Higher rate would be levied on petroleum products and tobacco etc. A similar rate structure would be adopted for the CGST as well. The final design assumed in this study has been depicted in Chapter 6.

Harmonization of Interstate Tax

Under the Indian Constitution, as stated earlier, taxation of inter-State transactions is a subject under the jurisdiction of the Union Government. Entry 92A of the Union List in the Seventh Schedule of the Constitution authorizes the levy of “taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of interstate trade or commerce”. However, while the authority to levy the tax remains under the jurisdiction of the Union Government, section 9 of the CST Act entrusts the task of administering the tax to the States. The States are also allowed to retain this revenue. In effect, the tax has been assigned to the States. Thus, the tax is administered, collected and retained by the exporting State, on the basis of 'origin'.

Although the CST serves the purpose of regulating the flow of inter-State movement of goods, it is not compatible with the concept of a unified market in a federal country like India. It is contrary to inter-jurisdictional equity, causes cascading, discriminates against the consuming States and hinders the formation of a common Indian market. Also, its procedural requirement of a C Form results in corruption in the tax administration.

Phasing out of CST

Keeping in view the above stated weaknesses and the demands of the open and liberalized economy, it was felt that an ‘origin base’ tax hampers the inter-State trade, and puts Indian industry and business at a considerable disadvantage in comparison to producers abroad, whose products are now being imported on an increasing scale. In addition, India has made a commitment in the summit meetings with heads of the SAARC countries that within the SAARC region, all goods should move freely. In this context, it will not be practical to have any trade barriers to inter-State trade within India.

There is growing realization that CST is distortionary and breaks the chain of transactions in the Indian common market. It, therefore, becomes imperative to abolish CST. It has now been decided to phase out CST by 1% point every year, so as to reduce it to zero by March 31, 2010[12]. As of now, it has already been reduced to 2%. In doing so, the Union Government has announced some compensatory measures for the States, which are as follows:

- Withdrawal of the benefit of concessional CST rate on inter-State sale to Government Departments, against submission of Form-D.
- Enabling States to levy VAT on tobacco @ 12.5%.
- Transferring to the States the revenue from 33 services currently subject to Service Tax and assigning 44 new services to them (as and when taxed).
- Filling any gap through budgetary support during 2007-08, 2008-09 and 2009-10, in case the additional revenue raised does not fully cover the revenue loss.

While the CST is gradually being phased out, a new incarnation of the interstate taxation under GST would be Integrated GST (IGST), which would govern taxability of inter-state sales of goods and services. The IGST would be levied by the Centre on the interstate seller on its value addition after adjusting credit of CGST, SGST and IGST on inputs. The tax amount would be aggregate of CGST and SGST. The inter-State purchaser would use the credit of the IGST paid on his purchases to discharge the output tax liability in his own State. A clearing house mechanism will be set-up for transfer of revenue between the importing state, the exporting State and the Centre. Since CGST and SGST are to be treated separately, credit of CGST and SGST would be allowed against respective taxes only. Cross utilization of Input Tax Credit is permissible only in case of Inter State supply of goods and services.

The scheme of IGST would be supported by the Tax Information Exchange System (TINXSYS), already put in place. This provides for effective tracking of inter-State transactions. The process of setting up of TINXSYS is complete and the required data is being uploaded by the States. Also, there would Clearing House Mechanism to apportion revenue to the consuming States.

Conclusion

The progress towards the introduction of GST in India has shown slow but steady progress. To begin with, a dual VAT (both at the Union and States) has been introduced. It was mainly confined to goods; services were taxed only by the Union with some tax credit given by the Central Government from the Central VAT. Over time, the effort has been to convert the existing VAT into a system of GST. Accordingly, the CST is being tapered off. It has already been reduced from 4% to 2% in the last two years. It will be brought down to zero by the time GST is introduced. This would sort out the issues related to taxation of inter-State trade, making India one unified market. Taxation of services is being assigned to the States as well. Constitutional amendment has already been made to put services in the Union List. Further amendments are on the cards to assign these to the States as well.

12 It has already been reduced to 2 percent from April 1, 2008.

6

Revenue Implications of Introducing GST

Introduction

The evolution of GST in India has taken interesting turns during recent years. On 19th November 2007, the Joint Working Group on Goods and Services Tax, appointed by the Empowered Committee (EC), recommended not only the replacing of the existing CenVAT and service tax levied by the Central Government and the state-VAT levied by the State Governments but also suggested the subsuming of all indirect taxes on supply of goods/services by the Centre and the State Governments. It recommended that the countervailing duty levied at the time of imports and the union excise duty (now known as CenVAT) and service tax levied by the Centre, and the four important State taxes, *viz.* state-VAT (which has replaced sales tax recently), state excise duty, entertainment tax and electricity duty should also be subsumed in the GST.

However, after much debate, the EC proposed on 30th April 2008, *vide* its document titled *A Model and Road Map for GST in India*[1], that the design of GST would not encompass state excise and electricity duty. The EC carefully reconsidered the issue at various meetings and finally proposed that the GST would confine its purview to (i) Additional Duty of Customs (known as countervailing duty); (ii) CenVAT and service tax accruing to the Union Government and (iii) state-VAT (including its variants), entry tax (non-vatable) which is not in lieu of octroi, luxury tax and entertainment tax (including tax on lottery, betting and gambling) unless the tax has been assigned to the local bodies etc. belonging to the State Governments.

To have further consensus on some of the aspects of structural design as also on administrative issues the EC released its first *Discussion Paper on GST in India*[2] on 10th November 2010. The Discussion Paper reiterates the basic features of GST as laid down in the Report of the JWGgst. Accordingly, the CGST would subsume Central Excise

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[1] Empowered Committee of State Finance Minister (2009), *A Model and Road Map for Goods and Services Tax in India,* New Delhi.

[2] Empowered Committee of State Finance Minister (2009), *The First Discussion Paper on Goods and Services Tax in India,* New Delhi.

Duty, Additional Excise Duties, Excise Duty levied under the Medicinal and Toiletries Preparation Act, Service Tax, Additional Customs Duty levied on imports in lieu of Central Excise Duty at the time of imports, Special Additional Duty of Customs levied in lieu of VAT payable, at the time of imports, and Surcharges and Cesses. The SGST would subsume VAT / Sales Tax, Luxury Tax, Taxes on lottery, betting and gambling, State Cesses and Surcharges, Entertainment Tax not levied by local bodies, and entry tax not in lieu of octroi. However, inclusion of purchase tax, levied by the States, within the GST framework is still under discussion.

Products containing alcohol and petroleum products (*viz.* crude oil, motor spirit including aviation turbine fuel and high speed diesel oil) would be kept outside the purview of GST[3]. Tobacco Products would be subject to GST with input tax credit. However, Centre may levy excise duty on tobacco products over and above GST.

Uniform threshold limit across States should be adopted at Rs. 10 Lakh both for goods and Services. Threshold for the CGST for goods may be maintained at Rs. 150 Lakh. Higher threshold limit may be considered for CGST on Services.

Composition scheme with special floor rate of 0.5% across the States would be available to tax payers having gross annual turnover not exceeding Rs 50 lakh.

Structure of GST

Although the structure of GST is yet not crystal clear, over time, it has been given some perceptible shape, as given below:

Two Components of GST: As of now it is understood that the GST will have two components – Central GST (CGST, levied by the Centre) and State GST (SGST, levied by the States). The rates of tax on goods as well as on services under both these components will be the same. The rates would finally be decided keeping in view the revenue considerations, total tax burden and the political acceptability of the tax.

The Base of GST: It is proposed that the existing base of the CenVAT, which encompasses goods only up to the manufacturing level, would be extended up to the retail level. Also, all the services would form the base of both the Central GST (CGST) and the State GST (SGST). The rate of GST would be the same both for CGST and SGST. Petroleum products would be out of the coverage of GST, as presently being done under VAT. Tobacco would be part of the GST base but the Center would in addition levy special excise to yield larger resources.

In the initial discussion it was suggested that GST would merge many of the state commodity taxes. However, the final emerging picture indicates that while all taxes related to sales tax (such as additional sales tax, entry tax etc) would be subsumed under the GST, the only other tax that would be subsumed under GST is the entertainment tax.

3 Decision regarding the inclusion or otherwise of the natural gas in GST will be taken after further deliberations.

That is, all other state taxes except the taxes related to sales tax (or VAT) and entertainment tax would not be merged under GST.

Further, as stated earlier, the Central Sales Tax (CST) would be reduced to zero by April 1, 2010. The taxation of interstate transactions would, however, be governed by interstate GST (IGST). This would have no additional revenue for the exporting State, as is the case under CST, and would also, not have tax exporting for the importing State. Therefore, in this study for all estimations of SGST revenue, the yield of state-VAT is taken net of CST revenue.

The Rate Structure of GST: The GST will have two rate categories: 4% on some basic necessities and a standard rate of 8% or 9% on rest of the goods as well as services. In addition, there will be a special rate of 1% on silver and bullion and zero percent (tax exempt items) on a few select bare necessities. Petroleum products (which would be out of the coverage of GST) would be taxed at a higher rate of 20% or more. While tobacco would be part of the GST base the Center would in addition levy special excise to yield larger resources. It is, therefore, assumed that the rate of tax for tobacco would almost be the same as at present.

Assuming the above structure of GST (which determines the base of the tax)[4] and the given rates, this chapter presents projections of revenue from the proposed tax for the period of award of the 13th Finance Commission, *viz.* 2010-11 to 2014-15.

Estimation of CGST Revenue from Taxation of Goods

Three approaches[5] have been used for the estimation of revenue collected from the taxation of goods through CGST (at the Central level), *viz.* revenue approach, turnover approach and the consumption approach. Under the revenue approach, two different methods, *viz.* growth rate method and the buoyancy method have been adopted.

A. Revenue Approach

This approach is based on the trends in the yield of the tax. The data for aggregate revenue and the commodity-wise revenue have been obtained from the Budget

[4] This study does not take into account the Revenue Neutral Rate (RNR) for calculating revenue implications of the proposed GST. Instead it adopts the tax rates for CGST and SGST as inferred from the information available in the public domain.

[5] Estimation of GST revenue is possible through different methods such as addition method, subtraction method, tax-credit method etc (See for the details of these methods Purohit, Mahesh C (2007), *Value Added Tax: Experiences of India and Other Countries*, Gayatri Publications, New Delhi). However, these methods require data base which is just not available. In fact, we did try to adopt one of the approaches by using data base found in the company balance sheets provided by the Centre for Monitoring Indian Economy (CMIE). To adopt this approach, we got the programme 'PROWESS' from the CMIE and used it to collect information from the balance sheets of the companies. This related to sales and value added in order to estimate the likely GST revenue. However, we were disappointed to find out that while the CMIE had a very large data base covering the corporate sector, their latest coverage of this data base is very limited. Hence, the information collected from the CMIE was not found to be very useful. The details of data base collected from the CMIE are given in Annexure A.6.36 to this chapter. After reviewing all the possibilities of adopting different methods/approaches this study finally estimates revenue of GST by adopting three methods/approaches for CGST and two methods/approaches for SGST.

Documents of the Union Government, the Directorate General of Data Management Centre and the Tax Research Unit of the Union Government. Data on other variables have been obtained from the CSO. In following this approach, as stated earlier, two methods have been used, as given below:

Growth Rate Method

An important and widely used measure of estimation of growth rate is based on time series data for the tax over a period of time. This estimate may be made with reference to the preceding year or with reference to the preceding time period (time series).

Although data on CenVAT revenue are available for a long period, owing to substantial changes in the structure of the tax during the period under reference, this study makes use of data on CenVAT revenue (PLA[6]) for the period 2002-03 to 2007-08. As the revenue from different commodities vary considerably according to the pattern of production and demand. (Annexure Table A.6.1), data on revenue for 140 commodities have been collected from the Central Board of Excise and Customs (CBEC). After putting these in ascending order of revenue significance, 10 major commodity groups have been formed according to their respective shares in gross revenue[7]. Two separate groups are made for petroleum and tobacco products while rest of the other commodities have been categorised as "all other commodities" (Table 6.1).

Using the data so obtained, the study at the outset calculates the change in revenue in 13 major commodity groups over the preceding year and estimates average annual change over the period 2002-03 to 2007-08[8]. Applying the average change over the period to the base year 2007-08, it estimates the revenue for the next year and for the subsequent years[9]. Thus, the revenue has been projected at the current rate of CenVAT (say, 12 percent) for the period 2010-11 to 2014-15 (Annexure Table A.6.3).

However, to estimate the revenue from the new CGST, two rate scenarios have been adopted, *viz.* at 8 percent and at 9 percent[10]. The revenue is estimated keeping petroleum and tobacco products out of GST and taxing them at their existing rate of UEDs, which is around 20% and 40%, respectively[11].

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[6] Personal Ledger Account (PLA) signifies the amount of CenVAT revenue paid by a dealer to the Government. This study, therefore, uses the term 'PLA' as a synonym of 'excise revenue'.

[7] These commodities generate more than 60 percent of total revenue (excluding petroleum and tobacco products).

[8] This is calculated as the ?R/R, where ? represents the change over the last year and R represents revenue collection.

[9] To test the correctness of the methodology, we have estimated revenue for the year 2007-08 on the basis of the change in the revenue during 2002-03 to 2006-07. When the estimated revenue is compared with the actual revenue of the year, the deviation is found to be only 1.90 percent (Annexure Table A.6.2).

[10] This is based on the fact that the Empowered Committee has not yet finalised whether the rate would be 8 or 9% for each of the components of GST.

[11] The proposed structure of GST assumes that the tobacco products would be included under the GST base but the Centre would in addition to GST rate, levy an additional duty (say in the form sumptuary

(footnote continued)

The revenue so estimated is drawn from the current base, which is up to the level of manufacture only. As the current base under CGST would be extended up to retail level, based on the studies on market surveys of NSSO on trade margin, 20 percent has been added to the estimated figures for the year 2010-11[12] to take the extension into account. Using the estimated revenue for the extended base for the year 2010-11 as the base, revenue is further projected for the subsequent years.

In view of the fact that the base of CGST and SGST would be the same; CGST would cover all the commodities that are presently being taxed by SGST, many of the commodities that fall in the agriculture sector and do not come under the purview of manufacture, would also be covered under the CGST. This would, therefore, further extend the base of CGST. Based on the review of commodities falling in the category of 4% under SGST, it was estimated that this inclusion will have 10% increases in the base of CGST. Accordingly, 10 percent of the revenue generated from standard rate of 8% (or 9 percent) is added to the CGST revenue to take account of change in base due to inclusion of commodities under CGST which were not manufactured goods[13].

More importantly, introduction of GST would have many positive implications for the tax system as also for the overall economy. It would, for example, lead to better allocative efficiency and have least distortionary effects. Consequently, the growth in GDP will be higher than otherwise (without GST). It is assumed that the gain in GDP will be 2% p.a.[14] due to the introduction of GST. It is also presumed that the introduction of GST would have a positive effect on demand due to lower tax burden and consequent reduction in price. It will also lead to better compliance and less evasion of tax. In the light of the experience of other countries that have gone in for GST, it is expected that the Indian economy will gain 3% increase in tax-GDP ratio. Taking both aspects into account, it is assumed that there will be in an increase of 5% p.a. We have, therefore, increased the yield by 5% of the revenue drawn from items falling under 8%.

We thus obtain the new revenue from CGST by adding all the above components. That is, we add revenue generated at 8 percent (or 9 percent), revenue due to inclusion of commodities under CGST, and change in revenue due to change in tax rate, - and revenue

excise). This being a revenue mobilisation measure, we have presumed that the tax rate would be same and hence revenue would not be affected by presuming this to be out of GST.

[12] This is based on the Survey of Retail Trade Margins attempted by the CSO. See for details, Government of India, *Sarvekshana,* April-June 2000, CSO, New Delhi (Annexure Table A.6.4). We have followed the results of the CSO on the ground that consumers in general and rural consumers in particular spend nearly 50 to 60% of their incomes on agricultural goods and purchases from non-organized sector. Also, urban consumers mainly buy from organized sector. The retailers margin in all the goods (such as footwear, cotton textiles, hosiery goods, readymade garments, woollen goods, plastic goods, other synthetic goods, precious stones, artificial jewellery, bulbs & tube, radio-transistor, tape, electrical appliances, crockery, potteries, wood products, soft drinks, wine and intoxicants, toys and sport goods, coal-firewood etc.) purchased by them is around 20%. Ideally, we could have taken weighted average of trade margin of all these goods but this could not be done due to unavailability of details of turnover break-up along with trade margin of each of the commoidites.

[13]

[14] NCAER (2009), *Moving to GST in India: Impact on India's Growth and International Trade,* New Delhi.

from petroleum and tobacco products would give the total revenue of Centre from goods, as shown in Table 6.2 and 6.3.

Buoyancy Method

While the growth rate method estimates revenue performance independent of any factor that might contribute to growth, another method for estimating revenue adopted in this study makes use of the concept of buoyancy of tax revenue. It is a measure of responsiveness of the tax or any revenue measure to changes in the base (e.g. income), including the effects resulting from changes in the structure of the tax. This method measures the relative growth of revenue by computing the percentage change in revenue with respect to a one percent change in GDP. If this coefficient comes out to be greater than unity, revenue is said to be buoyant[15].

Buoyancy of the net revenue from CenVAT is calculated using the data for the period 1991-92 to 2006-07, while GDP from the manufacturing sector has been taken as the base for the tax (Annexure Table A.6.5). The responsiveness of revenue with respect to GDP from manufacturing is found to be of the order of 0.84. This buoyancy value is then used to calculate the buoyancy based growth rate (BGR) by multiplying the buoyancy value with the rate at which GDP is expected to grow during the projection period[16]. This BGR is used to estimate revenue for the period 2010-11 to 2014-15. This would give the revenue at the current rate of CenVAT. As a next step, CenVAT revenue is categorised into three groups, *viz.* all commodities except petroleum and tobacco products; tobacco products and petroleum products (Annexure Table A.6.6).

CGST revenue is estimated at two rates, *viz.* at 8 percent and at 9 percent. Of the above mentioned groups, revenue from only first group, *viz.* all commodities except petroleum and tobacco products is estimated at CGST rates, while other groups are assumed to be growing at existing rate of UEDs. Also the revenue base is increased by 20 percent for all the commodities to take note of the fact that CGST would be levied up to retail level. To the total revenue so arrived we have added the 10 percent of revenue generated at the rate of 8 percent (or 9 percent) as a change in base due to inclusion of commodities under CGST which were not manufactured goods. Furthermore, revenue is further increased by 5 percent of revenue generated through GST rate of 8 percent (or 9 percent) to take account of change in estimated revenue due to change in tax and in turn in demand for commodities. The total revenue of Centre from goods is presented in Table 6.4 and 6.5.

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[15] Symbolically, buoyancy coefficient (b) could be expressed as ?R/R ÷ ? Y/Y, where R stands for revenue and Y stands for GDP (or GSDP). The functional form used to measure buoyancy is of the type:

$$R = aY^b \qquad (1)$$

When this exponential form is transformed into a logarithmic form, it changes to:

$$\log R = \log a + b \log Y \qquad (2)$$

Where R is the CenVAT revenue and Y is the GDP from manufacturing**,** and *b* is the buoyancy coefficient. This relation shows the percentage change in revenue with respect to the percentage change in GDP.

[16] It is assumed that the GDP from manufacturing during projection period would grow annually at the rate it was growing during 1991-92 to 2006-07, *i.e.* around 12 percent.

B. Turnover Approach

This approach is based on turnover of commodities and is applicable only where the requisite management information system (MIS) is in place to collect revenue and turnover statistics, on the basis of commodity classification[17]. In many of the States, existing MIS is rudimentary and does not provide requisite data on turnover by commodities. Hence, this approach has been used for estimating trends at the Central level only.

In the case of CenVAT, the data on revenue (known as PLA) and on input credit[18] is available from the Data Management Centre of the CBEC. Since CenVAT on all commodities was introduced in the year 2002-03, the commodity-wise gross revenue (PLA+CenVAT) from 140 commodities has been collected for the year 2002-03 to 2007-08 (Annexure Table A.6.7). After arranging these in ascending order of revenue significance, 13 major groups have been formed according to their share in gross revenue. This includes two groups for tobacco and petroleum products (one for each commodity group), ten commodity groups according to share of each group in total, and rest of the commodities grouped as "all other commodities".

Dividing the gross revenue (PLA+CenVAT) of these commodities by the existing CenVAT rates, we have obtained the commodity-wise turnover for the given years (Table 6.6).

Average annual percentage change in turnover is then calculated for all the years, *i.e.* 2002-03 to 2007-08 (Table 6.6). The turnover figures are then estimated for the years 2010-11 to 2014-15 by assuming that the average rate of growth of the economy, rate of inflation and structure of economy remains same over the period, and that the turnover rises at the average annual rate (Annexure Table A.6.9). By multiplying the base values by the CenVAT rates, we obtained the CenVAT revenue estimates (Annexure Table A.6.10) [19].

However, for estimating the revenue at CGST rate, two rate scenarios have been developed, *viz.* at 8 percent and at 9 percent. All commodities are taxed at these rates except petroleum and tobacco products for which it is assumed that they would continue to grow at the existing UEDs rates.

Further, to take into account the increase in CGST base up to the last point, *i.e.* the extension of base up to retail level (from the existing manufacturing level) the

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[17] Efforts in this direction have already been made to assess revenue implications for the introduction of VAT. See Purohit, Mahesh C. 2006. *State-Value Added Tax in India: An Analysis of Revenue Implications,* Gayatri Publications, Delhi-110052.

[18] In excise parlance this is known as CenVAT. Since we use this word to refer to the tax itself, herein we use instead the word 'input credit' to avoid confusion.

[19] With a view to checking the efficiency of the methodology adopted, as done in the revenue approach, we have first taken commodity-wise data on turnover for the period 2002-03 to 2006-07 and estimated the average annual change over the period. Applying this average change to the data for the year 2006-07, we have estimated the turnover for the year 2007-08 and compared the same with the actual turnover of the year. The deviation in the estimated as compared to actual turnover was 3.38 percent only (Annexure Table A.6.8).

turnover for the year 2010-11 (*i.e.* the year of introduction of GST) is increased by 20 percent and turnover is projected accordingly for the subsequent years (Annexure Table A.6.9). Multiplying the turnover with CGST rates (8 percent and 9 percent) we arrive at the total revenue inclusive of input credit. The PLA revenue from CGST is, therefore obtained by discounting this by the ratio of CenVAT to PLA.

This exercise would give the Centre's revenue from commodities generating revenue at the CGST rate of 8 percent (or 9 percent) and from petroleum and tobacco products. To this total we have added the 10 percent of revenue generated at the rate of 8 percent (or 9 percent) as a change in base due to inclusion of commodities under CGST which were not manufactured gods. Furthermore, attempt is made to take note of change in estimated revenue due to change in tax and in turn in demand for commodities. In effect, therefore, 5 percent of revenue generated through GST rate of 8 percent (or 9 percent) is added to the revenue. Total estimated revenue from turnover approach at the two different rates of 8 percent and 9 percent is presented in Table 6.7 and Table 6.8, respectively.

C. Consumption Approach

This approach uses macro data on consumption expenditure and capital formation. This includes private final consumption expenditure (PFCE) and the Government final consumption expenditure (GFCE) on commodities and capital formation..

PFCE on commodities at market price is obtained for the period 1999-00 to 2007-08 from the National Accounts Statistics (NAS), published by Central Statistical Organisation (CSO)[20]. As these are inclusive of indirect taxes paid on purchases, we have deducted the indirect taxes paid by consumers from this to determine PFCE at factor cost (Annexure Table A.6.11).

PFCE consists of commodities produced by both the organized and unorganized sectors. The consumption expenditure incurred on purchases from unorganized sector has been deducted from the PFCE as the purchases from the unorganised sector do not have a tax burden. For doing so, the information on the share of unorganized sector in total production has been obtained from CSO[21]. We thus obtained that part of PFCE at factor cost which has been bought from the organized sector, *i.e*. PFCE net of the unorganized sector (Annexure Table A.6.12).

It is, however, important to note that some inputs that go into the unorganized sector are purchased from the organized sector and hence, these inputs bear a tax burden. We have, therefore, added to the PFCE the share of these inputs purchased by the producers in the unorganised sector from the organized sector, on which the tax is paid. This has been estimated using input-output ratios obtained from the Input-Output Table

[20] Central Statistical Organisation (2009). *National Accounts Statistics, 2009,* Ministry of Statistics and Programme Implementation, New Delhi-110 001.

[21] *Ibid.* Statement 76.1. Some adjustments have been made in the ratios, especially for food items.

for 2006-07[22]. In doing so, it is assumed that 60 percent of the inputs are bought from the unorganized market. Hence, remaining 40 percent of the inputs are assumed to be taxable, and the tax revenue from these inputs has been added to the PFCE (Annexure Table A.6.13)[23].

PFCE so obtained is added to GFCE to arrive at the total consumption expenditure. This has been done by using data from the National Accounts Statistics regarding the net purchases of commodities and services by the Government and then segregating GFCE on goods alone, presuming the ratio of expenditure between commodities and services bought by the Government to be in the ratio of 50:50[24]. As this GFCE on goods is inclusive of tax, we have deducted indirect taxes paid by Government on its purchases. By doing so, we have obtained GFCE at factor cost. Adding GFCE at factor cost to PFCE we calculated the total consumption expenditure which should be taxable (Table 6.9).

Apart from paying tax on consumption, the Government also pays tax on gross capital formation (GFCF) which includes government expenditure on all relevant items of new capital goods produced domestically or imported, net of exports. It also includes second-hand imported goods. We have, therefore, estimated GFCF for the economy. Since GFCF consists of two main components, *viz.* construction and machinery & equipment, we have compiled data from the CSO for the period 1999-00 to 2007-08[25] by type of institutions, *viz.* public sector, private sector and household sector. Since expenditure on construction and machinery & equipment in private sector are in nature of intermediate input for which full and immediate credit is available this is excluded from the GFCF for estimating GST base. We have thus included expenditure by public (administrative departments) and household sector only.[26]. In regard to expenditure on construction in household sector[27]., we have added total expenditure on material but

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[22] Central Statistical Organization, (2009), *Input-Flow Matix, 2006-07*, Ministry of Statistics and Programme Implementation, New Delhi-110 001

[23] This is based on the aggregate share of organized and unorganized sectors in the economy. See CSO (2008), *National Accounts Statistics, 2009*, Ministry of Statistics and Programme Implementation, Government of India, New Delhi, Statement No. 76.1, p. 189.

[24] As the break-up of this is not available, we have assumed it to be 50% based on the economic classification of the budget of the Central Government. See, Government of India (2008), *An Economic and Functional Classification of the Central Government Budget, 2007-08*, Ministry of Finance, New Delhi, p. 24.

[25] Central Statistical Organisation (2009). *National Accounts Statistics, 2009*, Ministry of Statistics and Programme Implementation, Government of India, New Delhi-110 001, Statement 19 and 31.

[26] GFCF in public sector includes GFCF in administrative departments, departmental enterprises and non-departmental enterprises. Of these, GFCF in administrative departments only is of the nature of final use while in others it is of commercial nature and therefore does not form part of GST. For GFCF in administrative Departments the study includes GFCF of electricity, gas & water supply; construction, public administration & defence and other services only. The details of gross additions to fixed assets by administrative departments over the years are given in Statement 31 of NAS, 2009.

[27] The expenditure on construction in household sector comprises of two components, *viz.* material and labour. Of this, only expenditure on material would be taxable as labour mainly comes from unorganized sector.

adjusted expenditure on labour by 1/3rd to take into account the supply of labour from unorganised sector[28]. To the rest, we have added the expenditure on machinery and equipment by household to arrive at the GST base of GFCF from household sector.

Adding capital formation by Government administrative departments and household sector we obtained GFCF at market price. Since GFCF at market price is inclusive of tax, we have deducted indirect taxes paid by the household and the Government to arrive at the GFCF at factor cost. Adding the GFCF at factor cost to the private and government consumption expenditure at factor cost obtained above, we arrive at the total taxable base for GST.

Having prepared the series, we have calculated the yearly percentage change for the period 1999-00 to 2007-08. Average percentage change estimate is then used to calculate the taxable base for the projection period[29] (Annexure Table A.6.15). Multiplying the base with the existing CenVAT rate, we have calculated the CenVAT revenue (Annexure Table A.6.16).

However, for estimating CGST revenue two rate scenarios are considered, *viz.* 8 percent and 9 percent. In both the scenarios, petroleum and tobacco products have been kept out of GST and are taxed at existing UED rates. All other commodities are taxed at 8 percent with some exemptions.

Further, to take note of the effect of new coverage under the CGST of those agricultural and some industrial outputs which would now be taxed at 4%, we have increased the revenue of those commodities that are presently being taxed at the rate of 8%. [30] (Table 6.10 and 6.11).

Also, to take note of the effect of change in tax rate and its implication on demand for commodities and hence on revenue generation, 5 percent of the CGST revenue estimated is added to the total revenue[31] (Table 6.10 and 6.11).

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[28] Since the break-up of expenditure on material and labour used in construction is not available, we have deducted the one-third of expenditure from the total expenditure on construction on account of exclusion of expenditure on labour. See Thirteenth Finance Commission. 2009. *Report of the Task Force on Goods and Services Tax,* December, 2009.

[29] However, to have a check on the validity of the methodology adopted, first the taxable base for the period 1999-2000 to 2006-07 has been taken and the average change over the period was then estimated. Applying this average annual change to the data for the year 2006-07, the figures for the year 2007-08 have been obtained. When the estimated revenue is compared with the actual revenue of the year, the deviation is found to be – 1.27 percent only (Annexure Table A.6.14).

[30] The increase of 10% is based on an unpublished study undertaken in 1979 when the proposal to replace sales tax by central excise was ripe. The study estimated that Rs. 600 crore (being collected that time from agriculture produce under sales tax) would not be collected if sales tax was to be replaced by union excise duty which is a tax on manufacture goods only. Using this information we have updated the value by taking index number of wholesale prices and food grain production. Even otherwise, back of envelop calculations indicate the consumption of food grains (from marketable surplus) is 214000 crore at current prices (estimated from the data related to food consumed in 2006-07 at current prices). Adding tobacco and salt which are not taxable under CenVAT, the taxable base would increase considerably. Our assumption of 10%, therefore, is rather conservative.

[31] As the detailed classification of commodities is not available with 4% items, we have applied 8% rate to

(footnote continued)

Estimation of SGST Revenue from Goods

Given the structure of GST, which determines the base of the tax at the State level, this study presents projections of revenue from the proposed GST for the States for the period of award of the 13th Finance Commission, *viz.* 2010-11 to 2014-15.

The projections at State level are based on the revenue approach as well as on the consumption approach. Turnover approach could not be used for the estimation of revenue from GST for the States due to non-availability of turnover data from the States[32]. However, to strengthen our methodology for the estimation of revenue from the States, we have adopted three methods under the revenue approach. These are as given below:

A. Revenue Approach

The first approach in estimation of revenue for the States is based on trends in the revenue of sales tax (state-VAT). This is estimated through the growth rate method, buoyancy method, and Tax-GSDP ratio method.

Growth Rate Method

As explained earlier, this method uses time series data for the tax over a period of time. The data on sales tax revenue are available for a longer time period but the period under reference has witnessed landmark changes in the structure of the tax, which is reflected through wide fluctuations in revenue from sales tax/VAT over the years.

One of the important changes relates to adoption of uniform floor rates (UFR) by all the States in 1999-2000. This led to an upsurge in the revenue of the States, indicating a sort of shift in intercept. Also, State-VAT was introduced in different States at different points of time. While the majority of States had introduced state-VAT by 2005, the overall shift was accomplished by 2008, indicating inconsistency in trends in revenue from the tax in the post-VAT era[33]. This is explained by the fact that (1) VAT was a new tax; (2) the rates of the tax have been considerably changed after the introduction of uniform floor rates; (3) the new tax has captured additional value added in the system after the first-point of sale in the State; and (4) most of the States could not fully change the administrative machinery of the department to conform to the new tax regime.

Keeping in view the progressive shifts in the tax system and the constraints of availability of requisite data, this study selects the period from 1995-96 to 2007-08 for all the States but opts for the period from 2001-02 onward for the bifurcated and newly

most items with some at zero percent and ignored 4% rate. Presumably 8% on cereals and pulses compensates the adjustment.

[32] These data are available only where the requisite MIS is in place. As of now, no State has put in necessary MIS to obtain data on revenue and input credit, as available with the CBEC. Due to lack of data on input credit, it is not possible to obtain turnover estimates of commodities under State-VAT. Although some States have collected data on revenue, the method of collection (as well as coverage) is neither comparable nor useful for further statistical estimation.

[33] See for details Box 5.3 in chapter 5.

formed States. This was to give clarity regarding the situation of tax revenue with the new State boundaries and to facilitate the estimation of growth in revenue. Similarly, for Arunachal Pradesh and Mizoram, which did not have sales tax at that time, we have taken revenue from 2001-02 onward when the sales tax was introduced in the respective States.

Also, based on the announcement already made by the Union Government, in this study it is assumed that the rate of the Central Sales Tax (CST) would be brought down to zero by April 1, 2010. Hence, for all projections, we have taken total sales tax revenue of a State *minus* its revenue from the central sales tax (CST). Accordingly, at the outset, we have prepared a series of state sales tax revenue[34] (net of CST) for the period 1995-96 to 2007-08 for all the States[35], as given in Annexure Table A.6.17.

Taking selected years as the base, average annual percentage change in revenue is calculated as follows:

1. First, state-wise APC is calculated using continuous time period from 1995-96 to 2007-08.
2. Second, taking 2005-06 as benchmark, a simple average of the APCs of the two periods, *viz.* pre 2005-06 and post 2005-06 is taken. This is taken to integrate the positive effects of the newly introduced VAT.
3. Third, the APC of post-UFR and pre-VAT period is obtained; and
4. Fourth, average of per year percentage change in pre and post VAT years is calculated.

In calculating APC through above ways, we have ignored the years in which the revenue change is abnormal (Annexure Table A.6.18). A comparative picture of the above is given in Annexure Table A.6.19.

After going through the calculations of the above we have decided to adopt the fourth method based on the average of pre-VAT and post-VAT period (shown in bold font in the Annexure Table A.6.19). This method takes into consideration the structural changes brought into the tax system more appropriately and convincingly. The estimates of the APC are in tune with different States as well as with the country as a whole. The other methods do not appropriately take into account the fluctuations in the revenue due to introduction of VAT (Annexure Table A.6.20).

Applying this growth rate to the latest year for which revenue is available, we estimate the revenue from SGST for the projection period, *i.e.* for the years 2010-11 to 2014-15[36]. However, the revenue so obtained for the projection period is at the current rate of state-VAT and not at the rate of GST.

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[34] The data have been collected from Comptroller and Auditor General, *Finance Accounts,* New Delhi. (Various Issues).

[35] Although the States have introduced State-VAT in place of sales tax, in this section 'sales tax' is synonymously used to represent state-VAT as well.

[36] However, to have a check on the validity of the methodology adopted, we have first applied the average

(footnote continued)

As envisaged by the Empowered Committee, under the GST regime, necessities are to be taxed at the current rate of 4 percent. Similarly, petroleum products and tobacco will be taxed at a higher rate and be out of GST net. However, commodities falling under the rate category of 12.5 percent (standard rate) are likely to be taxed at reduced rate of 8 percent or 9 percent. This implies that all commodities will continue to be taxed at existing rate except commodities that are taxed at the standard rate of 12.5 percent.

The data on revenue by commodities available from different States indicate that around one-third of revenue is generated through the standard rate. Therefore, to obtain the revenue under GST regime, one-third of revenue so projected at the current State-VAT rate is multiplied by 8 percent (or 9 percent) and divided by 12.5 percent.

These estimates are based on the assumption that the rate of economic growth and the growth of revenue in the later years (after the introduction of GST) would be normal, as was the case under VAT. However, as discussed earlier, the introduction of GST would have many positive implications for the tax system as also for the overall economy. It would not only lead to better allocative efficiency but would have least distortionary effects. Consequently, the growth in GDP will be higher than otherwise (without GST). We have, therefore, assumed that the gain in GDP will be 2% p.a. due to the introduction of GST. It is also presumed that the introduction of GST would have positive effect on demand. It is, therefore, expected that the Indian economy will gain 3% increase in tax-GDP ratio. Taking both aspects into account, it is assumed that there will be in an increase of 5% p.a. We have, therefore, increased the yield by 5% of the revenue drawn from items falling under 8%.[37] The total revenue from commodities under GST system through growth rate method is presented in Table 6.12.

Buoyancy Method

While the growth rate method estimates revenue performance independent of any factor that might contribute to growth, another method of estimating revenue is to use the concept of buoyancy of tax revenue.[38] Using this method, we have estimated buoyancy of sales tax[39] for the period 1995-96 to 2007-08 except for the bifurcated States, the newly formed States, and the States that did not have sales tax until then, (*viz.* Arunachal Pradesh and Mizoram) (Annexure Table A.6.22). Ignoring the years that were excluded under the growth rate method and outliers found under buoyancy method,[40] we calculated

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change to the data for the year 2006-07 in order to estimate the figures for the year 2007-08. When the estimated revenue is compared with the actual revenue of the year, the deviation was found to be under 12 percent (on both positive and negative sides), except in case of Jharkhand, Chhatisgarh, Assam, Sikkim and Jammu & Kashmir, Annexure Table A.6.21.

[37] NCAER (2009), *op. cit.*

[38] This is a measure of responsiveness of the tax to changes in the base (such as income) including the effects of changes in the structure of the tax. It is estimated as the ratio of percentage change in tax revenue to percentage change in GSDP (the independent variable). The functional form used to measure buoyancy in this study is explained in footnote 3.

[39] Sales revenue in this study unless otherwise indicated refers to total sales tax revenue minus revenue from CST.

[40] Apart from the years found to be outliers under Growth rate method, the following years have also shown

(footnote continued)

the pre-VAT and post-VAT average buoyancy. Taking the average of these two averages, we have arrived at the average buoyancy value for each of the State.

As a next step, the buoyancy based growth rate (BGR) is obtained by multiplying the average buoyancy value with the rate at which GSDP is expected to grow during the projection period[41] (Annexure Table A.6.22). The BGR so obtained is used for estimating revenue for the period 2010-11 to 2014-15, taking 2007-08 as the base[42].

This projected revenue, however, is at the current rate of state-VAT/sales tax, as shown in Table 6.13. Following the methodology given under the growth rate method, to estimate revenue from SGST, only one-third of the estimated revenue is converted at the SGST rate of 8 percent (or 9 percent) by multiplying the revenue with 8 percent (or 9 percent) and dividing it by the existing rate of 12.5 percent.

However, as discussed earlier, the introduction of GST would have positive implications for the tax system as also for the overall economy. Accordingly, it would have net increase in revenue by 5%. We have, therefore, increased the yield by 5% of the revenue drawn from items falling under 8%.[43] The total revenue from commodities under GST system through buoyancy method is presented in Table 6.13.

Tax-GSDP Ratio Method

Another method adopted for the estimation of revenue from SGST is the tax-GSDP ratio. For doing so, the State-wise sales tax (VAT) revenue net of CST and corresponding State-wise GSDP for the period 1995-96 to 2007-08 have been used to arrive at the tax-GSDP ratio.[44] Having obtained the series, State-wise tax-GSDP ratio has been computed for all the States for the period 1995-96 to 2007-08 except for the bifurcated States of Bihar, Madhya Pradesh, Uttar Pradesh, and the newly formed States of Chhattisgarh, and Jharkhand; and for the States of Arunachal Pradesh and Mizoram where sales tax was introduced in the year 2001. The tax-GSDP ratio for these States has been calculated for the period 2001-02 to 2007-08 (Annexure Table A.6.24).

As a next step, the percentage change in ratio is calculated. To arrive at the average percentage change over the years, the average of pre-VAT and post-VAT tax-GSDP ratio is calculated while ignoring the abnormal years represented by high and erratic percentage variations in ratio (Annexure Table A.6.25). Applying this average

erratic buoyancy due to the effect of GSDP, *viz*. Gujarat (2000-01); Orissa (1996-97 & 2000-01); Rajasthan (2000-01 & 2002-03); Arunachal Pradesh (2002-03); and Manipur (2000-01 & 2006-07).

[41] It is assumed that the GSDP during projection period would grow annually at the rate it was growing during 1995-96 to 2007-08.

[42] However, to have a check on the validity of the methodology adopted, we have first applied the average change to the data for the year 2006-07 in order to estimate the figures for the year 2007-08. When the estimated revenue is compared with the actual revenue of the year, the deviation was found to be under 20 percent (on both positive and negative sides), except in case of Jharkhand, Assam, Jammu & Kashmir and Nagaland.

[43] NCAER (2009), *ibid*.

[44] Since the GSDP for the period 1995-96 to 1998-99 is not available for the new series 1999-2000, we have made backward projections to prepare a continuous series of GSDP with 1999-2000 as the base.

percentage change to tax-GSDP ratio for the year 2007-08, the ratio for the subsequent years is projected (Annexure Table A.6.27).

Further, assuming that the State GSDP would grow at the rate of growth achieved during 1995-96 to 2007-08, the study projects GSDP for the period 2010-11 to 2014-15, applying the calculated growth rate to the base year GSDP of 2007-08 (Annexure Table A.6.28). Applying the projected tax-GSDP ratio to the projected GSDP, the study estimates the revenue with the current state-VAT rate for all the States[45] (Annexure Table A.6.14).

Finally, to arrive at the revenue from SGST, one-third of the revenue so obtained is divided by the state-VAT rate and multiplied by the new rate of SGST. Also, 5 percent of this revenue is added to take into account the effect of change in tax rate and therefore in demand for goods. The total revenue from goods under GST system through tax-GSDP ratio method is presented in Table 6.14.

B. Consumption Approach

As states earlier, this approach uses macro data on consumption expenditure and takes into account both private final consumption expenditure (PFCE) and Government final consumption expenditure (GFCE). Using the estimated PFCE and GFCE for the whole country (calculated using methodology given in the earlier section for the Centre), we have apportioned the estimated consumption amongst the States according to consumption in each State (Table 6.11). With a view to doing so, we have used the percentage share of expenditure on goods by each state in total all-India expenditure on goods.

To arrive at share of expenditure on goods in a State in all-India total expenditure on goods, we have made use of the *Household Consumer Expenditure Survey in India* of 63rd round of NSS, carried out in 2006-07. The survey provides *average* expenditure per person per 30 days on consumer goods for rural and urban areas[46].

Data from all States and UTs surveyed have been included in the all-India level estimates. Separate estimates have been presented for rural and urban sectors of all the major States (population 20 million or more according to the 2001 Census), and combined estimates (rural and urban separately) for two groups of State/UTs defined as follows:

Group of North-Eastern States: Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

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[45] However, to have a check on the validity of the methodology adopted, we have first applied the average change to the data for the year 2006-07 in order to estimate the figures for the year 2007-08. When the estimated revenue is compared with the actual revenue of the year, the deviation was found to be under 20 percent (on both positive and negative sides), except in case of Jharkhand, Assam, Jammu & Kashmir and Sikkim, Annexure Table A.6.26.

[46] National Sample Survey Organisation. 2008. *Household Consumer Expenditure in India, 2006-07*, NSS 63rd round, Ministry of Statistics and Programme Implementation, Government of India, October, 2008 (Table 4U and 4R, Annexure A).

Group of UTs: Andaman & Nicobar Islands, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Pondicherry.

However, there are few gaps in the data available, *e.g.* urban average expenditure on goods for Arunachal Pradesh, Manipur, and Meghalaya; and rural average expenditure for Mizoram and Uttarakhand is not available. Also no information is available for the State of Goa, Nagaland and Sikkim.

For the States belonging to North-Eastern (N-E) States, the gap has been filled by taking the N-E states rural-urban (or urban-rural) ratio and applying this to the available data. For the State of Uttarakhand, all-India rural-urban ratio is applied.

For Goa, on the other hand, first, all-India per person expenditure on consumer goods as share of per capita income is calculated and, as a next step, same share is applied on Goa's per capita income. This would give us average expenditure on consumer goods in Goa (Annexure Table A.6.29).

To calculate the combined (rural+urban) average expenditure on consumer goods, weighted[47] average of respective average expenditure of rural and urban areas is calculated. Since this would give us the monthly per capita consumption expenditure on goods, to arrive at the total consumption expenditure in a State, we multiplied it with population of the respective state[48] and also converted for yearly figures. As a next step, since no information on consumption expenditure on goods is available for Nagaland and Sikkim, we calculated the combined expenditure of these two States by deducting the expenditure of other N-E States from total N-E States expenditure on goods. This combined expenditure is distributed between Nagaland and Sikkim according to their respective share of GSDP in combined GSDP (Annexure Table A.6.29).

Having calculated total consumption expenditure on goods by all the 28 States and by all-India, the percentage share of each State in total all-India expenditure on goods is calculated. And, finally, this State-wise share is used to distribute the total CGST revenue from goods among the States. The estimated potential revenue at 8 as well as 9% rates for each of the States is given in Table 6.15.

Estimating CGST Revenue from Taxation of Services

Service tax, as explained in Ch.3, is being levied by the Union Government since 1994. To begin with, only three services were brought under the tax net. Gradually the scope was enlarged and as of now, 110 services are under the tax regime of the Union Government. While initially there was no set off for the services used as input, over time

[47] Here weights are taken to be the share of rural and urban population in total population in respective States, as per the Census data 2001.

[48] However, population figures for the year 2006-07 are not available for all the States. For the States of Chhattisgarh, Goa, Jammu & Kashmir, and Nagaland population is available till 2005-06 and therefore extrapolated for the next year, *i.e.* 2006-07. For Haryana, on the other hand, GSDP and per capita income is available for 2006-07 and therefore ratio of these two is taken to arrive at the population figures for the same year.

the system of tax credit has been incorporated to make not only service tax vatable when services are used as input but also to make the overall Central taxes on domestic trade a one tax regime due to the vatability between the CenVAT and service tax.

Since changes have been introduced in the structure as also in the procedures of input credit under service tax over time, the long time series of revenue trends of services available from the CBEC does not remain comparable. Hence, in estimating revenue from this tax this study makes use of services tax revenue data for the period 2006-07 and 2007-08 only which are comparable for most of the services.

In view of this, revenue data for 107 services have been obtained from the CBEC. These have been categorised according to their revenue share. Ignoring the outliers, as a next step, the average percentage change for all services is calculated (Table 6.16). Applying this rate to the budget estimates of service tax revenue available for the year 2009-10, the revenue for the next year is arrived at and subsequently for the later years till 2014-15.

The estimate of revenue so obtained being at the current tax rate, it has been estimated for the new rate of GST (*i.e.,* 8 percent and 9 percent), as shown in Annexure Table A.6.30.

While the efforts have been afoot to extend the service tax base, so far the overall base is restricted to some services only. The macro data indicate that the share of services in GDP is about 52 percent. It is estimated that about 75 percent of this share could form the potential taxable base. This study has, therefore, attempted to account for the impact of incorporating some of the plausible services into the tax base.

With a view to doing so, we have estimated revenue from the additional services based on consumption data. The estimation procedure is as follows, which covers both private final consumption expenditure (PFCE) and Government final consumption expenditure (GFCE):

Available data on consumption expenditure from the CSO indicates that in 2007-08, the total consumption expenditure was Rs. 30,84,958 crore; 84.47% on PFCE and 15.53% on GFCE. Both these components include expenditure on both goods and services.

Base of PFCE on Services

PFCE on services at market price is obtained for the period 1999-2000 to 2007-08 from the National Accounts Statistics (NAS)[49]. Excluding the component of expenditure on those services which could be considered 'public goods' or 'merit goods', we obtain the services which could form the base of tax for private final consumption expenditure on services. However, as these are inclusive of indirect taxes paid on purchases, we have

[49] Central Statistical Organisation (2009). *National Accounts Statistics, 2009,* Ministry of Statistics and Programme Implementation, Government of India, New Delhi-110 001.

deducted indirect taxes paid by consumers from this to get PFCE at factor cost on services (Annexure Table A.6.31).

As PFCE is made on services delivered by the organized and unorganized sector, we have excluded the expenditure that could be made on the purchases of services from the unorganized sector. Accordingly, we have obtained that part of PFCE at factor cost which has been bought from the organized sector only, *i.e.* PFCE on services net of services from unorganized sector (Annexure Table A.6.34).

However, it is important to note that the share of services obtained from the unorganized sector includes purchases of inputs from the organized sector and hence, pays tax on it. We have, therefore, estimated inputs going into the unorganized sector using input-output ratios, obtained from the Input-Output Table for 2003-04[50]. It is assumed that 60 percent of the services used as inputs are being bought in the unorganized market. Hence, 40 percent of the inputs have been assumed to be taxable, which have been added to the PFCE (Annexure Table A.6.33). This gives us the total taxable base of services from the final PFCE (Table 6.17).

Base of GFCE on Services

The Government final consumption expenditure (GFCE) on goods and services accounts for 15.52% of the total consumption expenditure. The GFCE includes compensation to employees, expenditure by quasi-governments, gross fixed capital formation and net purchases of goods and services. However, as the details of expenditure, viz. the break-up of expenditure on goods and services, is not available, we have allocated goods and services in the ratio of 50:50.

All the items of expenditure that cannot be taxed have been excluded, *viz.* compensation to employees, gross fixed capital formation, and consumption expenditure by the quasi- governments. Thus, the taxable services account for 0.3% of GFCE and 0.05% of the total expenditure.

This methodology gives the Government expenditure on taxable service for the years 1999-2000 to 2007-08. However, this gives the Government expenditure at market price. To obtain the taxable base, therefore, indirect taxes are deducted from the Government expenditure at market price (Table 6.17).

Total Taxable Base of Services and Revenue Potential

Adding the taxable base of PFCE and GFCE, we get the net potential taxable consumption base of services for the country (Table 6.17). We then calculated the percentage change per year and estimated the average percentage change (Table 6.18). Applying this average change to the year 2007-08, the potential base for the next year is calculated. Using the same procedure, we have projected the potential base for the period 2010-11 to 2014-15 (Annexure Table A.6.34). Applying the GST rate of tax (8 percent

[50] Central Statistical Organization. 2008. *Input-Output Transactions Table, 2003-04*, Ministry Of Statistics and Programme Implementation, Government of India New Delhi-110 001.

and 9 percent) on the potential base, the gross revenue from consumption of services is obtained. Since the break up of the consumption basket is not having full details and some of the existing services do fall in the category of the existing taxable base, we have taken only 50 percent of this additional revenue as the potential revenue. Further, as the input credit available in the current system is approximately 9%, as seen from the data available from CBEC, we have provided for such a credit to arrive at the PLA revenue potential base (Table 6.18). Adding the potential revenue with revenue from services which are currently taxed, we arrived at the total revenue from services at GST rates. Also, revenue is further increased by 5 percent of revenue generated through GST rate of 8 percent (or 9 percent) to account of change in estimated revenue due to change in tax and in turn in demand for commodities (Table 6.19).

State wise SGST Revenue from Services

As the total revenue from services for the Centre and the States, given the tax rate, would be same, we have taken the CGST revenue from services, calculated above, as representing the total revenue for the States as well (Table 6.19). To obtain the State-wise SGST revenue from services, the revenue so obtained above is distributed amongst the States according to the potential base (expenditure on consumption of services) in each State. Accordingly, we have used the percentage share of expenditure on services by each state in total all-India expenditure on services to distribute the revenue among the States.[51]. While data from all States and UTs have been included in the all-India level estimates, separate estimates have been presented for rural and urban sectors of all the major States (population 20 million or more according to the 2001 Census), and combined estimates (rural and urban separately) for two groups of State/UTs[52].

To calculate the average rural+urban combined expenditure on consumer services, the weighted[53] average has been used. Also, to arrive at the total consumption expenditure in a State, population of the respective State has been used[54] (Annexure Table A6.35).

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[51] This is based on household consumer expenditure survey of 63rd round of NSS, carried out in 2006-07. The survey provides *average* expenditure per person per 30 days on consumer services for rural and urban areas. See National Sample Survey Organisation. 2008. *Household Consumer Expenditure in India, 2006-07*, NSS 63rd round, Ministry of Statistics and Programme Implementation, Government of India, October, 2008 (Table 4U and 4R, Annexure A).

[52] North-Eastern States include Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Group of UTs cover Andaman & Nicobar Islands, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Pondicherry. In estimating for these groups data gaps have been adjusted as follows: For the States belonging to North-Eastern (N-E) States, the gap has been filled by taking the N-E states rural-urban (or urban-rural) ratio and applying this to the available data. For the State of Uttarakhand, all-India rural-urban ratio is applied. For Goa, on the other hand, first, all-India per person expenditure on consumer services as share of per capita income is calculated and, as a next step, same share is applied on Goa's per capita income (Annexure Table A.6.35).

[53] Here weights are taken to be the share of rural and urban population in total population in respective States, as per the Census data 2001.

[54] However, population figures for the year 2006-07 are not available for all the States. For the States of Chhattisgarh, Goa, Jammu & Kashmir, and Nagaland population is available till 2005-06 and therefore

(footnote continued)

Finally, using total consumption expenditure on services of each States, the total CGST revenue from services is apportioned amongst them (Table 6.20).

Revenue from Entertainment Tax

One of the State taxes going to be subsumed in GST is entertainment tax. As explained in Chapter 2, this will affect the revenue of the State Governments by about 700 crore. Further, as presented in Chapter 4, this tax being a levy on admission to places of amusement or entertainment, *viz.* cinema, circus, theatrical performances, exhibitions, sports and games etc. the revenue is composed of various segments. Also, composition of tickets in a theatre affects the revenue considerably but the details of the composition are not available for any estimation.

However, as shown in Table 4.12, most of the States levy this tax at the rate of 30% of the value of the ticket. Hence, the levy of GST at the rate of 8% will reduce the revenue of this tax to one-third of the present level. Presuming better compliance due to reduction in tax rate and good administration might increase the revenue to some extent. Also, the current system of taxation of cable TV, and other means of entertainment need much to be desired. It is, therefore, presumed that subsuming this tax under GST may not have any negative impact.

Aggregate Revenue from GST

As shown above, we have adopted three approaches, *viz.* revenue approach, turnover approach and consumption expenditure approach, for the estimation of revenue at the Central level from the introduction of Goods and Services Tax (GST) with effect from April 1, 2010. The projection of revenue from GST is made for the period of award of the 13th Finance Commission, *viz.* 2010-11 to 2014-15.

The first two approaches made use of the commodity-wise revenue data, while consumption expenditure approach uses the expenditure incurred by the households and Government on the consumption of commodities and capital formation. In addition, the revenue approach makes use of two methods to calculate potential tax revenue, *viz.* growth rate method and buoyancy method. The *net* central excise revenue data is used under the buoyancy method.

Further, the revenue estimation at the Central level is made after giving due consideration to the proposed increase in the base from the existing manufacturing level up to the retail level. While 20 percent more revenue (due to increase in base) is added both in the revenue and turnover approach, no such adjustment is made in the consumption approach as consumption expenditure is made at the retail level only. Also,

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extrapolated for the next year, *i.e.* 2006-07. For Haryana, on the other hand, GSDP and per capita income is available for 2006-07 and therefore ratio of these two is taken to arrive at the population figures for the same year. Also, since no information on consumption expenditure on services is available for Nagaland and Sikkim, we calculated the combined expenditure of these two states by deducting the expenditure of other N-E states from total N-E states expenditure on services. This combined expenditure is distributed between Nagaland and Sikkim according to their respective share of GSDP in combined GSDP.

in view of the fact that the base of CGST and SGST would be same, the CGST would cover all commodities that are presently taxed by SGST. This would further increase the CGST base and so the revenue. To take note of this, therefore, 10 percent of the revenue generated from standard rate of 8 percent (or 9 percent) is added to the CGST revenue. More importantly, 5 percent is further added to take note of both the positive implications of GST system on overall economy and change in demand due to change in tax rate. The Centre's revenue from goods at the GST rate of 8 percent and 9 percent is shown in Tables 6.2 to 6.5, Tables 6.7 to 6.8 and Tables 6.10 to 6.11.

At the State level, for the estimation of SGST revenue from goods the study made use of two approaches, *viz*. revenue approach and consumption approach. In the first approach, the State-wise sales tax/state-VAT net of Central Sales Tax (CST) data has been used. Further, we used three methods under revenue approach, *viz.* growth rate method, buoyancy method and tax-GSDP method. Under the second approach, *viz.* consumption approach, the revenue obtained for the Centre is taken to be the revenue for all States. This is distributed amongst States according to the State-wise per capita expenditure on goods made available by CSO through the NSSO survey. As in case of Centre, in States too 5 percent of SGST revenue is added in total revenue to take note of change in demand and prices of goods due to change in tax rates. The state-wise SGST revenue from goods is presented in Tables 6.12 to 6.15.

Assuming that, as in the case of goods, the Centre and States would have the same base in the case of services also, the study estimates revenue for both the levels of Government from the taxation of services. For this purpose, we have collected data on service tax from CBEC and the consumption expenditure on services from the CSO. Revenue is estimated for Centre at the assumed GST rate. Amongst States, the revenue share is accorded according to State-wise average per capita monthly expenditure on consumer services. The results obtained are shown in Table 6.19 for Centre and in Tables 6.20 to 6.21 for States.

A comparative picture of the results so obtained for CGST revenue from goods and services is presented in Table 6.22. It can be observed from the table that the turnover approach has yielded highest revenue as compared to the other two approaches. Next comes the revenue generated through the revenue approach, while the consumption expenditure approach exhibited least revenue generation (Exhibit 6.1 and 6.2).

The State-wise comparative picture of SGST revenue from goods and services is presented in Table 6.23 and 6.24. Also, the revenue estimates for 2010-11 and 2014-15 from different approaches for non-special category states is shown in Exhibits 6.3 and 6.4. It can be observed through these exhibits that the Tax-GSDP ratio method has yielded the higher revenue in most of the States while least is yielded through consumption approach.

Also, Exhibit 6.5 and 6.6 gives a view of the comparative picture of revenue under GST system and of revenue if system continues as it is today during the projection period, for both Centre and States. However, it considers only select States which includes both developed and less developed States. As it can be observed from the Exhibits, for both Centre and States, GST rate of 9 percent is generating higher revenue during the projection period as compared to existing rate. GST rate of 8 percent would yield more or less same revenue as the current system is generating.

The estimates of revenue prepared by different approaches assume that the structure of the Indian economy during 2010-11 to 2014-15 would be more or less stable. The economy is expected to grow at a faster rate as compared to 6-7% p.a. in the past. It is also expected that the proposed GST will have better tax compliance, improved transparency, and greater mobilization due to scientific risk management policies adopted by the States. It is also envisaged that greater integration of the Indian economy with the world economy would make an impact on the over all trends in the tax revenue. Further, the integration of the Indian economy coupled with development of the economy will result in a change in the basket of GDP and composition of consumption.

To conclude, the three methods adopted in the Report are based on different data base. Variations in the results are natural due to different methodologies and limitations of data base. However, we believe that the turnover method in the CGST and revenue approach (tax-GSDP method) in the SGST for goods and consumption plus revenue method adopted for both in the case of services would be closer to the reality.

Exhibit 6.1: Projected Total CGST Revenue Using Different Approaches (At GST Rate of 8 Percent)

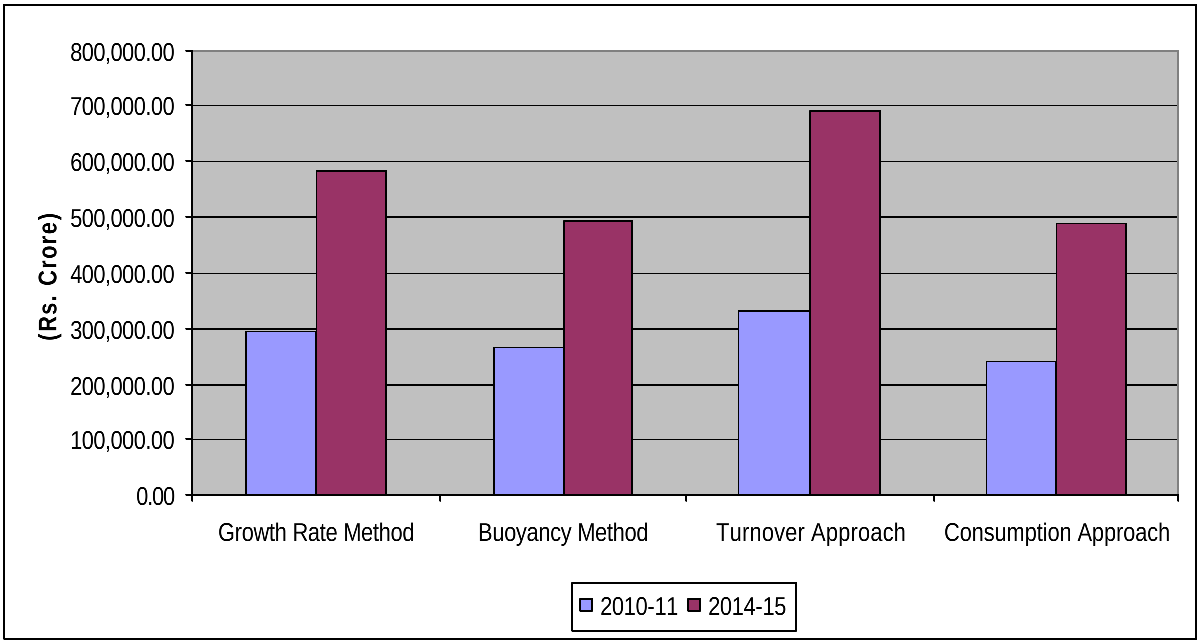

Exhibit 6.2: Projected Total CGST Revenue Using Different Approaches (At GST Rate of 9 Percent)

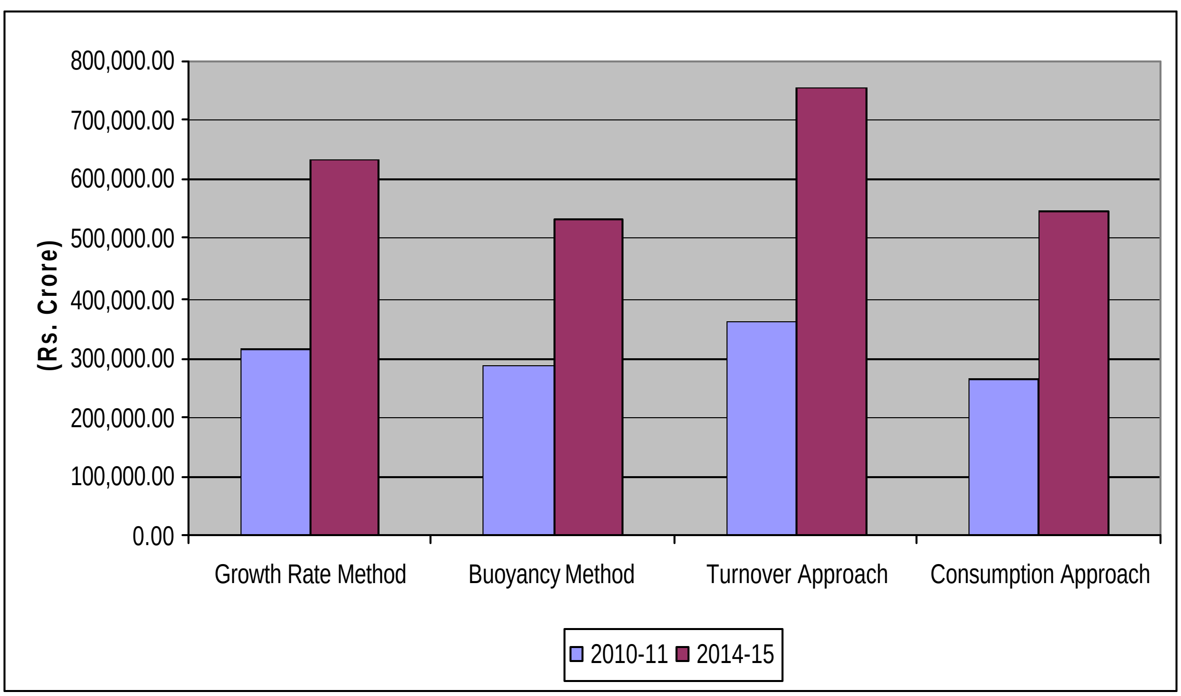

Exhibit 6.3 (a): Projected Total SGST Revenue Using Different Approaches
(At GST Rate of 8 Percent)

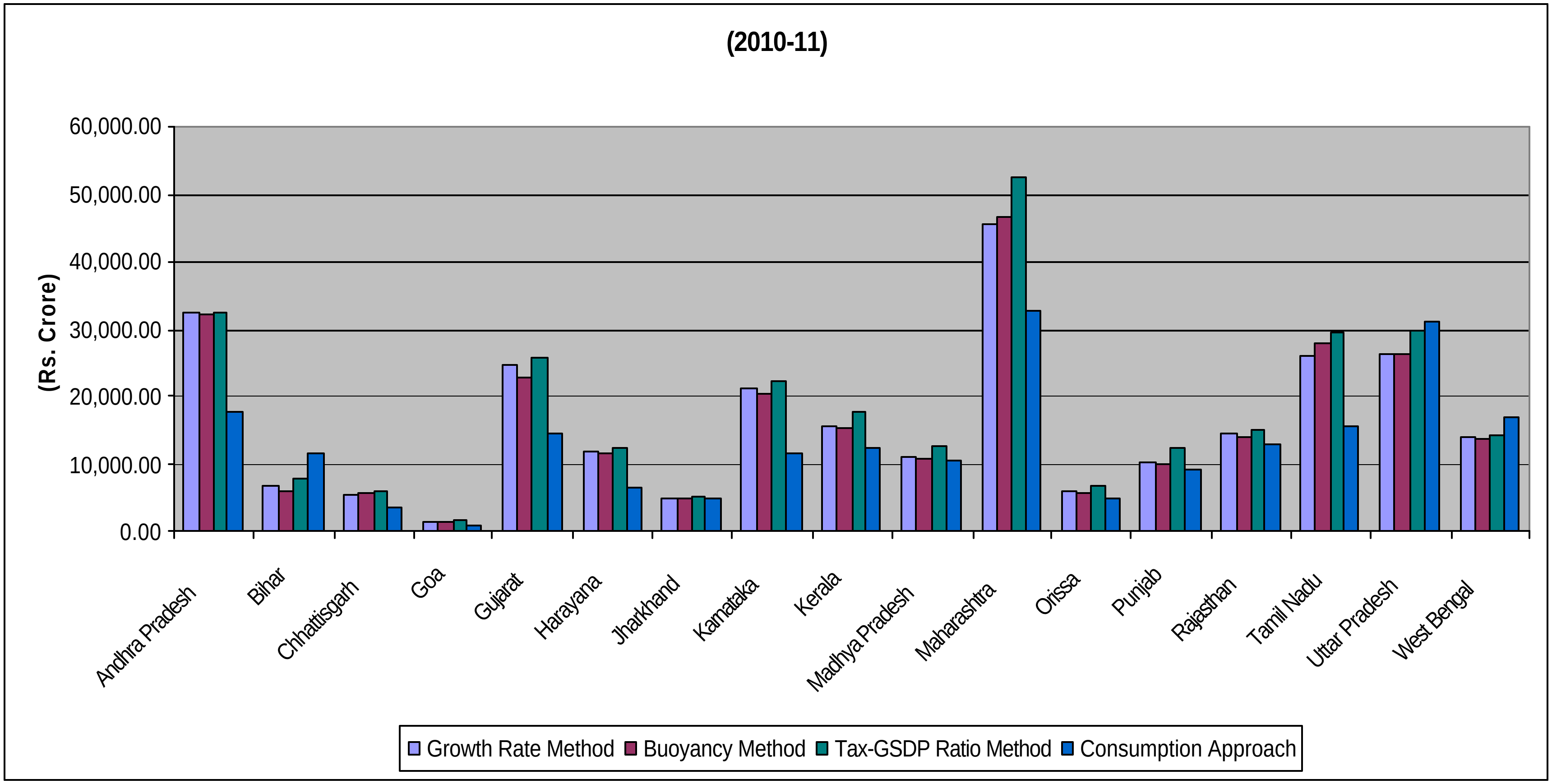

Exhibit 6.3 (b): Projected Total SGST Revenue Using Different Approaches
(At GST Rate of 8 Percent)

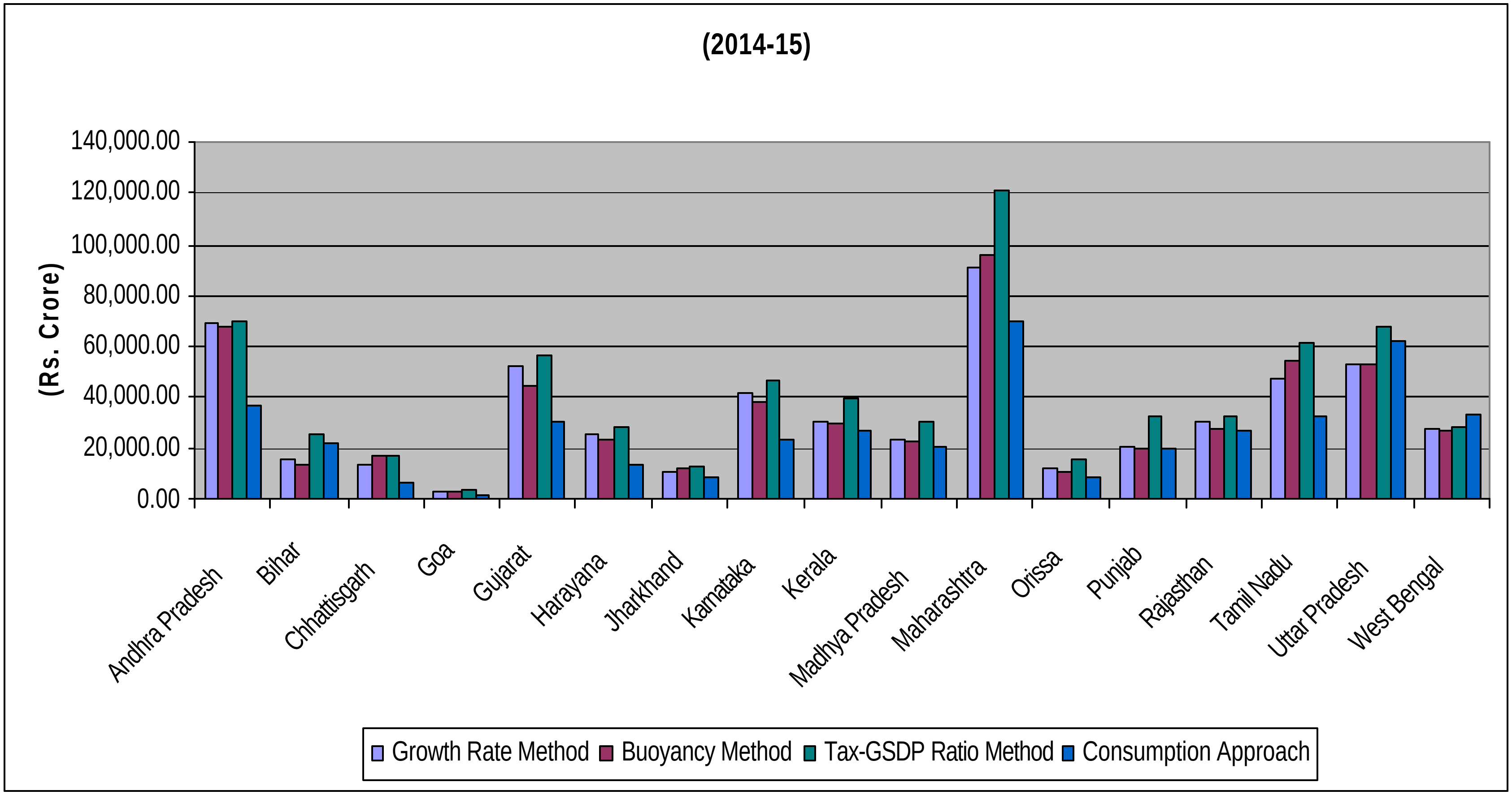

Exhibit 6.4 (a): Projected Total SGST Revenue Using Different Approaches
(At GST Rate of 9 Percent)

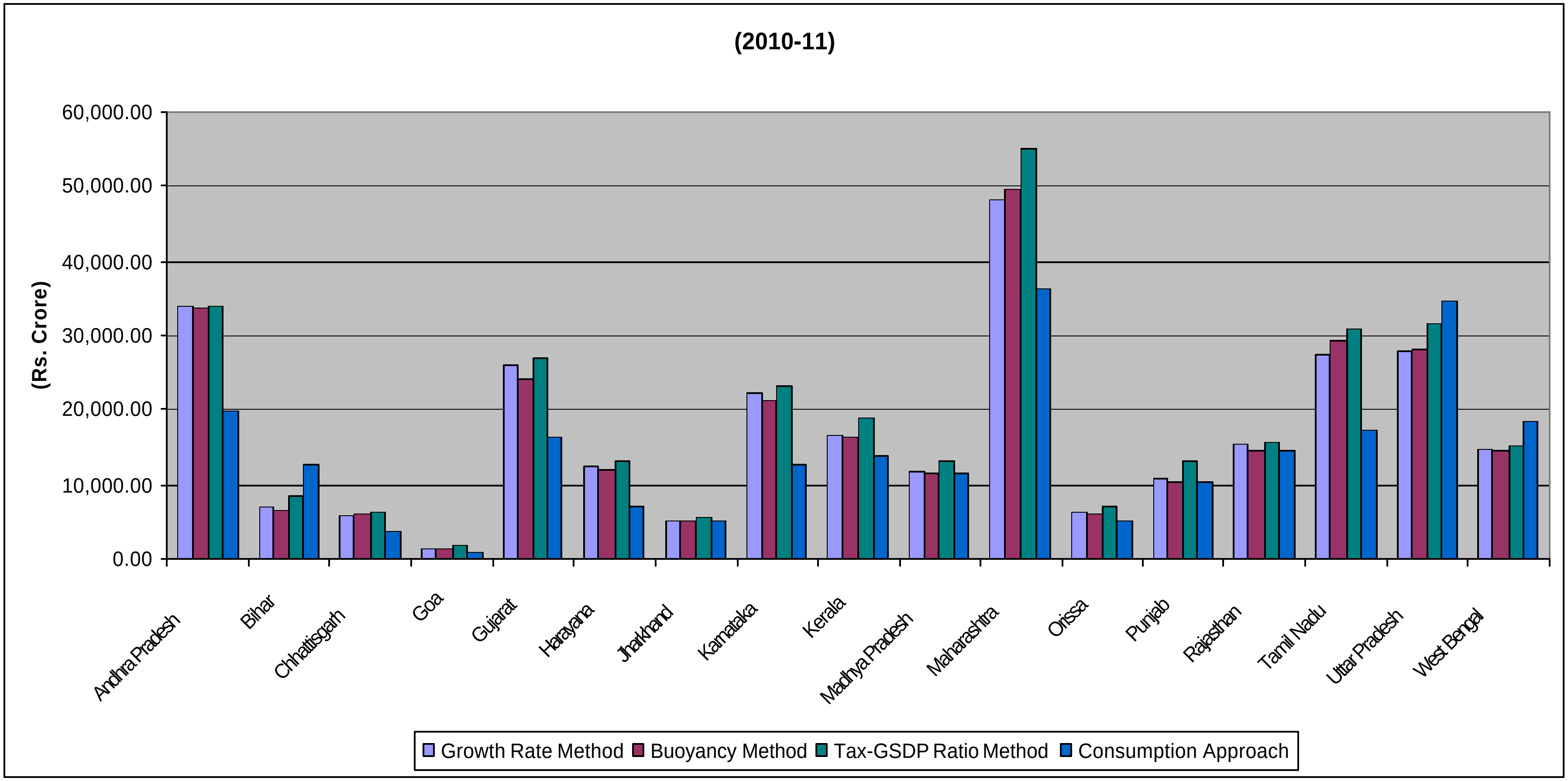

Exhibit 6.4 (b): Projected Total SGST Revenue Using Different Approaches
(At GST Rate of 9 Percent)

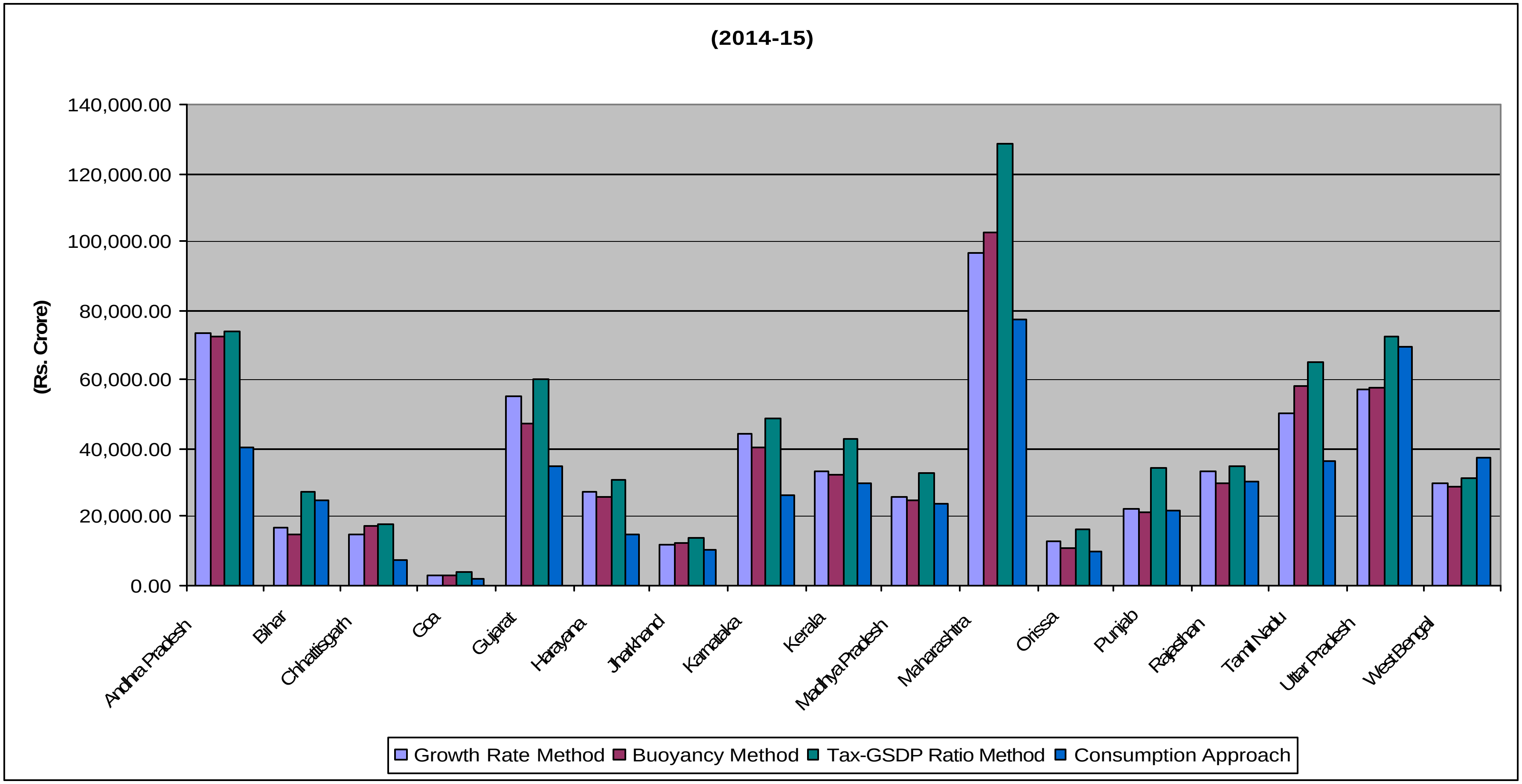

Exhibit 6.5: Comparative Picture of Revenue from Proposed CGST Rate and at Existing Rate

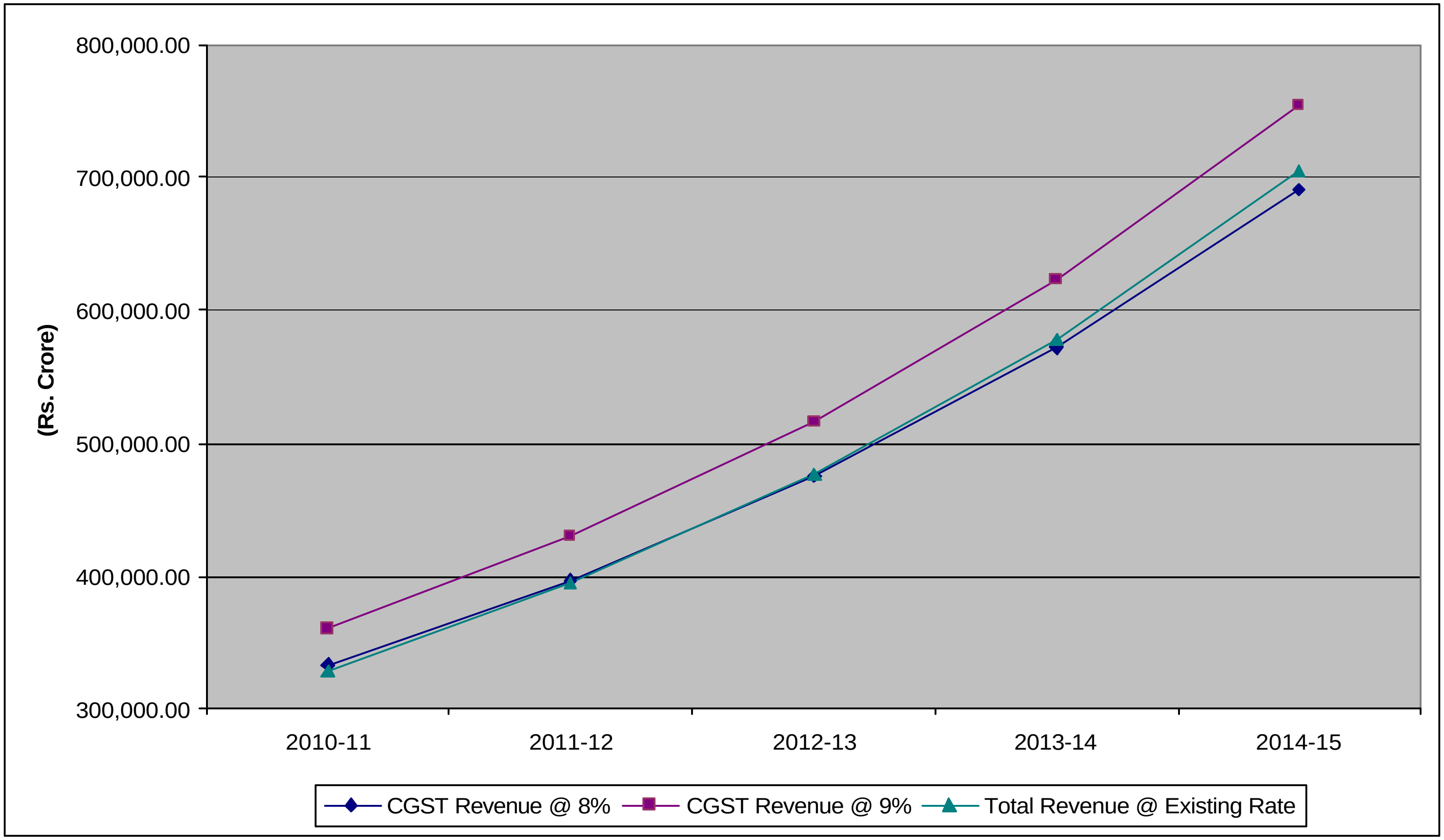

Exhibit 6.6 (a): Comparative Picture of Revenue from Proposed SGST and STVAT/Sales Tax in Select States

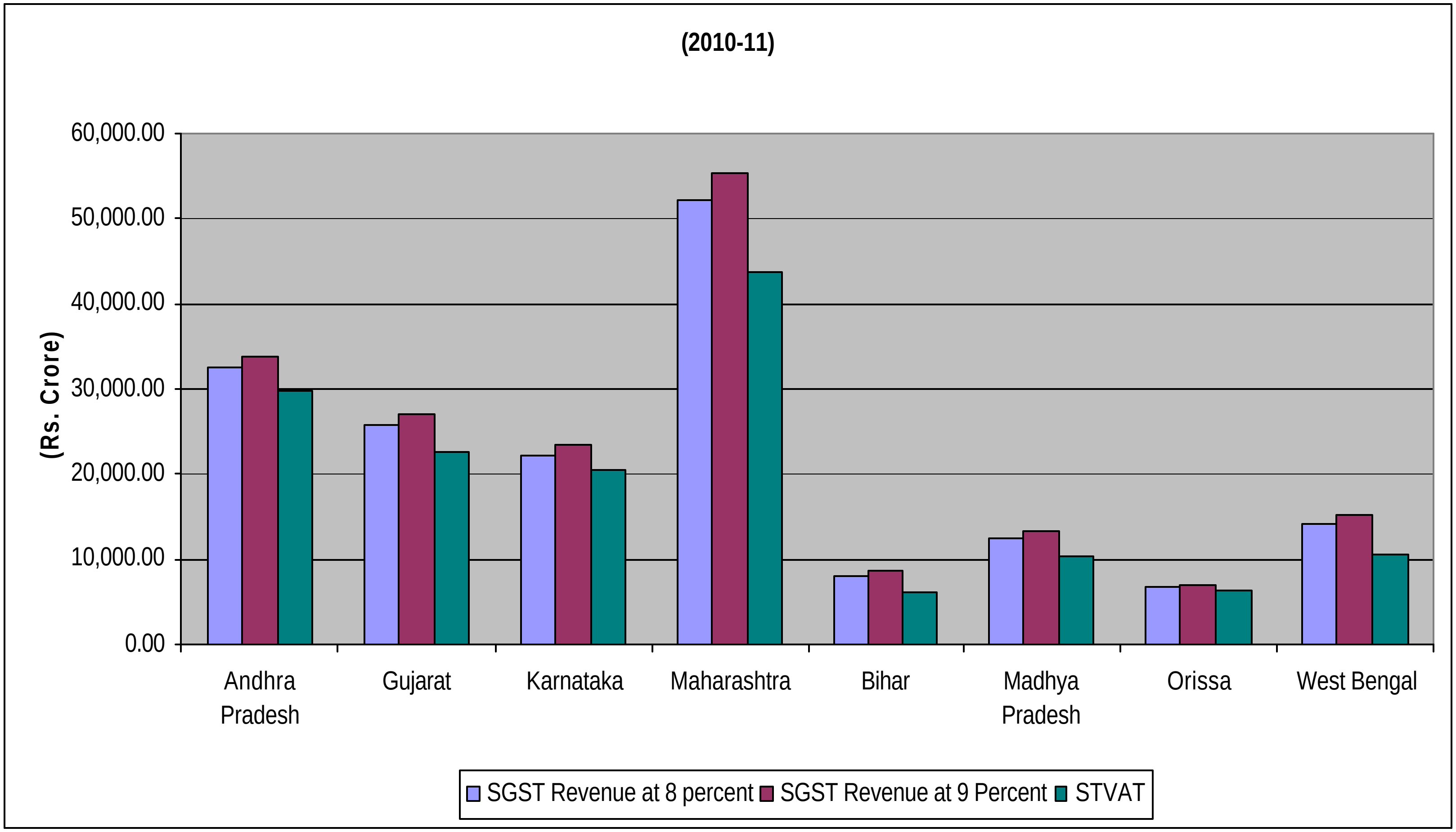

Exhibit 6.6 (b): Comparative Picture of Revenue from Proposed SGST and STVAT/Sales Tax in Select States

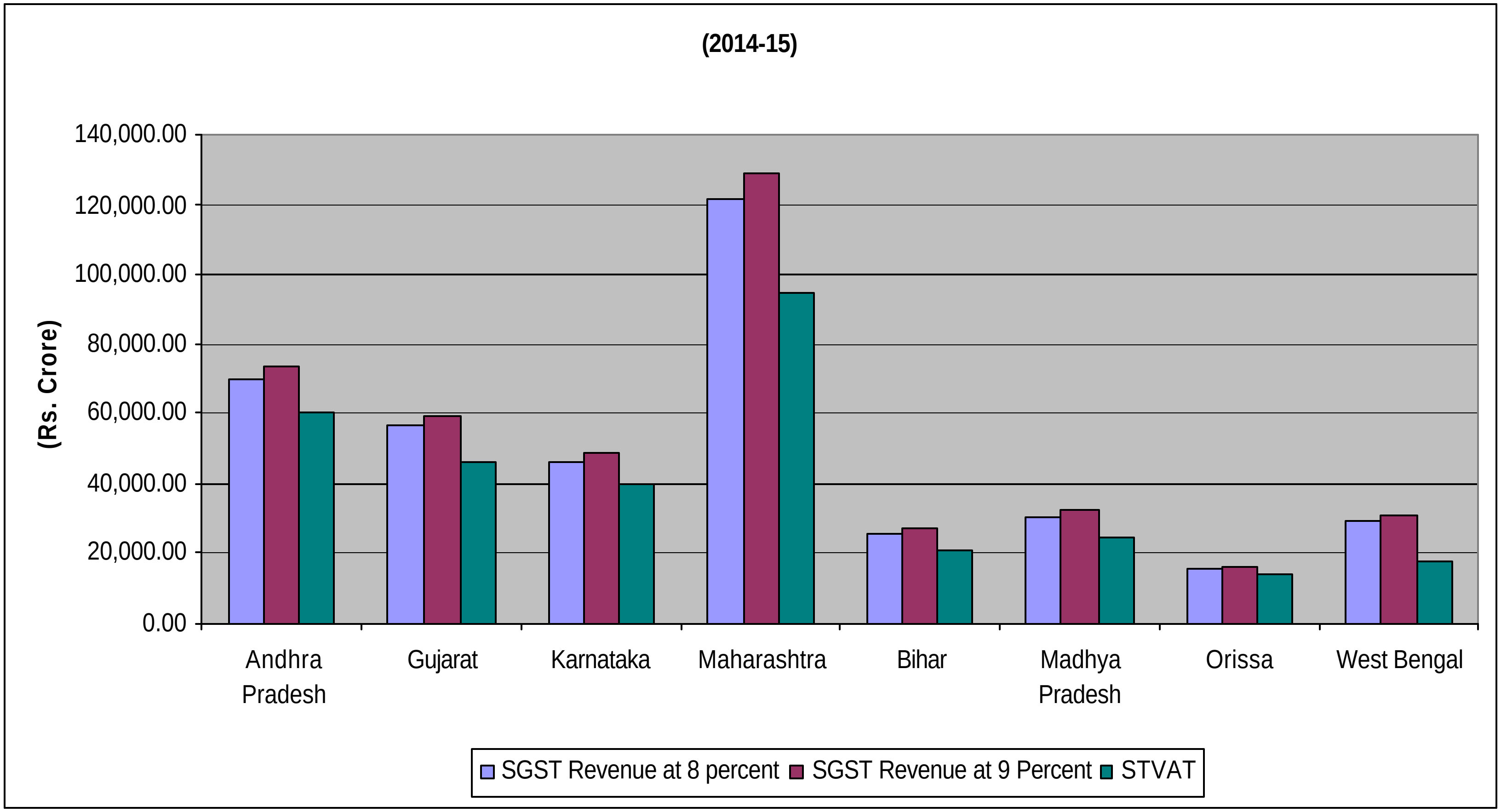

Table 6.1: Commodity-wise Central Excise Revenue from Most Significant Commodities

(Rs. crore)

S. N.	Description of commodity group	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	APC till 07-08
1	Iron and Steel	5,885.88	7,330.33	7,662.86	10,723.03	12,685.20	15,940.27	22.59
2	Articles of iron and steel	824.91	1,137.39	2,106.57	2,088.75	2,432.51	2,529.67	28.54
3	Motor cars and other motor vehicles for transport of persons	2,431.52	2,066.61	2,652.73	3,526.21	3,021.63	2,715.81	30.64
4	All other Motor Vehicles	1,770.33	2,136.01	2,817.10	2,399.39	2,606.09	2,948.16	18.57
5	Organic Chemicals	1,609.13	1,722.34	2,170.66	2,026.06	2,043.55	1,870.95	11.31
6	Pharmaceutical products	1,421.00	1,434.45	1,616.40	2,265.17	2,007.23	1,739.45	17.92
7	Plastics and articles thereof	1,858.58	2,151.83	2,531.12	2,476.93	2,395.74	2,537.01	13.10
8	Aluminum and articles thereof	643.74	745.56	1,035.31	1,272.92	1,590.41	1,425.80	25.64
9	Cement Clinkers, cement all sorts	3,441.14	4,219.93	4,522.65	4,739.19	5,149.40	6,990.97	15.80
10	All other falling under machinery, mechanical appliances and electrical equipment	1,911.85	2,321.21	2,851.04	3,220.22	3,825.99	4,359.94	17.99
11	Total of 10 Commodities	21,798.08	25,265.66	29,966.44	34,737.87	37,757.75	43,058.03	14.63
12	All other commodities except petroleum and tobacco products	23,692.79	23,695.60	24,264.21	23,424.31	23,278.09	25,158.73	3.50
13	Total of all commodities except petroleum and tobacco products (11+12)	45,490.87	48,961.26	54,230.65	58,162.18	61,035.84	68,216.76	8.47
14	Tobacco Products	5,650.34	6,635.61	7,170.84	8,382.07	9,197.41	10,271.56	12.76
15	Petroleum Products	35,961.23	40,150.58	43,145.23	51,749.73	57,884.08	60,230.82	10.99
16	Total Revenue (13+14+15)	87,102.44	95,747.45	1,04,546.72	1,18,293.98	1,28,117.32	1,38,719.14	9.77

Notes: 1. APC is calculated by taking the average of annual percentage change in revenue from 2002-03 to 2007-08, ignoring the outliers.
Source: Computed from Table A.6.1.

Abbreviations Used in Tables and Annexure

APC	Average of Annual Percentage Change	NAS	National Account Statistics
BGR	Buoyancy Based Growth Rate	n.e.c.	not elsewhere classified
CBEC	Central Board of Excise & Customs	PCE	Per Capita Expenditure
CenVAT	Central Value Added Tax	PFCE	Private Final Consumption Expenditure
CGST	Goods and Services Tax at Centre	PLA	Personal Ledger Account
GDP	Gross Domestic Product	SGST	Goods and Services Tax at States level
GFCE	Govt. Final Consumption Expenditure	STVAT	State Value Added Tax
GR	Growth Rate	UED	Union Excise Duty
GSDP	Gross State Domestic Product	VAT	Value Added Tax
MPCE	Monthly Per Capita Consumption Expenditure	WAR	Weighted Average Rate

Table 6.2: Projected Central Revenue from Goods: Growth Rate Method
(All commodities are taxed at GST Rate of 8 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Description of commodity group	2010-11*	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	23,496.14	28,804.93	35,313.20	43,291.97	53,073.48
2	Articles of iron and steel	4,297.98	5,524.60	7,101.29	9,127.97	11,733.05
3	Motor cars and other motor vehicles for transport of persons	4,844.66	6,329.28	8,268.85	10,802.80	14,113.27
4	All other Motor Vehicles	3,931.63	4,661.76	5,527.48	6,553.97	7,771.09
5	Organic Chemicals	2,064.18	2,297.62	2,557.47	2,846.70	3,168.64
6	Pharmaceutical products	2,281.88	2,690.85	3,173.12	3,741.83	4,412.46
7	Plastics and articles thereof	2,936.33	3,321.00	3,756.06	4,248.12	4,804.64
8	Aluminum and articles thereof	2,262.37	2,842.51	3,571.42	4,487.24	5,637.91
9	Cement Clinkers, cement all sorts	8,685.19	10,057.65	11,647.00	13,487.49	15,618.83
10	All other falling under machinery, mechanical appliances and electrical equipment	5,729.47	6,760.25	7,976.47	9,411.50	11,104.70
11	Total of 10 Commodities	60,529.82	73,290.45	88,892.36	1,07,999.59	1,31,438.07
12	All other commodities except petroleum and tobacco products	22,313.10	23,093.35	23,900.89	24,736.66	25,601.66
13	Total of all commodities except petroleum and tobacco products (11+12)	82,842.92	96,383.80	1,12,793.25	1,32,736.25	1,57,039.73
14	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 13)	8,284.29	9,638.38	11,279.33	13,273.63	15,703.97
15	Change in revenue due to change in tax and demand (as 5% of 13)	4,142.15	4,819.19	5,639.66	6,636.81	7,851.99
16	Total CGST Revenue (13+14+15)	95,269.36	1,10,841.37	1,29,712.24	1,52,646.69	1,80,595.69
17	Tobacco Products	17,671.93	19,926.88	22,469.57	25,336.70	28,569.69
18	Petroleum Products	98,826.54	1,09,689.43	1,21,746.35	1,35,128.56	1,49,981.72
19	Total Revenue (16+17+18)	2,11,767.82	2,40,457.68	2,73,928.16	3,13,111.95	3,59,147.10

Note: 1. * Here revenue is increased by 20 percent due to the extension of CGST base from manufacturing to retail level.
2. Petroleum and Tobacco products are taxed at the existing rate of UEDs.

Source: Computed from Table 6.1.

Table 6.3: Projected Central Revenue from Goods: Growth Rate Method

(All commodities are taxed at GST Rate of 9 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Description of commodity group	2010-11*	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	26,433.16	32,405.54	39,727.35	48,703.46	59,707.67
2	Articles of iron and steel	4,835.22	6,215.17	7,988.95	10,268.96	13,199.68
3	Motor cars and other motor vehicles for transport of persons	5,450.24	7,120.44	9,302.46	12,153.15	15,877.43
4	All other Motor Vehicles	4,423.09	5,244.48	6,218.42	7,373.22	8,742.48
5	Organic Chemicals	2,322.20	2,584.82	2,877.15	3,202.53	3,564.72
6	Pharmaceutical products	2,567.12	3,027.21	3,569.76	4,209.56	4,964.02
7	Plastics and articles thereof	3,303.37	3,736.12	4,225.57	4,779.13	5,405.22
8	Aluminum and articles thereof	2,545.17	3,197.83	4,017.85	5,048.15	6,342.64
9	Cement Clinkers, cement all sorts	9,770.84	11,314.86	13,102.87	15,173.43	17,571.19
10	All other falling under machinery, mechanical appliances and electrical equipment	6,445.66	7,605.28	8,973.53	10,587.94	12,492.79
11	Total of 10 Commodities	68,096.05	82,451.76	1,00,003.91	1,21,499.54	1,47,867.83
12	All other commodities except petroleum and tobacco products	25,102.24	25,980.02	26,888.50	27,828.75	28,801.87
13	Total of all commodities except petroleum and tobacco products (11+12)	93,198.28	1,08,431.78	1,26,892.41	1,49,328.29	1,76,669.70
14	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 13)	9,319.83	10,843.18	12,689.24	14,932.83	17,666.97
15	Change in revenue due to change in tax and demand (as 5% of 13)	4,659.91	5,421.59	6,344.62	7,466.41	8,833.49
16	Total CGST Revenue (13+14+15)	1,07,178.03	1,24,696.54	1,45,926.27	1,71,727.53	2,03,170.16
17	Tobacco Products	17,671.93	19,926.88	22,469.57	25,336.70	28,569.69
18	Petroleum Products	98,826.54	1,09,689.43	1,21,746.35	1,35,128.56	1,49,981.72
19	Total Revenue (16+17+18)	2,23,676.49	2,54,312.85	2,90,142.18	3,32,192.79	3,81,721.56

Note: 1. * Here revenue is increased by 20 percent due to the extension of CGST base from manufacturing to retail level.
2. Petroleum and Tobacco products are taxed at the existing rate of UEDs.

Source: Computed from Table 6.1.

Table 6.4: Projected Central Revenue from Goods: Buoyancy Method

(All commodities are taxed at GST Rate of 8 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Particulars	2010-11*	2011-12	2012-13	2013-14	2014-15
1	Total of all commodities except petroleum and tobacco products	69,150.36	76,140.23	83,836.66	92,311.07	1,01,642.08
2	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 1)	6,915.04	7,614.02	8,383.67	9,231.11	10,164.21
3	Change in revenue due to change in tax and demand (as 5% of 1)	3,457.52	3,807.01	4,191.83	4,615.55	5,082.10
4	Total CGST Revenue (1+2+3)	79,522.91	87,561.27	96,412.16	1,06,157.73	1,16,888.39
5	Tobacco Products	14,521.58	15,989.45	17,605.70	19,385.32	21,344.84
6	Petroleum Products	89,203.96	98,220.90	1,08,149.30	1,19,081.28	1,31,118.28
7	Total Revenue (4+5+6)	1,83,248.45	2,01,771.62	2,22,167.16	2,44,624.33	2,69,351.51

Note: 1. * Here revenue is increased by 20 percent due to the extension of CGST base from manufacturing to retail level.
2. Petroleum and Tobacco products are taxed at the existing rate of UEDs.

Source: Computed from Table A.6.6.

Table 6.5: Projected Central Revenue from Goods: Buoyancy Method

(All commodities are taxed at GST Rate of 9 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Particulars	2010-11*	2011-12	2012-13	2013-14	2014-15
1	Total of all commodities except petroleum and tobacco products	77,794.15	85,657.76	94,316.25	1,03,849.95	1,14,347.34
2	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 1)	7,779.42	8,565.78	9,431.62	10,384.99	11,434.73
3	Change in revenue due to change in tax and demand (as 5% of 1)	3,889.71	4,282.89	4,715.81	5,192.50	5,717.37
4	Total CGST Revenue (1+2+3)	89,463.28	98,506.43	1,08,463.68	1,19,427.44	1,31,499.44
5	Tobacco Products	14,521.58	15,989.45	17,605.70	19,385.32	21,344.84
6	Petroleum Products	89,203.96	98,220.90	1,08,149.30	1,19,081.28	1,31,118.28
7	Total Revenue (4+5+6)	1,93,188.81	2,12,716.78	2,34,218.68	2,57,894.04	2,83,962.56

Note: 1. * Here revenue is increased by 20 percent due to the extension of CGST base from manufacturing to retail level.
2. Petroleum and Tobacco products are taxed at the existing rate of UEDs.

Source: Computed from Table A.6.6.

Table 6.6: Commodity-wise Computed Turnover* from the CenVAT Revenue: Turnover Approach

(Rs. Crore)

S.N.	Description of Commodity group	Rate of CenVAT	Turnover						APC till 2007-08
			2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
1	Iron and Steel	12	1,04,277.91	1,30,565.20	1,48,423.71	2,16,566.63	2,70,382.07	3,36,570.58	26.83
2	Articles of iron and steel	12	23,782.57	33,057.03	43,266.79	58,235.17	75,328.69	87,485.50	29.99
3	Motor cars and other motor vehicles for transport of persons	12	39,752.20	44,949.65	57,899.67	80,427.57	94,619.05	93,924.58	19.54
4	All other Motor Vehicles	12	46,835.57	57,565.23	73,943.82	80,828.72	1,06,351.18	1,31,934.50	23.26
5	Organic Chemicals	12	38,220.84	40,628.39	50,281.01	56,507.98	64,176.17	68,633.50	12.59
6	Pharmaceutical products	12	23,036.49	23,415.50	26,412.30	32,354.62	31,853.42	29,324.92	12.31
7	Plastics and articles thereof	12	47,216.31	53,638.57	68,225.98	76,121.35	90,256.94	1,05,244.50	17.51
8	Aluminum and articles thereof	12	15,106.78	17,753.63	22,324.02	28,647.47	40,681.92	40,271.17	22.52
9	Cement Clinkers, cement all sorts	12	36,150.22	43,070.42	47,344.35	54,006.19	61,722.73	85,471.42	19.18
10	All other falling under machinery, mechanical appliances and electrical equipment	12	33,272.98	42,385.72	53,340.47	69,464.19	97,866.09	1,20,628.50	29.52
11	Total of 10 Commodities		4,07,651.86	4,87,029.34	5,91,462.13	7,53,159.88	9,33,238.27	10,99,489.17	22.00
12	All other commodities except petroleum and tobacco products	12	3,95,931.02	4,61,113.24	4,77,987.20	5,03,963.95	6,06,859.44	6,93,956.92	12.07
13	Total of all commodities except petroleum and tobacco products (11+12)		8,03,582.87	9,48,142.58	10,69,449.32	12,57,123.82	15,40,097.71	17,93,446.08	17.46
14	Tobacco Products	42	14,381.86	16,518.73	17,879.08	20,939.15	23,133.89	25,803.40	12.45
15	Petroleum Products	20	1,88,546.64	2,08,352.29	2,27,090.04	2,73,813.52	3,11,801.32	3,24,968.05	11.63
16	Total Revenue (13+14+15)		10,06,511.38	11,73,013.60	13,14,418.44	15,51,876.50	18,75,032.91	21,44,217.54	16.37

Note: * The commodity wise turnover is computed as : (PLA+CenVAT) Revenue ÷ Existing CenVAT Rate.

APC is calculated by taking the average of annual percentage change in revenue from 2002-03 to 2007-08, ignoring the outliers.

Source: Computed from Table A.6.7

Table 6.7: Commodity-wise Projected Central PLA Revenue: Turnover Approach
(All commodities are taxed at GST Rate of 8 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Description of Commodity group	KR'	2010-11	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	0.03	28,196.31	35,760.07	45,352.83	57,518.90	72,948.55
2	Articles of iron and steel	0.02	5,505.38	7,156.65	9,303.20	12,093.58	15,720.89
3	Motor cars and other motor vehicles for transport of persons	0.03	5,511.88	6,588.95	7,876.49	9,415.62	11,255.51
4	All other Motor Vehicles	0.02	6,244.06	7,696.48	9,486.75	11,693.44	14,413.42
5	Organic Chemicals	0.02	2,907.76	3,273.88	3,686.11	4,150.25	4,672.83
6	Pharmaceutical products	0.04	2,085.57	2,342.39	2,630.83	2,954.79	3,318.65
7	Plastics and articles thereof	0.02	4,548.60	5,345.02	6,280.88	7,380.60	8,672.87
8	Aluminum and articles thereof	0.03	2,467.89	3,023.61	3,704.46	4,538.63	5,560.63
9	Cement Clinkers, cement all sorts	0.06	10,449.77	12,454.07	14,842.80	17,689.70	21,082.64
10	All other falling under machinery, mechanical appliances and electrical equipment	0.03	10,039.27	13,003.00	16,841.67	21,813.56	28,253.23
11	Total of 10 Commodities		77,956.50	96,644.13	1,20,006.03	1,49,249.07	1,85,899.22
12	All other commodities except petroleum and tobacco products		36,863.81	41,311.54	46,295.90	51,881.63	58,141.29
13	Total of all commodities except petroleum and tobacco products (11+12)		1,14,820.32	1,37,955.67	1,66,301.92	2,01,130.69	2,44,040.52
14	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 13)		11,482.03	13,795.57	16,630.19	20,113.07	24,404.05
15	Change in revenue due to change in tax and demand (as 5% of 13)		5,741.02	6,897.78	8,315.10	10,056.53	12,202.03
16	Total CGST Revenue (13+14+15)		1,32,043.36	1,58,649.02	1,91,247.21	2,31,300.30	2,80,646.60
17	Tobacco Products	0.40	17,547.99	19,732.00	22,187.83	24,949.31	28,054.48
18	Petroleum Products	0.19	1,02,481.29	1,14,403.75	1,27,713.24	1,42,571.13	1,59,157.56
19	Total Revenue (13+14+15)		2,52,072.65	2,92,784.77	3,41,148.28	3,98,820.74	4,67,858.63

Note: K stands for average percentage share of PLA in total revenue (*i.e.* PLA + CenVAT).
R' is the rate where petroleum and tobacco products are taxed at existing UEDs rates while all other commodities are taxed at the CGST rate of 8 percent.
Projected PLA is calculated as follows: Projected PLA = (Projected Turnover) x KR.

Source: Computations are based on Table A.6.9.

Table 6.8: Commodity-wise Projected Central PLA Revenue: Turnover Approach

(All commodities are taxed at GST Rate of 9 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Description of Commodity group	$KR^{@}$	2010-11	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	0.04	31,720.85	40,230.08	51,021.94	64,708.76	82,067.11
2	Articles of iron and steel	0.03	6,193.56	8,051.24	10,466.10	13,605.28	17,686.01
3	Motor cars and other motor vehicles for transport of persons	0.03	6,200.87	7,412.57	8,861.05	10,592.57	12,662.45
4	All other Motor Vehicles	0.02	7,024.57	8,658.54	10,672.59	13,155.12	16,215.10
5	Organic Chemicals	0.03	3,271.23	3,683.12	4,146.88	4,669.03	5,256.93
6	Pharmaceutical products	0.05	2,346.27	2,635.19	2,959.69	3,324.14	3,733.48
7	Plastics and articles thereof	0.02	5,117.18	6,013.15	7,065.99	8,303.18	9,756.98
8	Aluminum and articles thereof	0.03	2,776.38	3,401.56	4,167.52	5,105.96	6,255.71
9	Cement Clinkers, cement all sorts	0.07	11,755.99	14,010.83	16,698.15	19,900.91	23,717.97
10	All other falling under machinery, mechanical appliances and electrical equipment	0.04	11,294.18	14,628.38	18,946.88	24,540.26	31,784.88
11	Total of 10 Commodities		87,701.06	1,08,724.65	1,35,006.78	1,67,905.20	2,09,136.63
12	All other commodities except petroleum and tobacco products		41,471.79	46,475.48	52,082.88	58,366.83	65,408.96
13	Total of all commodities except petroleum and tobacco products (11+12)		1,29,172.86	1,55,200.13	1,87,089.66	2,26,272.03	2,74,545.58
14	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 13)		12,917.29	15,520.01	18,708.97	22,627.20	27,454.56
15	Change in revenue due to change in tax and demand (as 5% of 13)		6,458.64	7,760.01	9,354.48	11,313.60	13,727.28
16	Total CGST Revenue (13+14+15)		1,48,548.78	1,78,480.15	2,15,153.11	2,60,212.84	3,15,727.42
17	Tobacco Products	0.40	17,547.99	19,732.00	22,187.83	24,949.31	28,054.48
18	Petroleum Products	0.19	1,02,481.29	1,14,403.75	1,27,713.24	1,42,571.13	1,59,157.56
19	Total Revenue (13+14+15)		2,68,578.07	3,12,615.90	3,65,054.19	4,27,733.28	5,02,939.46

Note: K stands for average percentage share of PLA in total revenue (*i.e.* PLA + CenVAT).

$R^{@}$ is the rate where petroleum and tobacco products are taxed at existing UEDs rates while all other commodities are taxed at the CGST rate of 9 percent.

Projected PLA is calculated as follows: Projected PLA = (Projected Turnover) x KR.

Source: Computations are based on Table A.6.9.

Table 6.9: Taxable Base of Expenditure on Commodities and Capital Formation : Consumption Approach

(Rs. Crore)

S.N.	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	APC till 07-08
1	Cereals & bread	102,783.43	87,264.48	104,159.43	99,085.24	105,333.00	100,215.23	108,576.66	123,479.06	135,828.00	11.55
2	Pulses	12,701.10	11,371.11	14,335.71	12,048.80	14,901.94	13,580.21	16,071.66	20,205.84	20,699.19	19.25
3	Sugar & gur	25,778.08	27,185.26	25,730.69	21,140.45	19,672.64	22,684.93	25,677.02	26,781.02	25,393.35	9.57
4	Oils & oilseeds	21,039.46	18,014.33	18,925.04	18,853.34	30,541.62	32,858.74	29,446.84	30,746.38	36,841.47	19.77
5	Fruits & vegetables	69,095.85	76,997.73	79,612.83	83,843.11	89,293.00	92,514.25	108,596.75	116,919.77	133,708.24	8.71
6	Potato & other tubers	6,412.07	6,161.94	8,337.02	8,142.28	7,432.06	10,011.24	11,938.03	12,449.85	17,058.67	26.11
7	Milk & milk products	45,231.30	44,901.93	47,840.97	49,715.56	52,446.51	57,520.15	62,029.71	67,397.82	75,446.28	7.72
8	Meat, egg & fish	22,946.58	24,976.25	26,981.00	28,630.56	29,676.20	31,398.70	35,005.44	38,839.16	43,785.57	8.45
9	Coffee, tea & cocoa	6,151.10	5,374.04	5,000.86	4,849.32	4,406.71	5,295.26	5,567.64	5,529.58	4,617.00	12.65
10	Spices	13,137.11	12,510.47	12,367.34	13,571.67	15,254.32	14,890.94	14,814.56	20,311.90	22,593.00	17.62
11	Other food	6,184.78	7,192.59	6,657.17	6,372.40	6,309.37	6,595.62	7,400.98	7,836.29	7,819.97	9.73
12	Beverages	5,986.36	6,496.01	8,050.96	11,550.38	12,769.08	14,116.58	19,447.77	24,781.43	29,727.43	22.77
13	Pan & other intoxicants	7,066.35	6,724.65	6,383.65	7,011.29	7,364.29	7,858.49	8,784.76	10,418.44	12,305.58	11.68
14	Tobacco & its products	15,402.78	14,047.68	12,688.10	12,855.58	12,319.99	13,639.27	17,917.74	19,949.50	22,376.24	13.38
15	Clothing	40,079.27	49,057.26	46,858.76	49,646.66	53,712.28	56,893.11	60,361.72	64,641.10	68,877.59	8.89
16	Footwear	5,680.97	6,207.87	6,209.91	5,500.81	5,974.00	6,880.94	7,107.33	6,806.15	7,902.78	8.75
17	Gross rent & water charges	63,682.18	70,720.77	77,937.06	84,469.51	90,948.06	97,901.33	106,473.76	114,439.97	122,300.97	8.51
18	Electricity	8,477.63	10,043.48	11,636.85	12,973.98	14,783.18	16,050.66	16,979.33	18,569.27	20,241.75	11.56
19	Liquified petroleum gas	3,876.90	5,970.20	7,064.90	7,895.34	8,838.11	10,575.60	11,648.87	12,086.49	13,364.94	17.52
20	Kerosene oil	2,620.53	6,603.91	6,854.53	6,326.66	6,183.82	5,673.48	5,755.94	5,716.33	5,624.13	2.62
21	Other fuel	15,856.91	17,210.03	18,184.61	18,978.69	20,403.22	22,362.77	25,879.97	27,313.60	28,781.64	7.79
22	Furniture, furnishing & repair	1,140.06	1,194.02	1,090.95	987.18	1,087.49	1,117.23	1,134.53	1,425.08	1,780.66	11.62
23	Refrigerator, cooking, washing appliances etc	4,382.22	4,925.01	4,977.54	5,242.98	5,995.18	7,416.93	8,493.40	10,118.26	11,634.57	13.18
24	Glassware, tableware & utensils	10,279.87	10,709.66	11,265.22	11,862.48	13,159.91	15,216.69	17,615.82	21,882.73	24,780.93	11.81
25	Other goods	6,396.34	7,811.47	9,270.32	9,568.95	10,358.57	12,098.56	14,399.49	16,503.35	19,422.40	15.05
26	Personal transport equipment	4,688.16	4,940.50	5,212.76	5,980.50	6,814.13	7,527.72	8,930.39	10,182.38	10,608.39	10.86
27	Operation of personal transport equipment	25,337.19	30,609.03	33,949.40	36,168.24	44,229.90	50,791.71	58,722.60	66,791.26	66,749.82	14.96
28	Equipment, paper & stationery	11,805.63	13,728.60	15,320.40	15,120.74	17,645.45	20,737.48	23,828.83	27,740.86	32,225.03	15.66
29	Personal goods n.e.c.	19,586.59	22,229.17	23,848.77	24,573.45	27,677.80	33,214.57	39,115.93	43,967.19	52,682.13	13.31
30	Private Final Consumption Expenditure on Goods	583,806.81	611,179.43	656,752.75	672,966.11	735,531.80	787,638.39	877,723.46	973,830.06	1,075,177.71	7.97
31	Govt. Final Consumption Expenditure on Goods	31,027.15	31,382.86	33,788.58	33,293.62	34,829.85	36,892.67	42,231.77	49,017.24	57,517.25	9.60
A	**Total Taxable Base for C ommodities (30+31)**	614,833.96	642,562.28	690,541.33	706,259.73	770,361.66	824,531.07	919,955.23	1,022,847.31	1,132,694.96	

Table 6.9 (Contd…….)

B	**Gross Fixed Capital Formation (i+ii)**	180,721.21	200,984.85	241,102.12	270,861.52	302,526.97	345,311.21	394,313.03	455,536.36	542,138.48	
(i)	Household Sector (a+b-c)	143,245.76	160,093.94	192,733.94	217,269.70	247,112.42	276,314.85	304,071.21	343,410.00	396,081.21	13.59
a	Machinery & Equipment	66,613.64	76,070.91	103,843.64	114,776.36	127,533.64	112,397.27	122,300.91	121,073.64	135,923.64	
b	Construction	114,948.18	126,034.55	133,335.45	153,740.00	179,368.18	245,876.36	272,655.45	333,504.55	390,236.36	
c	*Subtract* Labour	38,316.06	42,011.52	44,445.15	51,246.67	59,789.39	81,958.79	90,885.15	111,168.18	130,078.79	
(ii)	Public (Administrative) Sector	37,475.45	40,890.91	48,368.18	53,591.82	55,414.55	68,996.36	90,241.82	112,126.36	146,057.27	18.93
C	**Total Taxable Base (A+B)**	**795,555.17**	**843,547.13**	**931,643.45**	**977,121.25**	**1,072,888.63**	**1,169,842.28**	**1,314,268.26**	**1,478,383.67**	**1,674,833.44**	

Note: 1. APC is calculated by taking the average of annual percentage change in expenditure, ignoring the outliers.
2. Labour is one-third of construction
3. GFCF in administrative Departments of following industries is taken: electricity, gas & water supply; construction, public administration & defence and other services.

Source: For commodities - Computed as sum of Tables A.6.12 and A.6.13.
For Capital Formation – Statements 19 and 31, NAS, 2009.

Table 6.10: Projected Centre Revenue from Commodities and Capital Formation: Consumption Approach
(All commodities and Capital are taxed at GST Rate of 8 percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Particulars	Tax Rate	2010-11	2011-12	2012-13	2013-14	2014-15
1	Cereals & bread	8	15,081.84	16,823.36	18,765.97	20,932.91	23,350.05
2	Pulses	8	2,808.31	3,348.99	3,993.75	4,762.64	5,679.57
3	Sugar & gur	8	2,671.94	2,927.51	3,207.53	3,514.33	3,850.48
4	Oils & oilseeds	8	5,064.37	6,065.85	7,265.37	8,702.10	10,422.94
5	Fruits & vegetables	0	0.00	0.00	0.00	0.00	0.00
6	Potato & other tubers	0	0.00	0.00	0.00	0.00	0.00
7	Milk & milk products	0	0.00	0.00	0.00	0.00	0.00
8	Meat, egg & fish	0	0.00	0.00	0.00	0.00	0.00
9	Coffee, tea & cocoa	8	528.06	594.88	670.16	754.96	850.49
10	Spices	0	0.00	0.00	0.00	0.00	0.00
11	Other food	0	0.00	0.00	0.00	0.00	0.00
12	Beverages	8	4,400.86	5,402.99	6,633.32	8,143.81	9,998.25
13	Pan & other intoxicants	0	0.00	0.00	0.00	0.00	0.00
14	Tobacco & its products	42	13,697.72	15,530.50	17,608.52	19,964.57	22,635.88
15	Clothing	8	7,113.50	7,745.59	8,433.86	9,183.29	9,999.31
16	Footwear	8	813.10	884.24	961.60	1,045.73	1,137.22
17	Gross rent & water charges	0	0.00	0.00	0.00	0.00	0.00
18	Electricity	0	0.00	0.00	0.00	0.00	0.00
19	Liquified petroleum gas	20	4,338.53	5,098.68	5,992.02	7,041.88	8,275.68
20	Kerosene oil	20	1,215.73	1,247.63	1,280.37	1,313.97	1,348.45
21	Other fuel	20	7,208.98	7,770.51	8,375.79	9,028.21	9,731.46
22	Furniture, furnishing & repair	8	198.12	221.15	246.85	275.55	307.57
23	Refrigerator, cooking, washing appliances etc	8	1,349.59	1,527.53	1,728.93	1,956.89	2,214.90
24	Glassware, tableware & utensils	8	2,770.98	3,098.20	3,464.05	3,873.11	4,330.47
25	Other goods	8	2,366.11	2,722.17	3,131.81	3,603.10	4,145.31
26	Personal transport equipment	8	1,156.24	1,281.79	1,420.98	1,575.28	1,746.33
27	Operation of personal transport equipment	0	0.00	0.00	0.00	0.00	0.00
28	Equipment, paper & stationery	8	3,988.30	4,612.71	5,334.88	6,170.11	7,136.11
29	Personal goods n.e.c.	0	0.00	0.00	0.00	0.00	0.00
30	Revenue from Private Consumption (1 to 29)		76,772.29	86,904.30	98,515.77	111,842.43	127,160.47
31	Revenue from Government Consumption	8	6,058.55	6,640.43	7,278.18	7,977.19	8,743.33
32	Revenue from private consumption of commodities except tobacco & petroleum products		50,311.33	57,256.97	65,259.07	74,493.79	85,169.00
33	Revenue from all commodities except tobacco & petroleum products (31+32)		56,369.89	63,897.39	72,537.26	82,470.98	93,912.33
34	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 33)		5,636.99	6,389.74	7,253.73	8,247.10	9,391.23
35	Change in Revenue due to change in tax and demand (as 5% of 33)		2,818.49	3,194.87	3,626.86	4,123.55	4,695.62
36	Total Revenue from all commodities except tobacco & petroleum products (33+34+35)		64,825.37	73,482.00	83,417.84	94,841.63	107,999.18
37	Revenue from tobacco & petroleum products (14+ 19 to 21)		26,460.95	29,647.33	33,256.70	37,348.64	41,991.47
A	**Total Revenue from commodities (36+37)**		**91,286.33**	**103,129.33**	**116,674.54**	**132,190.27**	**149,990.65**
B	**Gross Fixed Capital Formation (i+ii)**		**66,099.41**	**76,133.15**	**87,729.26**	**101,137.68**	**116,649.43**
(i)	Household Sector	8	46,445.34	52,759.19	59,931.35	68,078.51	77,333.20
(ii)	Public (Administrative) Sector	8	19,654.07	23,373.96	27,797.91	33,059.17	39,316.22
C	**Total Revenue (A+B)**		**157,385.74**	**179,262.48**	**204,403.80**	**233,327.95**	**266,640.08**

Source: Computed from Table A.6.15.

Table 6.11: Projected Centre Revenue from Commodities and Capital Formation: Consumption Approach
(All commodities and Capital are taxed at GST Rate of 9 Percent except petroleum and tobacco products)

(Rs. Crore)

S.N.	Particulars	Tax Rate	2010-11	2011-12	2012-13	2013-14	2014-15
1	Cereals & bread	9	16,967.07	18,926.28	21,111.72	23,549.52	26,268.81
2	Pulses	9	3,159.35	3,767.61	4,492.97	5,357.98	6,389.52
3	Sugar & gur	9	3,005.93	3,293.45	3,608.47	3,953.62	4,331.79
4	Oils & oilseeds	9	5,697.42	6,824.08	8,173.54	9,789.86	11,725.80
5	Fruits & vegetables	0	0.00	0.00	0.00	0.00	0.00
6	Potato & other tubers	0	0.00	0.00	0.00	0.00	0.00
7	Milk & milk products	0	0.00	0.00	0.00	0.00	0.00
8	Meat, egg & fish	0	0.00	0.00	0.00	0.00	0.00
9	Coffee, tea & cocoa	9	594.07	669.24	753.93	849.33	956.80
10	Spices	0	0.00	0.00	0.00	0.00	0.00
11	Other food	0	0.00	0.00	0.00	0.00	0.00
12	Beverages	9	4,950.97	6,078.36	7,462.48	9,161.78	11,248.03
13	Pan & other intoxicants	0	0.00	0.00	0.00	0.00	0.00
14	Tobacco & its products	42	13,697.72	15,530.50	17,608.52	19,964.57	22,635.88
15	Clothing	9	8,002.68	8,713.79	9,488.09	10,331.20	11,249.22
16	Footwear	9	914.74	994.77	1,081.80	1,176.45	1,279.38
17	Gross rent & water charges	0	0.00	0.00	0.00	0.00	0.00
18	Electricity	0	0.00	0.00	0.00	0.00	0.00
19	Liquified petroleum gas	20	4,338.53	5,098.68	5,992.02	7,041.88	8,275.68
20	Kerosene oil	20	1,215.73	1,247.63	1,280.37	1,313.97	1,348.45
21	Other fuel	20	7,208.98	7,770.51	8,375.79	9,028.21	9,731.46
22	Furniture, furnishing & repair	9	222.89	248.79	277.71	309.99	346.02
23	Refrigerator, cooking, washing appliances etc	9	1,518.29	1,718.48	1,945.05	2,201.50	2,491.76
24	Glassware, tableware & utensils	9	3,117.36	3,485.47	3,897.06	4,357.25	4,871.78
25	Other goods	9	2,661.87	3,062.44	3,523.29	4,053.49	4,663.47
26	Personal transport equipment	9	1,300.77	1,442.02	1,598.60	1,772.19	1,964.62
27	Operation of personal transport equipment	0	0.00	0.00	0.00	0.00	0.00
28	Equipment, paper & stationery	9	4,486.84	5,189.30	6,001.74	6,941.38	8,028.12
29	Personal goods n.e.c.	0	0.00	0.00	0.00	0.00	0.00
30	Total Revenue from Private Consumption		83,061.20	94,061.42	106,673.16	121,154.16	137,806.60
31	Revenue from Government Consumption		6,815.87	7,470.48	8,187.96	8,974.34	9,836.25
32	Revenue from private consumption of commodities except tobacco & petroleum products		56,600.25	64,414.09	73,416.46	83,805.52	95,815.12
33	Revenue from all commodities except tobacco & petroleum products (31+32)		63,416.12	71,884.57	81,604.41	92,779.86	105,651.37
34	Change in base due to inclusion of commodities under CGST which were not manufactured goods (as 10% of 33)		6,341.61	7,188.46	8,160.44	9,277.99	10,565.14
35	Change in Revenue due to change in tax and demand (as 5% of 33)		3,170.81	3,594.23	4,080.22	4,638.99	5,282.57
36	Total Revenue from all commodities except tobacco & petroleum products (33+34+35)		72,928.54	82,667.25	93,845.07	106,696.84	121,499.08
37	Revenue from tobacco & petroleum products (14+ 19 to 21)		26,460.95	29,647.33	33,256.70	37,348.64	41,991.47
A	**Total Revenue from commodities (36+37)**		**99,389.50**	**112,314.58**	**127,101.77**	**144,045.47**	**163,490.55**
B	**Gross Fixed Capital Formation (i+ii)**		**74,361.84**	**85,649.80**	**98,695.42**	**113,779.89**	**131,230.60**
(i)	Household Sector	9	52,251.01	59,354.09	67,422.77	76,588.32	86,999.85
(ii)	Public (Administrative) Sector	9	22,110.83	26,295.71	31,272.65	37,191.57	44,230.75
C	**Total Revenue (A+B)**		**173,751.34**	**197,964.38**	**225,797.19**	**257,825.36**	**294,721.15**

Source: Computed from Table A.6.15.

Table 6.12: State-wise Projected Goods Revenue: Growth Rate Method

(Rs. Crore)

Non-Special Category States	Projected Revenue if revenue rises at current rate					Projected Revenue if SGST rate is 8 percent*					Projected Revenue if SGST rate is 9 percent*				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	29,685.32	35,340.46	42,072.93	50,087.95	59,629.86	26,439.72	31,476.57	37,472.95	44,611.67	53,110.33	27,270.91	32,466.10	38,651.00	46,014.13	54,779.96
Bihar	4,499.55	5,480.19	6,674.56	8,129.23	9,900.93	4,007.60	4,881.03	5,944.81	7,240.43	8,818.43	4,133.59	5,034.47	6,131.70	7,468.05	9,095.65
Chhattisgarh	5,111.71	6,485.62	8,228.83	10,440.56	13,246.77	4,552.83	5,776.53	7,329.14	9,299.06	11,798.45	4,695.95	5,958.13	7,559.55	9,591.40	12,169.36
Goa	1,240.11	1,423.64	1,634.34	1,876.22	2,153.90	1,104.52	1,267.99	1,455.65	1,671.09	1,918.41	1,139.24	1,307.85	1,501.41	1,723.62	1,978.72
Gujarat	21,380.43	25,109.67	29,489.37	34,633.00	40,673.80	19,042.83	22,364.34	26,265.20	30,846.46	36,226.80	19,641.48	23,067.41	27,090.90	31,816.19	37,365.67
Harayana	10,741.59	12,789.12	15,226.93	18,129.43	21,585.20	9,567.18	11,390.84	13,562.12	16,147.28	19,225.22	9,867.94	11,748.94	13,988.47	16,654.91	19,829.60
Jharkhand	3,972.22	4,829.78	5,872.47	7,140.27	8,681.77	3,537.92	4,301.72	5,230.41	6,359.60	7,732.56	3,649.15	4,436.95	5,394.84	6,559.53	7,975.65
Karnataka	19,548.17	22,610.94	26,153.57	30,251.26	34,990.96	17,410.90	20,138.81	23,294.11	26,943.79	31,165.28	17,958.25	20,771.91	24,026.41	27,790.82	32,145.03
Kerala	11,625.83	12,978.98	14,489.61	16,176.07	18,058.82	10,354.74	11,559.94	12,905.41	14,407.49	16,084.39	10,680.26	11,923.35	13,311.12	14,860.42	16,590.04
Madhya Pradesh	8,871.93	10,412.35	12,220.25	14,342.04	16,832.24	7,901.93	9,273.94	10,884.17	12,773.98	14,991.92	8,150.34	9,565.48	11,226.33	13,175.55	15,463.22
Maharashtra	35,789.52	40,681.77	46,242.78	52,563.94	59,749.18	31,876.53	36,233.90	41,186.90	46,816.95	53,216.60	32,878.64	37,372.99	42,481.70	48,288.74	54,889.58
Orissa	5,642.28	6,574.04	7,659.66	8,924.57	10,398.35	5,025.39	5,855.28	6,822.21	7,948.81	9,261.46	5,183.38	6,039.35	7,036.68	8,198.70	9,552.62
Punjab	7,360.57	8,365.39	9,507.38	10,805.27	12,280.34	6,555.82	7,450.77	8,467.91	9,623.89	10,937.69	6,761.91	7,685.00	8,734.11	9,926.44	11,281.53
Rajasthan	11,645.38	13,578.68	15,832.95	18,461.46	21,526.34	10,372.15	12,094.08	14,101.88	16,443.00	19,172.79	10,698.22	12,474.28	14,545.20	16,959.92	19,775.53
Tamil Nadu	22,807.09	25,439.64	28,376.07	31,651.43	35,304.86	20,313.52	22,658.24	25,273.62	28,190.87	31,444.86	20,952.11	23,370.55	26,068.15	29,077.11	32,433.40
Uttar Pradesh	19,625.31	22,156.63	25,014.45	28,240.88	31,883.47	17,479.61	19,734.17	22,279.54	25,153.21	28,397.54	18,029.12	20,354.56	22,979.95	25,943.96	29,290.28
West Bengal	10,151.08	11,349.57	12,689.56	14,187.75	15,862.82	9,041.23	10,108.68	11,302.16	12,636.55	14,128.49	9,325.46	10,426.47	11,657.47	13,033.81	14,572.65
Special Category States															
Arunachal Pradesh	144.43	178.07	219.55	270.69	333.74	128.64	158.60	195.55	241.09	297.25	132.68	163.59	201.69	248.67	306.60
Assam	4,338.81	5,087.44	5,965.25	6,994.52	8,201.38	3,864.43	4,531.21	5,313.05	6,229.78	7,304.70	3,985.92	4,673.66	5,480.08	6,425.63	7,534.34
Himachal Pradesh	1,778.24	2,169.68	2,647.29	3,230.03	3,941.05	1,583.82	1,932.46	2,357.85	2,876.88	3,510.16	1,633.61	1,993.22	2,431.98	2,967.32	3,620.51
Jammu & Kashmir	3,193.57	3,862.70	4,672.03	5,650.93	6,834.94	2,844.40	3,440.38	4,161.22	5,033.09	6,087.65	2,933.82	3,548.53	4,292.04	5,191.32	6,279.03
Manipur	240.97	303.74	382.86	482.58	608.29	214.62	270.53	341.00	429.82	541.78	221.37	279.03	351.72	443.33	558.82
Meghalaya	364.17	432.84	514.46	611.48	726.79	324.35	385.52	458.22	544.62	647.32	334.55	397.64	472.62	561.74	667.67
Mizoram	116.07	143.05	176.31	217.30	267.82	103.38	127.41	157.03	193.54	238.54	106.63	131.42	161.97	199.62	246.04
Nagaland	146.09	174.51	208.46	249.01	297.45	130.12	155.43	185.67	221.78	264.93	134.21	160.32	191.50	228.76	273.26
Sikkim	128.93	154.22	184.48	220.66	263.95	114.83	137.36	164.31	196.54	235.09	118.44	141.68	169.47	202.72	242.48
Tripura	465.82	563.82	682.44	826.01	999.78	414.89	502.18	607.82	735.70	890.47	427.94	517.96	626.93	758.82	918.46
Uttarakhand	2,681.73	3,167.54	3,741.36	4,419.12	5,219.66	2,394.30	2,830.31	3,345.72	3,954.99	4,675.20	2,469.57	2,919.28	3,450.90	4,079.32	4,822.18

Note: * 1 Only one-third of the total STVAT/Sales Tax (net of CST) revenue is converted at the SGST while two-third of the revenue would continue to grow at their existing rate.

2. It includes the 5 percent of revenue calculated at SGST rate and added due to change in tax rate.

Source: Computed from Table A.6.17 and A.6.20.

Table 6.13: State-wise Projected Goods Revenue - Buoyancy Method

(Rs. Crore)

Non-Special Category States	Projected Revenue if revenue rises at current rate					Projected Revenue if SGST rate is 8 percent*					Projected Revenue if SGST rate is 9 percent*				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	29,474.64	35,006.44	41,576.45	49,379.52	58,647.07	26,252.08	31,179.07	37,030.76	43,980.69	52,234.99	27,077.37	32,159.25	38,194.90	45,363.32	53,877.11
Bihar	3,974.36	4,644.37	5,427.32	6,342.27	7,411.47	3,539.83	4,136.58	4,833.94	5,648.85	6,601.15	3,651.11	4,266.62	4,985.90	5,826.43	6,808.67
Chhattisgarh	5,518.51	7,182.80	9,349.00	12,168.48	15,838.28	4,915.16	6,397.48	8,326.84	10,838.06	14,106.63	5,069.67	6,598.60	8,588.61	11,178.78	14,550.10
Goa	1,241.03	1,425.05	1,636.37	1,879.01	2,157.64	1,105.34	1,269.25	1,457.46	1,673.57	1,921.74	1,140.09	1,309.15	1,503.27	1,726.19	1,982.15
Gujarat	19,339.04	21,965.06	24,947.67	28,335.28	32,182.88	17,224.64	19,563.55	22,220.06	25,237.29	28,664.22	17,766.13	20,178.57	22,918.59	26,030.67	29,565.34
Haryana	10,415.56	12,274.18	14,464.46	17,045.59	20,087.32	9,276.79	10,932.20	12,883.02	15,181.94	17,891.10	9,568.43	11,275.88	13,288.02	15,659.22	18,453.55
Jharkhand	4,079.46	5,004.41	6,139.08	7,531.01	9,238.54	3,633.44	4,457.26	5,467.87	6,707.62	8,228.46	3,747.66	4,597.39	5,639.77	6,918.49	8,487.14
Karnataka	18,494.88	21,001.29	23,847.35	27,079.11	30,748.84	16,472.78	18,705.14	21,240.04	24,118.46	27,386.97	16,990.63	19,293.18	21,907.77	24,876.68	28,247.93
Kerala	11,355.81	12,578.60	13,933.06	15,433.38	17,095.24	10,114.24	11,203.34	12,409.72	13,745.99	15,226.16	10,432.20	11,555.54	12,799.84	14,178.13	15,704.83
Madhya Pradesh	8,593.33	9,978.69	11,587.39	13,455.44	15,624.64	7,653.79	8,887.69	10,320.50	11,984.31	13,916.34	7,894.40	9,167.09	10,644.95	12,361.06	14,353.83
Maharashtra	37,345.60	43,057.08	49,642.06	57,234.12	65,987.27	33,262.48	38,349.51	44,214.53	50,976.52	58,772.66	34,308.15	39,555.11	45,604.50	52,579.07	60,620.31
Orissa	5,240.37	5,957.19	6,772.06	7,698.40	8,751.45	4,667.42	5,305.87	6,031.65	6,856.71	7,794.63	4,814.15	5,472.67	6,221.27	7,072.26	8,039.67
Punjab	7,005.38	7,831.52	8,755.10	9,787.59	10,941.84	6,239.46	6,975.28	7,797.87	8,717.48	9,745.53	6,435.61	7,194.56	8,043.01	8,991.53	10,051.90
Rajasthan	10,739.56	12,189.01	13,834.08	15,701.17	17,820.25	9,565.37	10,856.34	12,321.55	13,984.51	15,871.90	9,866.08	11,197.63	12,708.90	14,424.14	16,370.87
Tamil Nadu	24,963.99	28,697.00	32,988.23	37,921.15	43,591.72	22,234.59	25,559.46	29,381.52	33,775.11	38,825.69	22,933.58	26,362.98	30,305.19	34,836.90	40,046.26
Uttar Pradesh	19,785.72	22,398.43	25,356.15	28,704.43	32,494.86	17,622.48	19,949.53	22,583.87	25,566.08	28,942.09	18,176.48	20,576.69	23,293.85	26,369.80	29,851.94
West Bengal	9,830.54	10,874.26	12,028.78	13,305.89	14,718.58	8,755.74	9,685.34	10,713.64	11,851.11	13,109.35	9,030.99	9,989.82	11,050.44	12,223.68	13,521.47
Special Category States															
Arunachal Pradesh	128.45	152.30	180.57	214.10	253.85	114.40	135.65	160.83	190.69	226.09	118.00	139.91	165.89	196.68	233.20
Assam	4,334.41	5,080.57	5,955.19	6,980.36	8,182.02	3,860.52	4,525.10	5,304.09	6,217.18	7,287.45	3,981.88	4,667.35	5,470.83	6,412.63	7,516.55
Himachal Pradesh	1,813.76	2,227.66	2,736.00	3,360.35	4,127.18	1,615.46	1,984.10	2,436.87	2,992.95	3,675.94	1,666.24	2,046.48	2,513.48	3,087.04	3,791.50
Jammu & Kashmir	3,273.24	3,991.72	4,867.91	5,936.41	7,239.46	2,915.37	3,555.29	4,335.68	5,287.36	6,447.94	3,007.02	3,667.06	4,471.98	5,453.58	6,650.65
Manipur	210.38	253.44	305.32	367.82	443.12	187.37	225.73	271.94	327.61	394.67	193.26	232.83	280.49	337.91	407.08
Meghalaya	389.98	474.22	576.66	701.22	852.69	347.34	422.37	513.61	624.55	759.46	358.26	435.65	529.75	644.19	783.34
Mizoram	123.65	155.65	195.92	246.62	310.44	110.13	138.63	174.50	219.66	276.50	113.59	142.99	179.99	226.57	285.19
Nagaland	166.77	208.20	259.92	324.49	405.10	148.54	185.44	231.50	289.01	360.81	153.21	191.27	238.78	298.10	372.15
Sikkim	125.50	148.78	176.38	209.09	247.87	111.78	132.51	157.09	186.23	220.77	115.30	136.68	162.03	192.08	227.71
Tripura	477.51	582.76	711.21	867.97	1,059.29	425.30	519.05	633.45	773.08	943.48	438.67	535.36	653.37	797.38	973.14
Uttarakhand	2,895.77	3,509.02	4,252.15	5,152.66	6,243.87	2,579.16	3,125.37	3,787.25	4,589.30	5,561.21	2,660.24	3,223.62	3,906.31	4,733.57	5,736.04

Note: * 1 Only one-third of the total STVAT/ Sales Tax (net of CST) revenue is converted at the SGST while two-third of the revenue would continue to grow at their existing rate.

2. It includes the 5 percent of revenue calculated at SGST rate and added due to change in tax rate.

Source: Computed from Table A.6.17 and A.6.22.

Table 6.14: State-wise Projected Goods Revenue - Tax-GSDP Ratio Method

(Rs. Crore)

Non-Special Category States	Projected Revenue if revenue rises at current rate					Projected Revenue if SGST rate is 8 percent*					Projected Revenue if SGST rate is 9 percent*				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	29,827.72	35,566.68	42,409.84	50,569.65	60,299.43	26,566.55	31,678.06	37,773.03	45,040.70	53,706.69	27,401.73	32,673.92	38,960.51	46,456.65	55,395.08
Bihar	6,177.88	8,362.88	11,320.68	15,324.60	20,744.63	5,502.43	7,448.54	10,082.95	13,649.11	18,476.55	5,675.41	7,682.70	10,399.93	14,078.20	19,057.40
Chhattisgarh	5,607.28	7,337.26	9,600.98	12,563.11	16,439.13	4,994.22	6,535.06	8,551.27	11,189.55	14,641.79	5,151.22	6,740.50	8,820.10	11,541.31	15,102.08
Goa	1,525.11	1,875.82	2,307.18	2,837.74	3,490.29	1,358.37	1,670.73	2,054.93	2,527.48	3,108.69	1,401.07	1,723.26	2,119.53	2,606.93	3,206.42
Gujarat	22,547.61	26,953.79	32,221.01	38,517.53	46,044.50	20,082.40	24,006.84	28,698.18	34,306.28	41,010.30	20,713.74	24,761.55	29,600.37	35,384.77	42,299.55
Haryana	11,519.21	14,038.24	17,108.12	20,849.34	25,408.68	10,259.78	12,503.39	15,237.64	18,569.81	22,630.66	10,582.32	12,896.46	15,716.66	19,153.59	23,342.10
Jharkhand	4,373.85	5,491.63	6,895.06	8,657.16	10,869.58	3,895.64	4,891.21	6,141.20	7,710.64	9,681.17	4,018.11	5,044.97	6,334.26	7,953.04	9,985.52
Karnataka	20,656.43	24,336.09	28,671.23	33,778.61	39,795.80	18,397.99	21,675.34	25,536.51	30,085.48	35,444.80	18,976.37	22,356.75	26,339.30	31,031.28	36,559.08
Kerala	14,156.64	16,876.74	20,119.50	23,985.32	28,593.93	12,608.85	15,031.55	17,919.76	21,362.92	25,467.66	13,005.24	15,504.10	18,483.11	22,034.51	26,268.29
Madhya Pradesh	10,380.49	12,837.55	15,876.20	19,634.09	24,281.48	9,245.56	11,433.98	14,140.40	17,487.43	21,626.71	9,536.21	11,793.43	14,584.93	18,037.19	22,306.59
Maharashtra	43,565.89	52,875.47	64,174.41	77,887.80	94,531.61	38,802.69	47,094.42	57,158.00	69,372.07	84,196.16	40,022.54	48,574.93	58,954.89	71,552.93	86,843.04
Orissa	6,483.37	7,912.13	9,655.75	11,783.62	14,380.42	5,774.52	7,047.07	8,600.06	10,495.28	12,808.16	5,956.06	7,268.61	8,870.42	10,825.22	13,210.81
Punjab	9,977.57	12,549.82	15,785.19	19,854.65	24,973.23	8,886.69	11,177.70	14,059.34	17,683.88	22,242.82	9,166.06	11,529.10	14,501.33	18,239.81	22,942.07
Rajasthan	11,972.51	14,089.64	16,581.14	19,513.23	22,963.81	10,663.51	12,549.17	14,768.27	17,379.78	20,453.10	10,998.74	12,943.68	15,232.54	17,926.15	21,096.08
Tamil Nadu	26,681.59	31,359.33	36,857.15	43,318.84	50,913.38	23,764.40	27,930.71	32,827.44	38,582.65	45,346.85	24,511.48	28,808.77	33,859.44	39,795.58	46,772.42
Uttar Pradesh	23,537.79	28,233.80	33,866.72	40,623.45	48,728.21	20,964.33	25,146.91	30,163.96	36,181.95	43,400.59	21,623.39	25,937.46	31,112.22	37,319.41	44,764.98
West Bengal	10,553.78	11,953.83	13,539.61	15,335.76	17,370.18	9,399.90	10,646.88	12,059.28	13,659.05	15,471.04	9,695.41	10,981.59	12,438.39	14,088.45	15,957.40
Special Category States															
Arunachal Pradesh	135.83	164.08	198.20	239.41	289.20	120.98	146.14	176.53	213.24	257.58	124.78	150.73	182.08	219.94	265.68
Assam	5,117.94	6,340.64	7,855.45	9,732.14	12,057.19	4,558.38	5,647.40	6,996.58	8,668.10	10,738.94	4,701.68	5,824.94	7,216.54	8,940.60	11,076.54
Himachal Pradesh	1,837.61	2,266.79	2,796.21	3,449.28	4,254.88	1,636.69	2,018.95	2,490.49	3,072.16	3,789.68	1,688.15	2,082.42	2,568.79	3,168.74	3,908.82
Jammu & Kashmir	3,297.87	4,031.81	4,929.10	6,026.07	7,367.18	2,937.30	3,591.00	4,390.18	5,367.22	6,561.70	3,029.64	3,703.89	4,528.20	5,535.95	6,767.98
Manipur	229.06	283.89	351.84	436.06	540.44	204.02	252.85	313.37	388.38	481.35	210.43	260.80	323.22	400.59	496.48
Meghalaya	432.76	544.82	685.90	863.51	1,087.11	385.44	485.25	610.91	769.10	968.25	397.56	500.51	630.11	793.27	998.69
Mizoram	124.54	157.13	198.27	250.17	315.65	110.92	139.95	176.59	222.82	281.14	114.41	144.35	182.14	229.82	289.98
Nagaland	196.87	259.75	342.72	452.18	596.61	175.34	231.35	305.25	402.74	531.38	180.86	238.62	314.84	415.40	548.09
Sikkim	177.61	236.39	314.62	418.74	557.32	158.19	210.54	280.22	372.96	496.39	163.16	217.16	289.03	384.68	511.99
Tripura	503.09	624.75	775.83	963.45	1,196.44	448.08	556.44	691.01	858.11	1,065.63	462.17	573.94	712.73	885.09	1,099.13
Uttarakhand	3,216.54	4,036.64	5,065.84	6,357.44	7,978.35	2,864.87	3,595.30	4,511.97	5,662.36	7,106.05	2,954.93	3,708.33	4,653.81	5,840.37	7,329.45

Note: * 1 Only one-third of the total STVAT/ Sales Tax (net of CST) revenue is converted at the SGST while two -third of the revenue would continue to grow at their existing rate.

2. It includes the 5 percent of revenue calculated at SGST rate and added due to change in tax rate.

Source: Computed from Table A.6.27 and A.6.28.

Table 6.15: State-wise Projected Revenue from Goods and Capital Formation – Consumption Approach

(Rs. Crore)

Non-Special Category States	Projected Revenue if revenue rises at current rate					Projected Revenue if SGST rate is 8 percent					Projected Revenue if SGST rate is 9 percent				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Andhra Pradesh	13,501.58	15,348.26	17,464.61	19,892.46	22,680.52	11,878.62	13,529.76	15,427.29	17,610.33	20,124.55	13,113.81	14,941.28	17,041.95	19,459.26	22,243.95
Bihar	10,173.69	11,565.20	13,159.90	14,989.34	17,090.19	8,950.76	10,194.92	11,624.75	13,269.71	15,164.22	9,881.50	11,258.53	12,841.42	14,662.91	16,761.23
Chhattisgarh	2,769.68	3,148.50	3,582.64	4,080.69	4,652.62	2,436.75	2,775.46	3,164.71	3,612.54	4,128.30	2,690.13	3,065.02	3,495.94	3,991.82	4,563.07
Goa	685.48	779.24	886.68	1,009.95	1,151.50	603.08	686.91	783.25	894.08	1,021.73	665.79	758.57	865.22	987.95	1,129.33
Gujarat	10,287.83	11,694.95	13,307.55	15,157.51	17,281.93	9,051.18	10,309.30	11,755.17	13,418.58	15,334.35	9,992.36	11,384.84	12,985.49	14,827.42	16,949.28
Haryana	4,775.50	5,428.67	6,177.23	7,035.96	8,022.09	4,201.46	4,785.47	5,456.63	6,228.77	7,118.04	4,638.35	5,284.72	6,027.73	6,882.73	7,867.68
Jharkhand	3,795.48	4,314.60	4,909.53	5,592.04	6,375.80	3,339.24	3,803.40	4,336.82	4,950.50	5,657.28	3,686.47	4,200.19	4,790.72	5,470.26	6,253.07
Karnataka	8,465.72	9,623.62	10,950.60	12,472.91	14,221.07	7,448.10	8,483.39	9,673.17	11,041.97	12,618.43	8,222.58	9,368.43	10,685.59	12,201.29	13,947.34
Kerala	8,105.06	9,213.63	10,484.08	11,941.54	13,615.22	7,130.79	8,121.98	9,261.07	10,571.56	12,080.86	7,872.28	8,969.32	10,230.36	11,681.48	13,353.15
Madhya Pradesh	8,021.48	9,118.61	10,375.96	11,818.39	13,474.81	7,057.25	8,038.22	9,165.57	10,462.54	11,956.27	7,791.10	8,876.82	10,124.86	11,561.02	13,215.44
Maharashtra	21,648.93	24,609.95	28,003.39	31,896.30	36,366.77	19,046.61	21,694.11	24,736.68	28,237.04	32,268.43	21,027. 16	23,957.39	27,325.68	31,201.69	35,666.77
Orissa	4,186.49	4,759.10	5,415.32	6,168.14	7,032.64	3,683.25	4,195.23	4,783.60	5,460.51	6,240.10	4,066.25	4,632.90	5,284.27	6,033.81	6,897.27
Punjab	6,497.51	7,386.21	8,404.68	9,573.06	10,914.79	5,716.48	6,511.07	7,424.24	8,474.81	9,684.75	6,310.90	7,190.35	8,201.28	9,364.59	10,704.70
Rajasthan	10,088.47	11,468.32	13,049.67	14,863.78	16,947.03	8,875.79	10,109.53	11,527.37	13,158.55	15,037.19	9,798.72	11,164.22	12,733.86	14,540.09	16,620.83
Tamil Nadu	11,265.12	12,805.91	14,571.69	16,597.39	18,923.62	9,911.00	11,288.63	12,871.85	14,693.28	16,791.03	10,941.58	12,466.34	14,219.05	16,235.95	18,559.37
Uttar Pradesh	25,294.79	28,754.48	32,719.39	37,267.90	42,491.23	22,254.22	25,347.58	28,902.54	32,992.40	37,702.70	24,568.31	27,992.01	31,927.55	36,456.31	41,673.35
West Bengal	13,499.81	15,346.24	17,462.31	19,889.85	22,677.54	11,877.06	13,527.98	15,425.26	17,608.02	20,121.90	13,112.09	14,939.32	17,039.71	19,456.70	22,241.03
Special Category States															
Arunachal Pradesh	224.02	254.66	289.77	330.05	376.31	197.09	224.48	255.97	292.19	333.90	217.58	247.90	282.76	322.87	369.07
Assam	4,401.08	5,003.03	5,692.90	6,484.30	7,393.11	3,872.05	4,410.26	5,028.80	5,740.40	6,559.95	4,274.68	4,870.37	5,555.12	6,343.09	7,250.81
Himachal Pradesh	1,423.48	1,618.18	1,841.30	2,097.27	2,391.22	1,252.37	1,426.45	1,626.51	1,856.67	2,121.74	1,382.60	1,575.27	1,796.74	2,051.60	2,345.19
Jammu & Kashmir	2,127.69	2,418.71	2,752.22	3,134.82	3,574.19	1,871.93	2,132.13	2,431.16	2,775.18	3,171.40	2,066.58	2,354.57	2,685.61	3,066.55	3,505.39
Manipur	449.67	511.18	581.66	662.52	755.38	395.62	450.61	513.81	586.52	670.25	436.76	497.62	567.59	648.10	740.84
Meghalaya	401.95	456.92	519.93	592.20	675.21	353.63	402.79	459.28	524.27	599.11	390.40	444.81	507.34	579.31	662.21
Mizoram	227.84	259.00	294.71	335.68	382.73	200.45	228.31	260.33	297.17	339.60	221.29	252.13	287.58	328.37	375.36
Nagaland	435.00	494.49	562.68	640.90	730.73	382.71	435.90	497.04	567.37	648.38	422.50	481.38	549.06	626.94	716.66
Sikkim	141.03	160.32	182.43	207.79	236.91	124.08	141.33	161.15	183.95	210.21	136.98	156.07	178.01	203.26	232.35
Tripura	441.56	501.95	571.17	650.57	741.75	388.48	442.48	504.54	575.93	658.16	428.88	488.64	557.35	636.40	727.47
Uttarakhand	1,343.87	1,527.68	1,738.33	1,979.99	2,257.49	1,182.33	1,346.68	1,535.55	1,752.84	2,003.09	1,305.28	1,487.17	1,696.26	1,936.87	2,214.04

Source: Computed from Table A.6.10, 6.11 and A.6.29.

Table 6.16: Service-wise Service Tax Revenue from Most Significant Services

(Rs. Crore)

S.N.	Services	2006-07	2007-08	%age Change
1	Insurance Auxiliary Services	1,282.29	7,702.22	500.66
2	Telecommunication service(includes various telecommunication related services which are presently specified as separate taxable services)	2,663.04	4,358.46	63.66
3	Business Auxiliary Services	3,017.96	3,789.79	25.57
4	Bank & Financial Service	3,051.21	3,520.72	15.39
5	Other(Interest/Penalty/Education Cess)	1,038.75	3,379.82	225.37
6	General Insurance Service	2,974.32	2,860.43	-3.83
7	Goods Transport Operated by road	2,262.00	2,538.47	12.22
8	Construction Services	1,767.91	2,013.76	13.91
9	Maintenance & Repair	1,423.50	1,770.62	24.38
10	Consulting Engineer	1,529.17	1,731.83	13.25
11	Manpower Recruiting Agency	980.95	1,553.52	58.37
12	Stock Broker	1,064.03	1,542.39	44.96
13	Mgt. Consultant	925.47	1,350.43	45.92
14	Commissioning & Inst	983.96	1,347.23	36.92
15	Services provided in relation to renting of immovable property, other than residential properties and vacant lan d, for use in the course or furtherance of business or commerce (such services provided by or to a religious body are excluded)	0.01	1,327.45	13,274,400.00
16	Broadcasting	741.95	897.70	20.99
17	Port Services	839.15	871.86	3.90
18	Business Support Services	388.53	784.76	101.98
19	Advertising	628.35	782.79	24.58
20	Security Agency	514.30	661.18	28.56
21	Credit Card, Debit Card, Change Card Or Other Payment Card Related Services	337.13	616.97	83.01
22	Airport Services	577.40	587.55	1.76
23	Total of 22 Services	28,991.38	45,989.95	58.63
24	All Other Services	8,539.53	10,801.37	26.49
25	Total Services	37,530.91	56,791.32	51.32
	Average Percentage Change			30.21

Note: Average Percentage Change is calculated while ignoring the outliers.
Source: Data Collected from CBEC

Table 6.17: Potential Taxable Base of Consumption Expenditure on Services: Consumption Approach

(Rs. Crore)

S.N.	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	APC till 2007-08
(i)	**PFCE on Services**	**52,294.57**	**59,675.52**	**70,978.54**	**84,406.80**	**95,867.21**	**105,168.68**	**116,493.99**	**135,614.03**	**162,718.42**	
1.	Hotels and restaurants	10,530.42	11,727.87	12,943.67	14,295.85	15,987.33	19,052.56	23,154.99	28,532.92	33,808.47	15.80
2	Services of Electrical appliances	4,395.77	4,812.94	5,314.40	5,896.95	6,547.25	7,251.42	8,070.83	9,241.26	10,542.38	11.57
3	Recreation & cultural services	493.72	654.83	450.25	444.11	498.26	569.74	378.50	476.39	554.01	20.27
4	Personal care & effects	18,839.48	19,580.77	21,340.52	22,596.55	24,580.34	26,526.54	29,249.62	32,441.32	36,373.31	8.60
5	Other miscellaneous services	18,035.17	22,899.11	30,929.70	41,173.34	48,254.04	51,768.41	55,640.06	64,922.15	81,440.25	21.16
(ii)	**GFCE on Services***	**1,101.67**	**1,032.25**	**1,051.09**	**1,040.10**	**808.26**	**748.19**	**983.88**	**1,707.31**	**2,025.48**	
1	Recreational Services	83.07	49.69	166.43	80.69	112.73	117.63	167.76	289.99	343.39	35.59
2	Agriculture, forestry, fishing and hunting	400.94	358.67	317.73	308.38	549.57	611.43	628.78	977.22	1,157.00	33.22
3	Electricity, gas, steam and other sources of energy	617.66	623.89	566.93	651.03	145.96	6.23	187.34	162.87	192.68	11.38
4	Other economic services	-56.07	-65.41	-81.88	-4.00	-5.78	12.90	-14.24	277.23	332.41	26.55
	Gross Total (PFCE + GFCE)	**53,396.24**	**60,707.77**	**72,029.63**	**85,446.90**	**96,675.47**	**105,916.87**	**117,477.87**	**137,321.34**	**164,743.90**	

Note: 1. * Total GFCE on services excludes negative figures.

2. APC is calculated as Average of annual percentage change in total taxable base of expenditure on services, ignoring the outliers.

Source: Computed as sum of Tables A.6.32 and A.6.33.

Table 6.18: Projected Additional Revenue from Services at the GST Rate: Consumption Approach

(Rs. Crore)

S.N.	Particulars	If GST Rate is 8 percent					If GST Rate is 9 Percent				
		2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
(i)	**PFCE on Services**	**20,762.38**	**24,349.05**	**28,605.60**	**33,663.14**	**39,679.14**	**23,357.68**	**27,392.69**	**32,181.30**	**37,871.03**	**44,639.03**
1	Hotels and restaurants	4,200.42	4,864.28	5,633.06	6,523.35	7,554.34	4,725.48	5,472.32	6,337.20	7,338.76	8,498.63
2	Services of Electrical appliances	1,171.21	1,306.68	1,457.83	1,626.45	1,814.58	1,317.61	1,470.02	1,640.06	1,829.76	2,041.41
3	Recreation & cultural services	77.09	92.72	111.51	134.11	161.28	86.73	104.31	125.45	150.87	181.44
4	Personal care & effects	3,727.05	4,047.59	4,395.69	4,773.74	5,184.29	4,192.93	4,553.54	4,945.16	5,370.45	5,832.33
5	Other miscellaneous services	11,586.60	14,037.78	17,007.51	20,605.50	24,964.65	13,034.93	15,792.50	19,133.45	23,181.18	28,085.23
(ii)	**GFCE on Services**	**362.53**	**476.34**	**627.05**	**826.82**	**1,091.83**	**406.56**	**528.48**	**687.69**	**895.76**	**1167.92**
1	Recreational Services	68.48	92.85	125.89	170.69	231.44	91.27	113.82	141.94	177.02	220.75
2	Agriculture, forestry, fishing and hunting	218.86	291.57	388.44	517.49	689.41	246.21	328.01	436.99	582.17	775.59
3	Electricity, gas, steam and other sources of energy	21.30	23.73	26.43	29.43	32.79	8.45	9.93	11.66	13.71	16.11
4	Other economic services	53.89	68.20	86.30	109.21	138.20	60.63	76.72	97.09	122.86	155.48
(iii)	**Total (i+ii)**	**21,124.91**	**24,825.39**	**29,232.65**	**34,489.96**	**40,770.97**	**23,764.24**	**27,921.17**	**32,868.99**	**38,766.79**	**45,806.95**
(iv)	**50 percent of total**	**10,562.45**	**12,412.70**	**14,616.33**	**17,244.98**	**20,385.49**	**11,882.12**	**13,960.58**	**16,434.50**	**19,383.39**	**22,903.48**
(v)	**Revenue After Set-off for Services***	**9,611.83**	**11,295.55**	**13,300.86**	**15,692.93**	**18,550.79**	**10,812.73**	**12,704.13**	**14,955.39**	**17,638.89**	**20,842.16**

Note: *Input-credit has been deducted at the rate of 9 percent

Source: Computed from Table A.6.34

Table 6.19: Total Revenue from Services at the GST Rate

(Rs. Crore)

S.N.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
		If GST rate is 8 Percent				
1	Revenue from Existing Base	67,710.83	88,168.39	114,806.82	149,493.55	194,660.23
2	Revenue from Potential Base	9,611.83	11,295.55	13,300.86	15,692.93	18,550.79
3	Total (1+2)	77,322.66	99,463.94	128,107.68	165,186.48	213,211.03
4	Change in Revenue due to change in tax and demand (5% of (3))	3,866.13	4,973.20	6,405.38	8,259.32	10,660.55
5	**Total Service Tax Revenue**	**81,188.79**	**104,437.14**	**134,513.06**	**173,445.81**	**223,871.58**
		If GST rate is 9 Percent				
1	Revenue from Existing Base	76,174.68	99,189.44	129,157.67	168,180.25	218,992.76
2	Revenue from Potential Base	10,812.73	12,704.13	14,955.39	17,638.89	20,842.16
3	Total (1+2)	86,987.41	111,893.57	144,113.06	185,819.13	239,834.93
4	Change in Revenue due to change in tax and demand (5% of (3))	4,349.37	5,594.68	7,205.65	9,290.96	11,991.75
5	**Total Service Tax Revenue**	**91,336.78**	**117,488.25**	**151,318.71**	**195,110.09**	**251,826.67**

Source: Computed from Table 6.16 and Table 6.18.

Table 6.20: State-wise Projected Revenue from Services (at SGST Rate of 8 percent)

(Rs. Crore)

Non-Special Category States	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	5,883.98	7,568.86	9,748.54	12,570.11	16,224.61
Bihar	2,511.68	3,230.89	4,161.33	5,365.76	6,925.75
Chhattisgarh	903.90	1,162.73	1,497.57	1,931.02	2,492.43
Goa	311.10	400.19	515.44	664.62	857.85
Gujarat	5,649.16	7,266.79	9,359.49	12,068.45	15,577.11
Haryana	2,254.69	2,900.31	3,735.55	4,816.74	6,217.11
Jharkhand	1,269.85	1,633.48	2,103.89	2,712.83	3,501.52
Karnataka	3,871.51	4,980.11	6,414.28	8,270.80	10,675.37
Kerala	5,232.30	6,730.57	8,668.85	11,177.91	14,427.66
Madhya Pradesh	3,298.27	4,242.73	5,464.55	7,046.18	9,094.71
Maharashtra	13,546.04	17,424.94	22,442.99	28,938.77	37,352.12
Orissa	966.52	1,243.28	1,601.32	2,064.79	2,665.09
Punjab	3,564.60	4,585.32	5,905.80	7,615.14	9,829.09
Rajasthan	4,255.41	5,473.95	7,050.34	9,090.95	11,733.96
Tamil Nadu	5,758.89	7,407.94	9,541.29	12,302.87	15,879.67
Uttar Pradesh	8,852.48	11,387.38	14,666.73	18,911.79	24,410.00
West Bengal	4,843.91	6,230.95	8,025.35	10,348.17	13,356.68
Special Category States					
Arunachal Pradesh	114.66	147.49	189.97	244.95	316.17
Assam	1,456.84	1,874.01	2,413.69	3,112.29	4,017.13
Himachal Pradesh	808.22	1,039.65	1,339.05	1,726.62	2,228.60
Jammu & Kashmir	1,003.45	1,290.78	1,662.51	2,143.69	2,766.93
Manipur	174.76	224.80	289.53	373.34	481.88
Meghalaya	181.79	233.85	301.20	388.37	501.28
Mizoram	130.75	168.20	216.63	279.33	360.54
Nagaland	207.17	266.49	343.23	442.58	571.25
Sikkim	67.17	86.40	111.28	143.49	185.21
Tripura	118.97	153.04	197.12	254.17	328.06
Uttarakhand	416.62	535.92	690.26	890.04	1,148.81

Source: Computed from Table 6.19 and Table A.6.35

Table 6.21: State-wise Projected Revenue from Services (at SGST Rate of 9 percent)

(Rs. Crore)

Non-Special Category States	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	6,619.44	8,514.71	10,966.50	14,140.18	18,250.60
Bihar	2,825.62	3,634.65	4,681.23	6,035.98	7,790.57
Chhattisgarh	1,016.88	1,308.03	1,684.67	2,172.22	2,803.66
Goa	349.99	450.20	579.83	747.64	964.97
Gujarat	6,355.26	8,174.90	10,528.84	13,575.87	17,522.24
Harayana	2,536.50	3,262.75	4,202.26	5,418.38	6,993.45
Jharkhand	1,428.58	1,837.61	2,366.74	3,051.67	3,938.76
Karnataka	4,355.41	5,602.45	7,215.67	9,303.87	12,008.41
Kerala	5,886.30	7,571.66	9,751.91	12,574.09	16,229.26
Madhya Pradesh	3,710.53	4,772.92	6,147.27	7,926.29	10,230.38
Maharashtra	15,239.19	19,602.46	25,246.95	32,553.37	42,016.32
Orissa	1,087.32	1,398.64	1,801.38	2,322.70	2,997.88
Punjab	4,010.14	5,158.32	6,643.65	8,566.31	11,056.46
Rajasthan	4,787.31	6,158.01	7,931.19	10,226.46	13,199.19
Tamil Nadu	6,478.70	8,333.68	10,733.35	13,839.56	17,862.58
Uttar Pradesh	9,958.97	12,810.42	16,499.15	21,273.97	27,458.11
West Bengal	5,449.36	7,009.61	9,028.01	11,640.71	15,024.54
Special Category States					
Arunachal Pradesh	128.99	165.93	213.70	275.55	355.65
Assam	1,638.94	2,108.20	2,715.25	3,501.03	4,518.75
Himachal Pradesh	909.24	1,169.57	1,506.35	1,942.28	2,506.89
Jammu & Kashmir	1,128.87	1,452.09	1,870.21	2,411.45	3,112.44
Manipur	196.60	252.89	325.71	419.97	542.05
Meghalaya	204.52	263.07	338.83	436.88	563.88
Mizoram	147.10	189.21	243.70	314.22	405.57
Nagaland	233.06	299.79	386.11	497.86	642.58
Sikkim	75.56	97.20	125.18	161.41	208.33
Tripura	133.84	172.17	221.74	285.91	369.03
Uttarakhand	468.70	602.90	776.50	1,001.22	1,292.26

Source: Computed from Table 6.19 and Table A.6.35

Table 6.22: A Comparative Picture of Projected GST Revenue of Centre (Goods and Services)

(Rs. Crore)

If CGST Rate is 8 Percent					
Methods	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Revenue Approach					
Growth Rate	292,956.62	344,894.82	408,441.22	486,557.76	583,018.68
Buoyancy	264,437.24	306,208.76	356,680.22	418,070.13	493,223.09
Turnover Approach	333,261.45	397,221.91	475,661.35	572,266.55	691,730.21
Consumption Approach	238,574.53	283,699.62	338,916.87	406,773.76	490,511.65
If CGST Rate is 9 Percent					
Methods	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Revenue Approach					
Growth Rate	315,013.27	371,801.10	441,460.90	527,302.88	633,548.24
Buoyancy	284,525.59	330,205.03	385,537.40	453,004.13	535,789.24
Turnover Approach	359,914.85	430,104.15	516,372.90	622,843.37	754,766.13
Consumption Approach	265,088.12	315,452.63	377,115.91	452,935.46	546,547.83

Source: Computed from Table 6.2 to Table 6.5, Table 6.7, Table 6.8, Table 6.10, Table 6.11 and Table 6.19

Table 6.23: A Comparative Picture of Projected SGST Revenue (Goods + Services) at SGST Rate of 8 Percent

(Rs. Crore)

	Growth rate Method					Buoyancy Method				
Non-Special Category states	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Andhra Pradesh	32,323.70	39,045.43	47,221.50	57,181.78	69,334.94	32,136.06	38,747.93	46,779.30	56,550.81	68,459.60
Bihar	6,519.28	8,111.92	10,106.14	12,606.19	15,744.17	6,051.51	7,367.48	8,995.27	11,014.61	13,526.89
Chhattisgarh	5,456.72	6,939.26	8,826.71	11,230.08	14,290.88	5,819.05	7,560.21	9,824.41	12,769.09	16,599.05
Goa	1,415.62	1,668.18	1,971.09	2,335.71	2,776.26	1,416.45	1,669.44	1,972.89	2,338.20	2,779.59
Gujarat	24,691.99	29,631.14	35,624.69	42,914.92	51,803.90	22,873.80	26,830.34	31,579.55	37,305.74	44,241.33
Haryana	11,821.87	14,291.15	17,297.67	20,964.03	25,442.33	11,531.48	13,832.52	16,618.56	19,998.69	24,108.22
Jharkhand	4,807.78	5,935.20	7,334.30	9,072.42	11,234.08	4,903.29	6,090.74	7,571.76	9,420.45	11,729.99
Karnataka	21,282.41	25,118.91	29,708.40	35,214.59	41,840.65	20,344.28	23,685.25	27,654.33	32,389.26	38,062.33
Kerala	15,587.05	18,290.51	21,574.26	25,585.40	30,512.05	15,346.54	17,933.91	21,078.56	24,923.90	29,653.82
Madhya Pradesh	11,200.20	13,516.66	16,348.72	19,820.16	24,086.63	10,952.06	13,130.41	15,785.05	19,030.49	23,011.06
Maharashtra	45,422.57	53,658.84	63,629.89	75,755.72	90,568.72	46,808.52	55,774.44	66,657.52	79,915.29	96,124.78
Orissa	5,991.91	7,098.55	8,423.52	10,013.61	11,926.55	5,633.94	6,549.15	7,632.97	8,921.50	10,459.72
Punjab	10,120.41	12,036.09	14,373.71	17,239.03	20,766.77	9,804.05	11,560.59	13,703.67	16,332.62	19,574.62
Rajasthan	14,627.56	17,568.03	21,152.22	25,533.96	30,906.75	13,820.78	16,330.29	19,371.89	23,075.46	27,605.86
Tamil Nadu	26,072.40	30,066.18	34,814.90	40,493.74	47,324.53	27,993.48	32,967.40	38,922.80	46,077.97	54,705.36
Uttar Pradesh	26,332.09	31,121.55	36,946.27	44,065.01	52,807.55	26,474.96	31,336.91	37,250.60	44,477.87	53,352.09
West Bengal	13,885.14	16,339.64	19,327.51	22,984.72	27,485.17	13,599.64	15,916.29	18,738.99	22,199.28	26,466.03
Special Category States										
Arunachal Pradesh	243.30	306.10	385.51	486.05	613.42	229.06	283.14	350.80	435.64	542.26
Assam	5,321.27	6,405.22	7,726.74	9,342.08	11,321.82	5,317.36	6,399.11	7,717.77	9,329.47	11,304.58
Himachal Pradesh	2,392.04	2,972.12	3,696.90	4,603.50	5,738.76	2,423.68	3,023.75	3,775.92	4,719.57	5,904.54
Jammu & Kashmir	3,847.85	4,731.16	5,823.72	7,176.79	8,854.58	3,918.82	4,846.08	5,998.19	7,431.06	9,214.87
Manipur	389.38	495.33	630.53	803.16	1,023.66	362.13	450.53	561.47	700.94	876.55
Meghalaya	506.15	619.37	759.41	933.00	1,148.61	529.13	656.22	814.80	1,012.93	1,260.75
Mizoram	234.13	295.61	373.66	472.87	599.08	240.89	306.83	391.14	498.99	637.05
Nagaland	337.29	421.92	528.90	664.36	836.17	355.70	451.92	574.73	731.59	932.05
Sikkim	182.00	223.76	275.59	340.03	420.30	178.95	218.91	268.37	329.72	405.98
Tripura	533.87	655.22	804.94	989.86	1,218.53	544.28	672.09	830.57	1,027.24	1,271.54
Uttarakhand	2,810.92	3,366.23	4,035.98	4,845.03	5,824.01	2,995.79	3,661.29	4,477.51	5,479.34	6,710.01

Table 6.23 (Contd……)

	Tax-GSDP Method					Consumption Approach				
Non-Special Category states	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Andhra Pradesh	32,450.54	39,246.91	47,521.57	57,610.81	69,931.30	17,762.60	21,098.62	25,175.83	30,180.44	36,349.16
Bihar	8,014.11	10,679.43	14,244.28	19,014.87	25,402.30	11,462.44	13,425.82	15,786.08	18,635.47	22,089.97
Chhattisgarh	5,898.12	7,697.78	10,048.85	13,120.57	17,134.21	3,340.65	3,938.19	4,662.29	5,543.56	6,620.72
Goa	1,669.47	2,070.92	2,570.37	3,192.10	3,966.53	914.19	1,087.10	1,298.68	1,558.70	1,879.57
Gujarat	25,731.56	31,273.63	38,057.67	46,374.74	56,587.41	14,700.34	17,576.10	21,114.66	25,487.04	30,911.46
Harayana	12,514.46	15,403.70	18,973.18	23,386.55	28,847.78	6,456.15	7,685.78	9,192.17	11,045.51	13,335.16
Jharkhand	5,165.50	6,524.69	8,245.09	10,423.47	13,182.69	4,609.09	5,436.87	6,440.70	7,663.32	9,158.80
Karnataka	22,269.50	26,655.45	31,950.79	38,356.28	46,120.16	11,319.60	13,463.50	16,087.46	19,312.77	23,293.80
Kerala	17,841.15	21,762.12	26,588.61	32,540.84	39,895.32	12,363.10	14,852.55	17,929.92	21,749.47	26,508.52
Madhya Pradesh	12,543.83	15,676.70	19,604.95	24,533.61	30,721.42	10,355.52	12,280.94	14,630.12	17,508.72	21,050.98
Maharashtra	52,348.73	64,519.36	79,600.99	98,310.84	121,548.27	32,592.65	39,119.05	47,179.67	57,175.81	69,620.55
Orissa	6,741.04	8,290.35	10,201.37	12,560.07	15,473.25	4,649.77	5,438.50	6,384.92	7,525.30	8,905.19
Punjab	12,451.29	15,763.02	19,965.14	25,299.02	32,071.91	9,281.07	11,096.39	13,330.04	16,089.95	19,513.84
Rajasthan	14,918.93	18,023.12	21,818.61	26,470.74	32,187.06	13,131.20	15,583.47	18,577.71	22,249.51	26,771.15
Tamil Nadu	29,523.29	35,338.65	42,368.72	50,885.51	61,226.51	15,669.88	18,696.57	22,413.13	26,996.14	32,670.70
Uttar Pradesh	29,816.81	36,534.29	44,830.69	55,093.74	67,810.59	31,106.70	36,734.96	43,569.27	51,904.19	62,112.71
West Bengal	14,243.81	16,877.84	20,084.63	24,007.21	28,827.72	16,720.97	19,758.94	23,450.62	27,956.18	33,478.58
Special Category States										
Arunachal Pradesh	235.64	293.63	366.50	458.19	573.75	311.75	371.98	445.94	537.14	650.07
Assam	6,015.22	7,521.41	9,410.27	11,780.39	14,756.07	5,328.89	6,284.27	7,442.48	8,852.69	10,577.08
Himachal Pradesh	2,444.91	3,058.60	3,829.54	4,798.78	6,018.28	2,060.59	2,466.10	2,965.56	3,583.29	4,350.34
Jammu & Kashmir	3,940.75	4,881.79	6,052.69	7,510.91	9,328.63	2,875.38	3,422.92	4,093.67	4,918.88	5,938.32
Manipur	378.77	477.65	602.91	761.72	963.22	570.38	675.41	803.34	959.85	1,152.13
Meghalaya	567.24	719.10	912.10	1,157.47	1,469.53	535.42	636.64	760.47	912.64	1,100.40
Mizoram	241.67	308.15	393.22	502.15	641.69	331.20	396.51	476.96	576.50	700.14
Nagaland	382.51	497.84	648.48	845.32	1,102.63	589.87	702.39	840.27	1,009.95	1,219.62
Sikkim	225.36	296.94	391.50	516.45	681.60	191.25	227.73	272.43	327.44	395.42
Tripura	567.06	709.49	888.12	1,112.28	1,393.69	507.46	595.52	701.65	830.10	986.22
Uttarakhand	3,281.49	4,131.22	5,202.23	6,552.40	8,254.86	1,598.96	1,882.60	2,225.81	2,642.88	3,151.89

Note: Estimates of revenue from goods have been made using the growth rate, buoyancy, tax –GSDP and consumption method while revenue from services has been estimated using the CBEC Data and consumption method only.

Source: Computed from Table 6.12, Table 6.13, Table 6.14, Table 6.15, and Table 6.20.

Table 6.24: A Comparative Picture of Projected SGST Revenue (Goods + Services) at SGST Rate of 9 Percent

(Rs. Crore)

	Growth rate Method					Buoyancy Method				
Non-Special Category states	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Andhra Pradesh	33,890.35	40,980.81	49,617.49	60,154.31	73,030.56	33,696.80	40,673.96	49,161.40	59,503.50	72,127.71
Bihar	6,959.21	8,669.12	10,812.93	13,504.03	16,886.23	6,476.73	7,901.27	9,667.14	11,862.41	14,599.24
Chhattisgarh	5,712.83	7,266.16	9,244.22	11,763.61	14,973.02	6,086.55	7,906.63	10,273.29	13,351.00	17,353.76
Goa	1,489.23	1,758.05	2,081.25	2,471.26	2,943.69	1,490.08	1,759.35	2,083.11	2,473.82	2,947.12
Gujarat	25,996.75	31,242.31	37,619.74	45,392.05	54,887.90	24,121.40	28,353.47	33,447.43	39,606.54	47,087.58
Haryana	12,404.45	15,011.69	18,190.73	22,073.29	26,823.05	12,104.93	14,538.63	17,490.28	21,077.60	25,447.00
Jharkhand	5,077.72	6,274.56	7,761.58	9,611.20	11,914.41	5,176.24	6,434.99	8,006.51	9,970.16	12,425.90
Karnataka	22,313.67	26,374.37	31,242.08	37,094.69	44,153.44	21,346.05	24,895.63	29,123.43	34,180.55	40,256.34
Kerala	16,566.57	19,495.02	23,063.03	27,434.51	32,819.29	16,318.50	19,127.20	22,551.75	26,752.22	31,934.08
Madhya Pradesh	11,860.87	14,338.41	17,373.61	21,101.84	25,693.60	11,604.93	13,940.01	16,792.22	20,287.35	24,584.21
Maharashtra	48,117.83	56,975.45	67,728.65	80,842.11	96,905.90	49,547.35	59,157.57	70,851.45	85,132.45	102,636.63
Orissa	6,270.70	7,438.00	8,838.06	10,521.40	12,550.50	5,901.47	6,871.31	8,022.65	9,394.96	11,037.55
Punjab	10,772.06	12,843.33	15,377.77	18,492.75	22,337.99	10,445.75	12,352.88	14,686.67	17,557.84	21,108.36
Rajasthan	15,485.53	18,632.29	22,476.39	27,186.39	32,974.72	14,653.38	17,355.64	20,640.09	24,650.60	29,570.06
Tamil Nadu	27,430.82	31,704.23	36,801.49	42,916.67	50,295.97	29,412.29	34,696.66	41,038.53	48,676.45	57,908.84
Uttar Pradesh	27,988.09	33,164.98	39,479.09	47,217.93	56,748.39	28,135.45	33,387.11	39,792.99	47,643.78	57,310.05
West Bengal	14,774.82	17,436.08	20,685.49	24,674.52	29,597.19	14,480.35	16,999.43	20,078.46	23,864.38	28,546.01
Special Category States										
Arunachal Pradesh	261.68	329.51	415.40	524.22	662.24	246.99	305.83	379.59	472.23	588.85
Assam	5,624.85	6,781.86	8,195.32	9,926.66	12,053.09	5,620.82	6,775.55	8,186.08	9,913.66	12,035.30
Himachal Pradesh	2,542.85	3,162.79	3,938.33	4,909.60	6,127.40	2,575.48	3,216.05	4,019.83	5,029.33	6,298.39
Jammu & Kashmir	4,062.70	5,000.62	6,162.25	7,602.77	9,391.47	4,135.89	5,119.15	6,342.20	7,865.04	9,763.09
Manipur	417.97	531.92	677.43	863.30	1,100.86	389.86	485.72	606.20	757.87	949.13
Meghalaya	539.07	660.71	811.45	998.63	1,231.55	562.78	698.72	868.58	1,081.07	1,347.22
Mizoram	253.72	320.63	405.67	513.85	651.60	260.69	332.20	423.69	540.79	690.76
Nagaland	367.27	460.11	577.62	726.61	915.83	386.27	491.06	624.89	795.95	1,014.73
Sikkim	194.01	238.88	294.66	364.13	450.82	190.86	233.88	287.22	353.50	436.04
Tripura	561.78	690.13	848.67	1,044.74	1,287.49	572.52	707.53	875.11	1,083.29	1,342.16
Uttarakhand	2,938.27	3,522.18	4,227.40	5,080.53	6,114.44	3,128.94	3,826.52	4,682.81	5,734.79	7,028.29

Table 6.24 (Contd……)

	Tax-GSDP Method					Consumption Approach				
Non-Special Category states	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Andhra Pradesh	34,021.17	41,188.63	49,927.00	60,596.83	73,645.67	19,733.24	23,455.98	28,008.44	33,599.44	40,494.55
Bihar	8,501.03	11,317.35	15,081.17	20,114.17	26,847.97	12,707.12	14,893.18	17,522.66	20,698.89	24,551.81
Chhattisgarh	6,168.10	8,048.53	10,504.78	13,713.53	17,905.74	3,707.01	4,373.05	5,180.62	6,164.04	7,366.73
Goa	1,751.06	2,173.46	2,699.37	3,354.57	4,171.38	1,015.78	1,208.77	1,445.06	1,735.59	2,094.30
Gujarat	27,069.00	32,936.44	40,129.21	48,960.64	59,821.79	16,347.62	19,559.74	23,514.33	28,403.29	34,471.52
Haryana	13,118.82	16,159.21	19,918.92	24,571.97	30,335.56	7,174.85	8,547.48	10,229.99	12,301.11	14,861.13
Jharkhand	5,446.69	6,882.58	8,701.01	11,004.72	13,924.28	5,115.04	6,037.80	7,157.46	8,521.93	10,191.83
Karnataka	23,331.79	27,959.21	33,554.97	40,335.15	48,567.49	12,577.99	14,970.89	17,901.26	21,505.15	25,955.75
Kerala	18,891.54	23,075.77	28,235.02	34,608.60	42,497.55	13,758.58	16,540.98	19,982.27	24,255.57	29,582.40
Madhya Pradesh	13,246.74	16,566.35	20,732.21	25,963.47	32,536.97	11,501.62	13,649.74	16,272.13	19,487.30	23,445.82
Maharashtra	55,261.73	68,177.40	84,201.84	104,106.30	128,859.36	36,266.35	43,559.85	52,572.63	63,755.06	77,683.08
Orissa	7,043.38	8,667.26	10,671.80	13,147.92	16,208.69	5,153.57	6,031.55	7,085.65	8,356.51	9,895.15
Punjab	13,176.21	16,687.42	21,144.98	26,806.12	33,998.53	10,321.04	12,348.68	14,844.93	17,930.90	21,761.15
Rajasthan	15,786.05	19,101.69	23,163.73	28,152.62	34,295.28	14,586.03	17,322.23	20,665.04	24,766.55	29,820.02
Tamil Nadu	30,990.19	37,142.45	44,592.78	53,635.13	64,635.00	17,420.29	20,800.02	24,952.39	30,075.50	36,421.95
Uttar Pradesh	31,582.36	38,747.87	47,611.37	58,593.38	72,223.09	34,527.28	40,802.43	48,426.70	57,730.28	69,131.45
West Bengal	15,144.77	17,991.20	21,466.40	25,729.15	30,981.95	18,561.44	21,948.93	26,067.72	31,097.41	37,265.58
Special Category States										
Arunachal Pradesh	253.77	316.66	395.78	495.49	621.33	346.57	413.83	496.46	598.41	724.72
Assam	6,340.62	7,933.13	9,931.78	12,441.63	15,595.29	5,913.61	6,978.57	8,270.37	9,844.12	11,769.56
Himachal Pradesh	2,597.39	3,252.00	4,075.13	5,111.02	6,415.70	2,291.84	2,744.84	3,303.09	3,993.88	4,852.08
Jammu & Kashmir	4,158.51	5,155.98	6,398.41	7,947.40	9,880.42	3,195.46	3,806.66	4,555.83	5,478.01	6,617.83
Manipur	407.03	513.69	648.93	820.56	1,038.53	633.36	750.51	893.29	1,068.06	1,282.89
Meghalaya	602.08	763.58	968.94	1,230.16	1,562.57	594.92	707.88	846.17	1,016.19	1,226.09
Mizoram	261.50	333.57	425.84	544.04	695.55	368.39	441.34	531.28	642.59	780.93
Nagaland	413.92	538.41	700.96	913.26	1,190.67	655.56	781.17	935.18	1,124.80	1,359.24
Sikkim	238.72	314.36	414.21	546.10	720.33	212.54	253.27	303.20	364.68	440.69
Tripura	596.01	746.10	934.47	1,171.01	1,468.16	562.72	660.81	779.09	922.32	1,096.50
Uttarakhand	3,423.63	4,311.22	5,430.31	6,841.58	8,621.70	1,773.98	2,090.07	2,472.76	2,938.08	3,506.30

Note: Estimates of revenue from goods have been made using the growth rate, buoyancy, Tax –GSDP ratio and consumption method while revenue from services has been estimated using the CBEC Data and consumption method only.

Source: Computed from Table 6.12, Table 6.13, Table 6.14, Table 6.15, and Table 6.21.

Table 6.25: Actual and Projected Revenue from Entertainment tax (Non-Special Category States)

(Rs. lakh)

States	2006-07 (Accounts)	Average tax rate (present)	Projected revenue @ 8% (2006-07)	Projected revenue as % of actual revenue
Andhra Pradesh	6,456	19	2,718.32	42.11
Bihar	1,244	50	199.04	16.00
Orissa	4	16.25	1.97	49.23
Madhya Pradesh	709	45	126.04	17.78
Uttar Pradesh	8,087	60	1,078.27	13.33
Haryana	1,352	30	360.53	26.67
Punjab	500	125	32.00	6.40
Rajasthan	1,156	30	308.27	26.67
Maharashtra	32,819	30	8,751.73	26.67
Goa	509	25	162.88	32.00
Karnataka	5,612	40	1,122.40	20.00
Kerala	136	20	54.40	40.00
Gujarat	2,818	25	901.76	32.00
Tamil Nadu	4,037	12.5	2,583.68	64.00
West Bengal	2,841	20	1,136.40	40.00
Chhattisgarh	421	30	112.27	26.67
Jharkhand	993	14.25	557.47	56.14

Source: Reserve Bank of India. *State Finances : A study of Budget, (Various issues). RBI, Mumbai* and data supplied by States

Table A.6.1: Commodity-wise Excise Revenue (PLA) of the Centre

(Rs. Crore)

S. N.	Description of commodity groups	PLA Revenue 2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Meat and Edible Meat Offal	0.24	1.58	0.38	1.05	0.02	0.04
2	Fish and crustaceans, molluscs and other aquatic invertebrates	0.00	0.00	0.00	0.50	0.00	0.05
3	Dairy Produce, Edible products of Animal origin, N.E.S.	11.68	7.54	6.51	7.17	0.02	0.03
4	Products of Animal Origin, N.E.S.	0.79	0.11	0.49	0.23	0.04	0.08
5	Edible vegetables and roots and tubers	0.88	0.18	0.29	0.94	0.00	0.02
6	Edible fruit and nuts; peel of citrus fruit or melons	0.00	0.00	0.07	0.01	0.00	0.20
7	Coffee	0.00	0.38	1.01	0.15	0.00	0.00
8	Tea including tea waste	97.93	91.48	88.73	28.08	30.46	30.57
9	Spices and other of Chapter-9	0.16	0.06	0.25	0.07	0.03	0.01
10	Products of the Milling Industry; Malt; Starches; Insulin; wheat gluten	19.55	21.68	22.05	33.07	51.40	66.93
11	Lac; Gums; resins and other vegetable saps and extracts	13.66	14.30	7.29	6.60	11.58	14.41
12	Vegetable Plaiting materials; vegetable products, N.E.S.	0.00	0.00	0.00	0.69	0.00	0.00
13	Processed fixed vegetable oils	2.64	124.50	108.48	0.52	1.35	2.50
14	Vegetable fats and oils, partly or wholly hydrogenated	11.50	151.15	117.12	0.35	0.17	1.65
15	All others falling under Chapter-15	30.74	192.97	188.82	13.63	22.68	26.08
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	1.97	2.03	1.51	4.06	0.07	0.54
17	Cane or beat sugar and chemically pure sucrose in solid form	1,049.05	1,104.20	1,161.05	1,337.21	1,225.36	1,205.87
18	Molasses, resulting from the extraction of refining of sugar	529.00	564.29	485.50	390.74	461.87	513.23
19	All others falling under Chapter-17	156.96	110.90	120.21	113.17	162.18	124.38
20	Cocoa and cocoa preparations	109.83	91.68	97.95	108.84	120.09	141.33
21	Preparations of cereals, flour, starch or milk; pastry cooks products	510.93	352.08	406.75	441.44	354.28	203.22
22	Preparation of vegetables, fruits; nuts, or other parts of plants	0.69	2.15	0.94	2.73	1.76	3.12
23	Miscellaneous edible preparations	326.05	388.19	423.73	468.93	445.93	430.19
24	Natural or artificial Mineral waters and aerated waters	574.52	348.29	444.64	532.39	305.80	356.90
25	All others falling under Chapter-22	78.89	68.15	76.87	52.79	83.23	78.82
26	Residues and wastes from the food industries, prepared animal fodder	27.30	1.91	0.20	0.39	0.31	0.02
27	Cigarettes and Cigarillos of tobacco or tobacco substitutes	4,506.76	5,495.34	5,994.85	6,988.99	7,701.35	8,152.49
28	Biris	329.51	336.39	348.15	370.69	427.57	483.81
29	Chewing Tobacco including Kara Masala, Kimam etc.	536.34	613.50	577.28	367.82	421.18	691.61
30	All others falling under Chapter-24	277.73	190.37	250.56	654.57	647.31	943.65
31	Cement Clinkers, Cement all sorts	3,441.14	4,219.93	4,522.65	4,739.19	5,149.40	6,990.97
32	All others falling under Chapter-25	71.11	59.91	43.69	16.20	22.48	149.50
33	Ores, slag and ash	208.79	220.89	311.15	345.16	497.55	606.16
34	Motor Spirit	4,922.98	5,227.45	6,316.66	17,554.45	18,302.96	20,102.10
35	Kerosene	1,390.39	1,700.08	1,273.26	211.91	236.48	240.93
36	R.D. Oil	6,721.42	7,483.45	8,235.07	21,772.92	24,671.54	23,847.80

Table A.6.1 (Contd……...)

37	Diesel Oil, N.E.S.	1,038.03	991.58	1,246.16	505.42	388.55	305.99
38	Furnace Oil	971.08	821.97	996.12	1,755.88	1,877.29	1,984.82
39	Petroleum Gases and other gaseous Hydrocarbons	2,445.36	2,552.10	2,424.36	319.11	453.73	570.38
40	All other petroleum products.	18,471.96	21,373.95	22,653.60	9,630.02	11,953.52	13,178.80
41	Hydrochloric acid, sulphuric acid and hydrides thereof; nitric acid	146.63	137.72	132.32	96.90	55.91	92.57
42	Caustic soda and caustic Potash; Peroxides thereof	129.67	175.11	248.24	326.94	332.02	340.34
43	Soda Ash	234.38	229.75	240.45	236.04	217.09	218.39
44	All others falling under Chapter-28	683.44	752.36	824.09	961.14	795.27	822.25
45	Organic Chemicals	1,609.13	1,722.34	2,170.66	2,026.06	2,043.55	1,870.95
46	Pharmaceutical products	1,421.00	1,434.45	1,616.40	2,265.17	2,007.23	1,739.45
47	Fertilizers	31.92	33.17	37.74	33.31	29.12	44.60
48	Synthetic Organic Dye Stuffs, colouring matters and colour lakes	84.42	106.40	127.67	127.49	101.43	117.09
49	Paints and varnishes	330.00	393.31	433.51	450.68	424.74	473.87
50	All others falling under Chapter-32	77.18	91.57	103.55	133.90	133.79	166.35
51	Essential oils and resinoids; perfumery, cosmetics or toilet preparation	649.16	773.63	727.67	719.82	673.67	714.62
52	Soap	416.09	524.51	532.36	471.63	480.11	416.20
53	Organic Surface Active Agents	242.93	232.48	231.02	279.92	260.70	323.33
54	All others falling under Chapter-34	77.23	87.10	75.03	68.33	62.51	73.55
55	Albuminoidal substances, modified starches, glues, enzymes	87.47	100.43	110.95	120.60	104.50	113.23
56	Matches	50.24	32.54	26.00	20.34	29.01	36.70
57	All others falling under Chapter 36	75.25	76.83	87.41	89.58	83.86	94.32
58	Cinematographic films, exposed or unexposed	1.46	0.28	2.44	3.30	2.28	3.66
59	All others fallin g under Chapter 37	66.58	71.75	64.16	48.43	15.12	14.44
60	Miscellaneous chemical products	733.73	942.82	1,088.00	1,126.32	1,183.52	1,365.62
61	Plastics and articles thereof	1,858.58	2,151.83	2,531.12	2,476.93	2,395.74	2,537.01
62	Tyres, Tubes & flaps	1,123.75	808.79	1,095.38	746.03	872.82	1,013.87
63	All others falling under Chapter 40	269.40	278.21	335.94	360.13	373.08	407.97
64	Leather	0.07	0.12	0.06	0.85	0.76	0.38
65	Articles of leather, travel goods, handbags & similar containers etc.	26.48	31.88	28.09	26.06	22.72	21.43
66	Manufactures of fur, skins and artificial fur	0.36	0.11	0.10	1.22	0.08	0.11
67	Wood and articles of wood	84.39	93.23	108.06	114.72	138.00	109.37
68	Cork and articles of cork	1.49	1.68	2.12	2.00	2.36	2.24
69	Manufactures of st raw of esparto, basket ware and wickerwork	0.00	0.00	0.00	0.52	0.03	0.00
70	Pulp of wood or of other fibrous cellulosic materials, waste and scrap of paper or of paper board	1.87	1.34	2.76	10.32	5.49	7.89
71	Paper and paperboard, articles of paper pulp or paper or paper board	1,173.91	1,350.40	1,300.43	1,369.66	1,290.73	1,263.36
72	Printed books, news-papers, pictures & other products of printing industry etc.	1.83	2.10	22.84	8.10	8.19	6.18
73	Silk	0.17	0.76	1.86	0.52	0.26	0.07
74	Wool, fine or coarse animal hair	19.50	35.30	9.92	3.29	3.13	1.84
75	Cotton and cotton yarn	976.69	980.50	288.05	24.93	20.65	15.81
76	All others falling under Chapter-52 (Cotton fabrics)	229.92	215.31	75.30	6.48	2.63	5.40
77	Woven Fabrics of Jute (including bimplipatam jute or mesta fibres) or of other textile bast fibres	35.38	37.08	40.38	13.12	12.77	16.91

Table A.6.1 (Contd…….)

78	All others falling under Chapter 53	8.83	6.53	2.19	4.47	4.37	5.58
79	Synthetic filament yarn and sewing thread including synthetic monofilament and waste	1,305.18	1,071.90	802.78	218.77	49.12	47.42
80	Fabrics of man-made filament yarn	331.02	139.09	85.04	18.50	8.75	4.89
81	Artificial or Synthetic Staple Fibre & tow including waste	484.16	492.64	347.08	200.56	85.31	91.62
82	Spun Yarn containing Polyester or other Synthetic Yarn	232.08	151.26	65.35	15.31	12.02	6.18
83	Other Man-made blended Yarn	76.29	36.93	14.93	9.41	5.47	3.74
84	Fabrics of man-made staple fibers	253.51	133.70	69.02	8.95	5.45	3.07
85	Wadding, felt & non woven, special yarns, twine, cordage, ropes & cables and articles thereof	22.08	22.54	14.91	9.30	10.23	20.80
86	Carpets & other textile floor coverings	4.23	4.14	4.56	3.90	3.84	3.28
87	Special woven fabrics, tufted textile fabrics, lace, embroidery	39.04	10.66	6.08	2.46	3.60	2.47
88	Impregnated, coated, covered or laminated textile fabrics, textile articles suitable for industrial use	177.06	102.85	34.01	25.07	37.79	39.77
89	Knitted or Crocheted fabrics	21.24	20.58	9.07	2.56	0.97	1.53
90	Articles of apparel and clothing accessories - knitted or crocheted	1.65	51.03	21.67	2.44	2.09	0.62
91	Articles of apparel and clothing accessories not knitted or crocheted	129.14	170.10	51.92	2.13	3.56	1.45
92	Other made up textile articles	21.36	20.81	9.88	40.91	47.44	44.62
93	Footwear, gaiters & the like, parts of such articles	137.75	146.54	130.77	120.19	102.94	93.88
94	Headgear & parts thereof	2.34	4.14	5.63	8.71	7.35	7.21
95	Umbrellas, sun-umbrellas, walking sticks, seat sticks, whips, riding corps and parts thereof	0.30	0.06	0.01	0.14	3.99	1.09
96	Artificial flowers, articles of human hair	0.33	0.18	0.22	1.11	0.63	1.34
97	Articles of asbestos-cement, or cellulose fibre cement or the like	14.90	8.72	7.03	17.64	56.54	56.40
98	All others falling under Chapter 68	148.69	149.88	163.62	182.42	226.67	214.57
99	Ceramic products	232.40	269.73	302.16	388.80	391.87	453.10
100	Glass & Glassware	363.57	400.73	446.68	335.81	339.21	372.82
101	Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof, imitation jewellery etc.	4.80	2.19	3.51	36.82	7.22	9.64
102	Iron & Steel	5,885.88	7,330.33	7,662.86	10,723.03	12,685.20	15,940.27
103	Articles of Iron & Steel	824.91	1,137.39	2,106.57	2,088.75	2,432.51	2,529.67
104	Copper & Articles thereof	159.46	182.66	235.70	337.19	554.43	527.09
105	Nickel & articles thereof	3.41	12.95	3.44	12.12	5.00	8.37
106	Aluminium & articles thereof	643.74	745.56	1,035.31	1,272.92	1,590.41	1,425.80
107	Lead & articles thereof	17.72	22.76	28.05	29.88	46.52	147.56
108	Zinc & articles thereof	122.80	159.63	151.65	305.68	488.00	577.38
109	Tin & articles thereof	2.63	2.11	1.52	2.92	9.24	3.07
110	Other base metals, cermets articles thereof	4.89	6.85	9.03	8.92	7.23	4.29
111	Tools, implements, cutlery, spoons, & forks or base metals; parts thereof	143.32	160.47	180.49	172.90	150.91	147.32
112	Electrical stampings & laminations of base metals	22.64	30.45	51.61	13.62	8.99	8.71
113	Containers of base metals	20.36	22.54	52.59	46.01	45.26	50.68
114	All others falling under Chapter-83	98.62	113.81	147.32	160.64	151.79	174.41

Table A.6.1 (Contd……)

115	Internal combustion engines and parts thereof, steam and other vapour turbines, hydraulic turbines, turbojets, other engines and motors	476.61	519.79	619.53	661.21	734.60	745.24
116	Refrigerators & Air conditioners & parts thereof	529.38	509.98	463.55	313.72	246.33	295.07
117	Machine Tools	93.29	118.87	157.68	204.92	248.99	244.05
118	Ball or roller bearings	250.73	257.40	259.05	278.21	303.30	288.06
119	Machinery, mechanical appliances and electrical equipments.	1,911.85	2,321.21	2,851.04	3,220.22	3,825.99	4,359.94
120	Electric motors and generators, electric generating sets and parts thereof	247.91	262.82	329.05	302.43	438.57	568.98
121	Electrical transformers, static converters & inductors	233.81	211.57	293.75	422.65	493.58	599.20
122	Electric accumulators, primary cells and primary batteries	307.94	295.49	275.18	263.82	231.49	247.80
123	Reception apparatus for radio broadcasting, Television receivers (including video monitors and projectors)	552.84	570.30	559.94	823.81	816.15	970.40
124	Insulated wires, cables and other electric conductors	168.02	177.87	232.30	283.05	282.40	334.90
125	All others falling under Chapter-85	998.68	1,104.41	1,316.88	1,336.39	1,229.80	1,356.58
126	Railway or tramway locomotive rolling stock & parts thereof etc.	90.06	94.16	122.06	140.48	201.38	243.57
127	Tractors	163.68	204.88	97.35	92.32	265.34	217.98
128	Motor cars & other motor vehicles for transport of persons	2,431.52	2,066.61	2,652.73	3,526.21	3,021.63	2,715.81
129	Public transport type passenger motor vehicles & motor vehicles for the transport of goods	1,023.77	1,239.41	1,278.03	946.72	917.09	845.61
130	All other motor vehicles	1,770.33	2,136.01	2,817.10	2,399.39	2,606.09	2,948.16
131	Aircrafts, spacecrafts & parts thereof	0.36	0.26	0.57	5.30	1.56	0.42
132	Ships, boats & floating structures	0.61	0.02	0.18	0.28	0.34	2.46
133	Optical, photographic, cinematographic measuring, checking, precision, medical/ surgical instruments and apparatus parts & accessories thereof	305.11	306.94	326.03	377.88	378.65	413.80
134	Clocks & watches & parts thereof	79.83	70.25	66.78	41.61	35.45	36.15
135	Musical instruments, parts and accessories of such articles	1.02	0.37	1.43	4.74	1.49	2.82
136	Arms and am munitions, parts & accessories thereof	67.01	61.34	59.28	50.02	43.88	49.71
137	Furniture, lamps and lighting fittings, not elsewhere specified, prefabricated buildings	147.17	175.88	258.12	282.04	315.52	356.13
138	Toys, games and sports requisite parts and accessories thereof	9.07	6.03	2.72	8.13	17.17	2.08
139	Miscellaneous manufactured articles	59.83	84.35	85.80	152.39	294.21	147.42
140	Miscellaneous	1,380.37	772.85	1,479.86	1,776.20	1,360.01	1,794.52
141	**Total of all commodities**	**87,102.44**	**95,747.45**	**104,546.72**	**118,293.98**	**128,117.32**	**138,719.14**

Source: Data collected from CBEC

Table A.6.2: Commodity-wise Deviation between Estimated and Actual Revenue at the Centre (2007-08): Growth Rate Method

(Rs. Crore)

S. N.	Description of commodity groups	APC till 2006-07	2007-08 Revenue Actual	2007-08 Revenue Estimated	Percentage Deviation
1	Iron and Steel	21.83	15,940.27	15,454.10	-3.05
2	Articles of iron and steel	34.68	2,529.67	3,564.02	29.50
3	Motor cars and other motor vehicles for transport of persons	30.64	2,715.81	3,947.59	45.36
4	All other Motor Vehicles	20.39	2,948.16	3,137.36	6.42
5	Organic Chemicals	11.31	1,870.95	2,274.66	21.58
6	Pharmaceutical products	17.92	1,739.45	2,366.97	36.08
7	Plastics and articles thereof	16.70	2,537.01	2,795.88	10.20
8	Aluminum and articles thereof	25.64	1,425.80	1,998.24	40.15
9	Cement Clinkers, cement all sorts	10.81	6,990.97	5,706.16	-18.38
10	All other falling under machinery, mechanical appliances and electrical equipment	19.00	4,359.94	4,552.91	4.43
11	Total of 10 Commodities	14.78	43,058.03	45,509.88	5.69
12	All other commodities except petroleum and tobacco products	1.21	25,158.73	23,558.77	-6.36
13	Total of all commodities except petroleum and tobacco products (11+12)	7.65	68,216.76	69,068.65	1.25
14	Tobacco Products	13.03	10,271.56	10,395.86	1.21
15	Petroleum Products	12.73	60,230.82	65,250.57	8.33
16	Total Revenue (13+14+15)	10.14	138,719.14	144,715.08	4.32

Note: APC is calculated by taking the average of annual percentage change in revenue, ignoring the outliers.
Source: Calculated from Table A.6.1.

Table A.6.3: Commodity–wise Projected CenVAT Revenue: Growth Rate Method

(Rs. Crore)

S.N.	Description of commodity groups	APC till 2007-08	2010-11	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	22.59	29,370.17	36,006.16	44,141.50	54,114.96	66,341.85
2	Articles of iron and steel	28.54	5,372.47	6,905.75	8,876.62	11,409.96	14,666.31
3	Motor cars and other motor vehicles for transport of persons	30.64	6,055.82	7,911.60	10,336.07	13,503.51	17,641.59
4	All other Motor Vehicles	18.57	4,914.54	5,827.20	6,909.35	8,192.47	9,713.86
5	Organic Chemicals	11.31	2,580.22	2,872.03	3,196.83	3,558.37	3,960.80
6	Pharmaceutical products	17.92	2,852.35	3,363.57	3,966.40	4,677.29	5,515.58
7	Plastics and articles thereof	13.10	3,670.41	4,151.25	4,695.07	5,310.15	6,005.80
8	Aluminum and articles thereof	25.64	2,827.96	3,553.14	4,464.28	5,609.05	7,047.38
9	Cement Clinkers, cement all sorts	15.80	10,856.49	12,572.07	14,558.75	16,859.37	19,523.54
10	All other falling under machinery, mechanical appliances and electrical equipment	17.99	7,161.84	8,450.31	9,970.59	11,764.38	13,880.88
11	Total of 10 Commodities	14.63	75,662.28	91,613.06	1,11,115.45	1,34,999.49	1,64,297.59
12	All other commodities except petroleum and tobacco products	3.50	27,891.37	28,866.69	29,876.11	30,920.83	32,002.08
13	Total of all commodities except petroleum and tobacco products (11+12)	8.47	1,03,553.65	1,20,479.75	1,40,991.56	1,65,920.32	1,96,299.67
14	Tobacco Products	12.76	14,726.60	16,605.73	18,724.64	21,113.92	23,808.07
15	Petroleum Products	10.99	82,355.45	91,407.86	1,01,455.29	1,12,607.13	1,24,984.77
16	Total Revenue (13+14+15)	9.77	2,00,635.70	2,28,493.34	2,61,171.49	2,99,641.37	3,45,092.51

Note: APC is calculated by taking the average of annual percentage change in revenue from 2002-03 to 2007-08, ignoring the outliers.
Source: Computed from Table 6.1.

Table A.6.4: Trade Margins under VAT

(Figures in Percentage)

Commodity Group	Trade Margin			
	Wholesale trade		Retail trade	
	Calculated	Observed	Calculated	Observed
Rice	5.5	7.8	11.9	10.3
Wheat	2.3	7.7	12.9	10.0
Other cereals	8.6	8.6	13.7	11.8
Arhur	8.2	6.9	11.4	10.7
Gram	7.8	7.8	11.2	10.9
Other pulses	3.7	7.8	12.1	11.5
Biscuits	14.0	11.2	17.9	15.4
Bread	13.4	13.0	17.1	14.6
Sugar	9.2	4.5	8.5	8.8
Gur, candy, batasa	11.2	9.6	13.9	12.5
Milk	15.3	15.1	15.0	14.1
Other dairy products	8.9	8.7	11.4	12.3
Edible oil	6.6	5.8	9.7	10.2
Meat and Poultry	10.3	15.7	19.7	18.3
Fish	12.7	29.1	24.4	25.7
Egg	11.8	12.9	14.7	13.9
Salt	8.1	16.9	26.9	21.6
Spices including gram masala	21.1	13.4	24.3	16.2
Potato and onion	14.7	15.2	23.4	22.2
Other vegetables	22.2	21.9	27.4	26.1
Fruits	16.1	28.9	29.2	23.1
Dry fruit and nuts	8.4	17.8	19.9	15.2
Tea, coffee	7.7	7.8	13.8	12.8
Pan and pan Masala	8.3	16.5	27.3	24.9
Bidi, cigarette & other tobacco products	3.0	10.8	13.0	14.4
Soap, detergent & washing powders	6.6	8.4	14.2	12.6
Tooth paste	0.0	7.1	15.9	10.3
Hair oil and shampoo	0.0	8.9	16.4	12.6
Other toilet preparations	0.7	10.1	12.1	13.7
Leather footwear	19.2	15.4	18.9	17.7
Non-leather footwear	21.3	16.2	15.4	18.4
Other leather products	11.3	14.8	18.6	19.2
Cotton textile	19.9	9.4	16.6	16.8
Other textile	9.9	10.0	17.0	17.6
Hosiery goods	13.4	13.3	11.3	17.4
Readymade garments	12.5	13.2	21.5	20.7
Woolen goods	6.8	11.6	21.9	19.1
Plastic goods	11.6	13.6	17.6	19.8
Other synthetic goods	12.4	33.5	12.8	18.6
Jewelry	441.1	10.5	0.7	14.7
Precious stones	-8.1	8.1	9.9	22.4
Artificial jewelry	22.2	22.5	17.2	25.3
Bulbs and tubes	-2.4	10.6	12.9	13.5
Fan, heater, irons etc.	4.8	9.8	11.8	14.6
TV, VCP, VCR	15.4	11.4	8.5	11.7
Fridge, washing machine	11.1	16.3	6.6	10.5
Radio, transistor, tape	11.0	10.8	15.7	16.6
Calculator & other electrical appliances	10.7	11.8	3.9	16.0
Crockery & glassware	41.4	20.2	5.4	19.0
Potteries	0.0	31.0	128.0	24.3
Fertilizers	42.5	7.2	8.6	10.4
Pesticides	0.0	8.7	13.2	13.5
Utensils & metal containers	12.2	12.9	16.4	17.3

Table A.6.4 (contd……)

Note books, writing & drawing pads	12.9	11.9	14.8	16.9
Books and periodicals	0.8	10.7	-82.3	15.5
Wood, cane & bamboo products	15.8	28.6	7.5	20.6
Bicycle	13.1	7.4	12.4	12.9
Soft drinks	10.7	14.9	50.0	22.5
Fruit juice	12.0	15.8	50.0	31.0
Wine and intoxicants	24.4	18.5	25.0	26.9
Toys and sports goods	31.7	15.3	25.2	21.7
Cement	5.4	5.6	9.5	7.9
Bricks	10.1	17.1	11.9	13.7
Iron rods	-24.1	9.5	4.8	10.0
Coal, coke, fire wood	86.7	46.0	31.9	28.3
Watch, spectacles, sun glasses, lighters etc.	4.6	12.2	19.0	19.8

Source: *Sarvekshana*, April-June 2000.

Table A.6.5: Trend of Revenue from Union Excise Duty and GDP from Manufacturing Sector

(Rs. Crore)

Year	UED	GDP from Manufacturing
1991-92	28,110	93,379.19
1992-93	30,832	108,181.83
1993-94	31,697	125,402.22
1994-95	37,347	154,942.82
1995-96	40,187	193,731.17
1996-97	45,008	220,758.82
1997-98	47,962	229,595.07
1998-99	53,246	250,581.47
1999-00	61,902	264,113.55
2000-01	68,526	300,392.00
2001-02	72,555	315,314.00
2002-03	82,310	346,029.00
2003-04	90,774	388,549.00
2004-05	99,125	453,603.00
2005-06	111,226	519,387.00
2006-07	117,613	617,954.00
Buoyancy	0.84	

Source: Central Statistical Organization and Government of India, *Budget Document* (various issues).

Table A.6.6: Projected Centre Revenue at existing CenVAT Rate: Buoyancy Method

(Rs. Crore)

S.N.	Commodity Group	2010-11	2011-12	2012-13	2013-14	2014-15
1	Total of all commodities except petroleum and tobacco products	86,437.95	95,175.29	1,04,795.83	1,15,388.83	1,27,052.60
2	Tobacco Products	12,101.31	13,324.54	14,671.42	16,154.44	17,787.36
3	Petroleum Products	74,336.63	81,850.75	90,124.41	99,234.40	1,09,265.24
4	Total Revenue (1+2+3)	1,72,875.90	1,90,350.59	2,09,591.66	2,30,777.67	2,54,105.20

Source: Calculated from Table A.6.5

Table A.6.7: Commodity-wise Central Excise Gross Revenue

(Rs. Crore)

S. N.	Description of Commodity groups	Revenue (PLA + CenVAT)					
		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Meat and Edible Meat Offal	0.24	1.63	0.39	1.32	0.17	0.21
2	Fish and Crustaceans,Molluscs and other aquatic invertebrates	0.00	0.00	0.00	0.50	0.01	0.27
3	Dairy Produce, Edible products of Animal origin, N.E.S.	13.57	10.35	12.42	9.44	0.49	0.24
4	Products of Animal Origin, N.E.S.	0.86	0.17	0.50	0.52	0.06	0.17
5	Edible vegetables and roots and tubers	0.94	0.38	0.42	1.63	0.92	1.01
6	Edible fruit and nuts; peel of citrus fruit or melons	0.00	0.00	0.07	0.31	0.00	0.20
7	Coffee	0.00	0.38	1.47	2.93	0.00	0.00
8	Tea including tea waste	116.13	102.90	104.28	28.45	30.51	30.65
9	Spices and other of Chapter 9	0.16	0.29	0.25	0.11	2.73	0.03
10	Products of the Milling Industry; Malt; Starches; Insulin; wheat gluten	20.16	29.85	22.62	34.09	52.75	73.32
11	Lac; Gums; resins and other vegetable saps and extracts	19.17	20.90	12.05	12.02	19.97	22.16
12	Vegetable Plaiting materials; vegetable products, N.E.S.	0.00	0.05	0.00	1.32	0.00	0.03
13	Processed fixed vegetable oils	3.20	154.05	152.38	0.96	1.46	3.50
14	Vegetable fats and oils, partly or wholly hydrogenated	14.77	185.19	178.58	0.81	0.32	2.12
15	All others falling under Chapter 15	43.37	245.03	240.83	32.77	47.83	51.63
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	4.90	2.72	2.71	9.71	17.11	5.56
17	Cane or beat sugar and chemically pure sucrose in solid form	1,170.17	1,223.03	1,263.37	1,518.41	1,587.16	1,727.64
18	Molasses, resulting from the extraction of refining of sugar	586.68	622.93	527.29	477.18	616.16	780.17
19	All others falling under Chapter 17	234.02	190.68	208.88	212.20	298.57	241.68
20	Cocoa and cocoa preparations	152.38	139.04	152.23	168.82	193.65	209.49
21	Preparations of cereals, flour, starch or milk; pastry cooks products	700.46	631.04	685.40	740.45	656.39	355.58
22	Preparation of vegetables, fruits; nuts, or other parts of plants	2.33	5.12	3.41	5.03	4.86	8.46
23	Miscellaneous edible preparations	435.57	508.70	547.81	602.74	568.43	567.86
24	Natural or artificial Mineral waters and aerated waters	858.72	702.92	782.22	850.15	652.72	741.22
25	All others falling under Chapter 22	171.48	216.06	195.01	154.06	256.29	367.87
26	Residues and wastes from the food industries, prepared animal fodder	30.26	6.64	0.68	2.19	1.57	2.01
27	Cigarettes and Cigarillos of tobacco or tobacco substitutes	4,798.56	5,700.32	6,237.77	7,270.30	8,036.06	8,515.59
28	Biris	332.76	339.77	352.39	376.92	437.92	495.77
29	Chewing Tobacco including Kara Masala, Kimam etc.	606.40	694.76	652.71	431.73	527.39	819.01
30	All others falling under Chapter 24	302.66	203.01	266.34	715.50	714.86	1,007.06
31	Cement Clinkers, Cement all sorts	4,338.03	5,168.45	5,681.32	6,480.74	7,406.73	10,256.57
32	All others falling under Chapter 25	123.03	93.81	64.91	70.89	56.10	204.39
33	Ores, slag and ash	250.96	276.05	384.79	429.06	803.59	957.47
34	Motor Spirit	5,017.28	5,249.30	6,374.32	17,830.42	19,209.45	20,873.41
35	Kerosene	1,411.40	1,713.95	1,301.15	217.04	239.25	249.21

Table A.6.7 (Contd……)

S. N.	Description of Commodity groups	Revenue(PLA + CenVAT)					
		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
36	R.D. Oil	6,904.15	7,537.37	8,362.50	22,156.74	25,177.95	24,516.97
37	Diesel Oil, N.E.S.	1,081.10	1,015.45	1,299.24	526.80	409.16	319.26
38	Furnace Oil	1,000.50	850.93	1,051.28	1,840.14	1,937.13	2,125.71
39	Petroleum Gases and other gaseous Hydrocarbons	2,740.97	2,708.00	2,947.89	394.93	549.14	688.03
40	All other petroleum products	19,553.94	22,595.45	24,081.61	11,796.63	14,838.18	16,221.02
41	Hydrochloric acid, sulphuric acid and hydrides thereof; nitric acid	228.63	208.08	212.26	206.90	206.02	299.87
42	Caustic soda and caustic Potash; Peroxides thereof	180.09	223.93	312.45	471.54	503.74	574.52
43	Soda Ash	297.74	279.78	295.86	301.26	336.88	346.91
44	All others falling under Chapter 28	1,257.48	1,389.09	1,566.19	1,922.76	2,109.72	2,407.01
45	Organic Chemicals	4,586.50	4,875.41	6,033.72	6,780.96	7,701.14	8,236.02
46	Pharmaceutical products	2,764.38	2,809.86	3,169.48	3,882.55	3,822.41	3,518.99
47	Fertilizers	48.46	44.48	50.32	53.80	62.15	83.03
48	Synthetic Organic Dye Stuffs, colouring matters and colour lakes	390.18	402.99	465.50	549.56	695.59	858.07
49	Paints and varnishes	741.96	838.05	1,009.33	1,115.71	1,332.28	1,514.19
50	All others falling under Chapter 32	220.38	282.54	351.25	484.23	599.75	684.63
51	Essential oils and resinoids; perfumery, cosmetics or toilet preparation	1,030.38	1,197.89	1,173.37	1,250.37	1,274.37	1,302.29
52	Soap	867.48	1,011.55	1,039.79	877.32	1,019.59	1,063.92
53	Organic Surface Active Agents	686.90	684.85	750.48	993.81	1,096.44	1,254.81
54	All others falling under Chapter 34	174.04	202.30	194.89	196.69	255.38	313.38
55	Albuminoidal substances, modified starches, glues, enzymes	178.30	215.66	255.61	284.08	310.57	344.39
56	Matches	62.73	46.27	32.59	36.95	53.49	72.75
57	All others falling under Chapter 36	143.15	144.05	179.36	204.50	208.36	249.60
58	Cinematographic films, exposed or unexposed	7.78	4.88	4.34	13.73	17.02	17.13
59	All others falling under Chapter 37	184.79	184.88	183.45	175.62	151.97	122.13
60	Miscellaneous chemical products	1,945.08	2,338.52	2,930.44	3,273.05	3,833.56	4,435.93
61	Plastics and articles thereof	5,665.96	6,436.63	8,187.12	9,134.56	10,830.83	12,629.34
62	Tyres, Tubes & flaps	1,963.45	1,853.80	1,957.67	1,759.52	2,261.46	2,590.24
63	All others falling under Chapter 40	544.90	602.84	752.00	919.93	1,103.13	1,296.68
64	Leather	0.17	0.41	0.19	1.18	1.10	2.60
65	Articles of leather, travel goods, handbags & similar containers etc.	55.75	57.60	58.59	65.95	61.66	68.55
66	Manufactures of fur, skins and artificial fur	0.41	0.22	0.43	2.11	1.72	1.18
67	Wood and articles of wood	116.17	140.11	165.25	188.69	257.12	263.13
68	Cork and articles of cork	6.03	10.33	7.24	6.72	8.02	9.23
69	Manufactures of straw of esparto, basket ware and wickerwork	0.02	0.05	0.09	3.57	0.29	0.00
70	Pulp of wood or of other fibrous cellulosic materials, waste and scrap of paper or of paper board	5.73	5.32	10.93	24.96	19.63	22.30
71	Paper and paperboard, articles of paper pulp or paper or paper board	1,893.91	2,219.65	2,297.86	2,669.98	2,946.23	3,187.88
72	Printed books, news-papers, pictures & other products of printing industry etc.	5.83	5.11	30.51	11.38	16.11	13.27
73	Silk	0.51	2.84	2.79	3.72	6.07	1.15
74	Wool, fine or coarse animal hair	39.74	70.30	30.93	10.10	9.48	18.92
75	Cotton and cotton yarn	1,327.33	1,496.60	556.55	115.48	148.71	125.26

Table A.6.7 (Contd…)

S. N.	Description of Commodity groups	Revenue(PLA + CenVAT) 2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
76	All others falling under Chapter 52 (Cotton fabrics)	539.42	1,048.41	471.02	133.04	95.78	111.65
77	Woven Fabrics of Jute (including bimplipatam jute or mesta fibres) or of other textile bast fibres	39.16	41.05	42.69	13.34	12.80	20.19
78	All others falling under Chapter 53	23.26	29.69	6.83	50.78	21.60	14.00
79	Synthetic filament yarn and sewing thread including synthetic monofilament and waste	2,313.91	3,676.72	3,496.07	2,381.57	1,439.25	1,526.38
80	Fabrics of man-made filament yarn	706.81	1,537.92	694.65	90.82	62.25	44.83
81	Artificial or Synthetic Staple Fibre & tow including waste	958.54	981.36	961.60	909.78	624.65	756.91
82	Spun Yarn containing Polyester or other Synthetic Yarn	855.62	848.84	551.18	425.16	259.44	124.45
83	Other Man-made blended Yarn	382.00	315.44	214.92	149.94	101.90	66.45
84	Fabrics of man-made staple fibers	705.23	1,538.07	777.61	153.09	119.87	72.23
85	Wadding, felt & non woven, special yarns, twine, cordage, ropes & cables and articles thereof	64.78	80.62	69.83	42.25	57.29	79.10
86	Carpets & other textile floor coverings	9.60	10.68	12.87	12.44	14.07	18.35
87	Special woven fabrics, tufted textile fabrics, lace, embroidery	73.77	122.39	76.88	36.55	27.51	25.02
88	Impregnated, coated, covered or laminated textile fabrics, textile articles suitable for industrial use	408.76	347.54	225.84	280.75	310.68	352.61
89	Knitted or Crocheted fabrics	43.91	193.25	89.16	29.80	13.70	20.21
90	Articles of apparel and clothing accessories - knitted or crocheted	2.34	231.41	103.51	33.64	20.47	22.00
91	Articles of apparel and clothing accessories not knitted or crocheted	148.39	324.77	121.38	13.93	10.69	11.85
92	Other made up textile articles	58.53	90.76	84.91	114.58	120.40	118.86
93	Footwear, gaiters & the like, parts of such articles	222.24	238.55	213.20	210.55	211.37	202.27
94	Headgear & parts thereof	5.14	8.29	10.30	16.66	15.49	18.00
95	Umbrellas, sun-umbrellas, walking sticks, seat sticks, whips, riding corps and parts thereof	0.63	0.06	0.01	1.38	8.30	9.43
96	Artificial flowers, articles of human hair	0.41	0.64	0.71	1.69	3.10	3.75
97	Articles of asbestos-cement, or cellulose fibre cement or the like	30.18	30.78	17.93	41.51	157.52	178.26
98	All others falling under Chapter 68	279.26	298.78	351.86	393.24	546.22	581.36
99	Ceramic products	380.78	396.37	439.43	565.52	677.51	775.13
100	Glass & Glassware	691.38	707.10	800.93	778.17	945.58	1,027.90
101	Natural or cultured pearls, precious or semi-precious stones, precious metals & articles thereof, imitation jewellery etc.	40.38	32.11	80.17	271.27	247.64	232.26
102	Iron & Steel - Integrated Steel Plants	12,513.35	15,667.82	17,810.85	25,988.00	32,445.85	40,388.47
103	Articles of Iron & Steel	2,853.91	3,966.84	5,192.02	6,988.22	9,039.44	10,498.26
104	Copper & Articles thereof	1,193.20	1,404.36	1,874.30	2,413.31	4,071.70	4,268.75
105	Nickel & articles thereof	27.81	30.98	12.10	62.72	130.80	81.63
106	Aluminium & articles thereof	1,812.81	2,130.44	2,678.88	3,437.70	4,881.83	4,832.54
107	Lead & articles thereof	54.01	54.92	72.85	109.03	187.93	579.79
108	Zinc & articles thereof	263.23	310.86	318.95	533.16	887.12	987.11
109	Tin & articles thereof	10.50	9.74	7.19	19.12	21.46	33.21
110	Other base metals, cermets articles thereof	12.41	19.70	28.04	26.68	28.74	29.42
111	Tools, implements, cutlery, spoons, & forks or base metals; parts thereof	291.28	329.28	354.27	389.72	427.33	479.29
112	Electrical stampings & laminations of base metals	75.73	100.04	123.17	57.34	50.63	68.42

Table A.6.7 (Contd…..)

S. N.	Description of Commodity groups	Revenue(PLA + CenVAT)					
		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
113	Containers of base metals	79.01	94.82	143.06	164.69	208.23	253.52
114	All others falling under Chapter 83	220.26	261.60	300.90	442.97	520.20	624.32
115	Internal combustion engines and parts thereof, steam and other vapour turbines, hydraulic turbines, turbojets, other engines and motors	1,129.08	1,316.01	1,603.13	2,022.66	2,545.52	2,886.90
116	Refrigerators & Air conditioners & parts thereof	1,228.25	1,235.16	1,290.15	1,203.89	1,486.08	1,828.55
117	Machine Tools	214.44	234.17	332.78	450.98	633.77	734.61
118	Ball or roller bearings	667.73	703.28	562.02	694.05	1,135.69	1,123.86
119	All others falling under machinery, mechanical appliances and electrical equipments	3,992.76	5,086.29	6,400.86	8,335.70	11,743.93	14,475.42
120	Electric motors and generators, electric generating sets and parts thereof	514.74	610.78	743.11	949.59	1,516.92	1,994.15
121	Electrical transformers, static converters & inductors	552.73	566.39	813.74	1,370.99	2,057.18	2,543.22
122	Electric accumulators, primary cells and primary batteries	666.94	671.29	668.03	637.68	782.68	1,111.49
123	Reception apparatus for radio broadcasting, Television receivers (including video monitors and projectors)	1,779.84	1,810.91	2,093.60	2,963.33	4,003.87	4,478.04
124	Insulated wires, cables and other electric conductors	798.74	843.58	1,262.27	1,786.10	2,441.44	3,031.17
125	All others falling under electrical machinery and equipment	2,519.11	2,866.77	3,569.38	3,945.03	4,813.43	5,499.66
126	Railway or tramway locomotive rolling stock & parts thereof etc.	167.82	169.94	251.87	287.25	459.69	625.23
127	Tractors	597.65	748.68	373.13	230.07	491.56	682.29
128	Motor cars & other motor vehicles for transport of persons	4,770.26	5,393.96	6,947.96	9,651.31	11,354.29	11,270.95
129	Public transport type passenger motor vehicles & motor vehicles for the transport of goods	2,361.36	3,037.63	3,750.31	3,979.06	4,955.56	5,428.32
130	All other motor vehicles	5,620.27	6,907.83	8,873.26	9,699.45	12,762.14	15,832.14
131	Aircrafts, spacecrafts & parts thereof	1.18	1.37	0.65	6.51	2.68	6.68
132	Ships, boats & floating structures	1.29	0.05	0.74	5.07	4.12	6.84
133	Optical, photographic, cinematographic measuring, checking, precision, medical/ surgical instruments and apparatus parts & accessories thereof	584.31	633.34	719.03	897.22	1,099.43	1,266.36
134	Clocks & watches & parts thereof	131.86	151.25	149.02	110.96	139.05	138.42
135	Musical instruments, parts and accessories of such articles	1.54	0.77	3.38	5.39	4.81	17.42
136	Arms and ammunitions, parts & accessories thereof	82.40	74.99	77.98	70.52	58.65	74.46
137	Furniture, lamps and lighting fittings, not elsewhere specified, prefabricated buildings	414.97	544.53	758.77	860.17	1,114.45	1,380.69
138	Toys, games and sports requisite parts and accessories thereof	15.48	15.85	10.25	17.09	27.51	13.37
139	Miscellaneous manufactured articles	177.27	195.16	193.15	266.84	441.67	328.18
140	Miscellaneous	2,132.11	1,618.90	2,558.22	2,781.79	3,170.77	4,356.12
141	**Total Gross Revenue**	**140,179.84**	**162,385.43**	**181,261.14**	**214,412.01**	**256,888.22**	**291,044.52**

Source: Data collected from CBEC

Table A.6.8: Commodity-wise Deviation between Estimated and Actual Turnover at the Centre (2007-08): Turnover Approach

(Rs. Crore)

S. N.	Description of Commodity groups	APC till 2006-07	2007-08 Actual	2007-08 Estimated	Percentage Deviation
1	Iron and Steel	27.41	3,36,570.58	3,44,498.64	2.36
2	Articles of iron and steel	33.46	87,485.50	1,00,531.85	14.91
3	Motor cars and other motor vehicles for transport of persons	24.61	93,924.58	1,17,904.38	25.53
4	All other Motor Vehicles	23.06	1,31,934.50	1,30,878.01	-0.80
5	Organic Chemicals	14.00	68,633.50	73,162.73	6.60
6	Pharmaceutical products	12.31	29,324.92	35,775.84	22.00
7	Plastics and articles thereof	17.73	1,05,244.50	1,06,263.94	0.97
8	Aluminum and articles thereof	28.40	40,271.17	52,235.48	29.71
9	Cement Clinkers, cement all sorts	14.36	85,471.42	70,583.85	-17.42
10	All other falling under machinery, mechanical appliances and electrical equipment	31.09	1,20,628.50	1,28,289.78	6.35
11	Total of 10 Commodities	23.04	10,99,489.17	11,60,124.50	5.51
12	All other commodities except petroleum and tobacco products	11.49	6,93,956.92	6,76,609.23	-2.50
13	Total of all commodities except petroleum and tobacco products (11+12)	17.71	17,93,446.08	18,36,733.72	2.41
14	Tobacco Products	12.67	25,803.40	26,065.54	1.02
15	Petroleum Products	13.49	3,24,968.05	3,53,852.52	8.89
16	Total Revenue (13+14+15)	16.87	21,44,217.54	22,16,651.78	3.38

Note: APC is calculated by taking the average of annual percentage change in turnover, ignoring the outliers
Source: Computed from Table 6.6

Table A.6.9: Commodity-wise Projected Turnover at the Centre: Turnover Approach

(Rs. Crore)

S. N.	Description of Commodity groups	Projected CenVAT base					Projected CGST base				
		2010-11	2011-12	2012-13	2013-14	2014-15	2010-11*	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	6,86,585.22	8,70,764.17	11,04,349.79	14,00,595.58	17,76,310.37	8,23,902.27	10,44,917.01	13,25,219.74	16,80,714.69	21,31,572.44
2	Articles of iron and steel	1,92,177.83	2,49,819.13	3,24,749.20	4,22,153.59	5,48,773.19	2,30,613.39	2,99,782.95	3,89,699.04	5,06,584.31	6,58,527.83
3	Motor cars and other motor vehicles for transport of persons	1,60,445.79	1,91,798.27	2,29,277.29	2,74,080.03	3,27,637.61	1,92,534.95	2,30,157.93	2,75,132.75	3,28,896.04	3,93,165.14
4	All other Motor Vehicles	2,47,077.49	3,04,549.65	3,75,390.29	4,62,709.03	5,70,338.78	2,96,492.98	3,65,459.58	4,50,468.35	5,55,250.83	6,84,406.54
5	Organic Chemicals	97,960.83	1,10,295.52	1,24,183.33	1,39,819.82	1,57,425.17	1,17,552.99	1,32,354.62	1,49,020.00	1,67,783.78	1,88,910.20
6	Pharmaceutical products	41,546.86	46,662.93	52,409.00	58,862.63	66,110.96	49,856.23	55,995.52	62,890.80	70,635.15	79,333.15
7	Plastics and articles thereof	1,70,770.61	2,00,670.89	2,35,806.42	2,77,093.84	3,25,610.28	2,04,924.74	2,40,805.07	2,82,967.70	3,32,512.61	3,90,732.34
8	Aluminum and articles thereof	74,061.47	90,738.52	1,11,170.88	1,36,204.18	1,66,874.43	88,873.76	1,08,886.22	1,33,405.06	1,63,445.01	2,00,249.32
9	Cement Clinkers, cement all sorts	1,44,688.75	1,72,440.54	2,05,515.22	2,44,933.74	2,91,912.86	1,73,626.50	2,06,928.65	2,46,618.27	2,93,920.49	3,50,295.44
10	All other falling under machinery, mechanical appliances and electrical equipment	2,62,104.48	3,39,481.36	4,39,700.99	5,69,506.84	7,37,633.19	3,14,525.37	4,07,377.64	5,27,641.19	6,83,408.21	8,85,159.82
11	Total of 10 Commodities	20,77,419.33	25,77,220.99	32,02,552.41	39,85,959.27	49,68,626.84	24,92,903.19	30,92,665.19	38,43,062.89	47,83,151.12	59,62,352.21
12	All other commodities except petroleum and tobacco products	9,76,665.45	10,94,502.93	12,26,557.85	13,74,545.56	15,40,388.42	11,71,998.54	13,13,403.52	14,71,869.42	16,49,454.68	18,48,466.11
13	Total of all commodities except petroleum and tobacco products (11+12)	30,54,084.78	36,71,723.93	44,29,110.26	53,60,504.83	65,09,015.26	36,64,901.73	44,06,068.71	53,14,932.31	64,32,605.80	78,10,818.32
14	Tobacco Products	36,686.65	41,252.63	46,386.90	52,160.17	58,651.98	44,023.98	49,503.16	55,664.28	62,592.21	70,382.38
15	Petroleum Products	4,52,092.88	5,04,688.41	5,63,402.80	6,28,947.90	7,02,118.37	5,42,511.46	6,05,626.10	6,76,083.36	7,54,737.48	8,42,542.05
16	Total Revenue (13+14+15)	35,42,864.30	42,17,664.97	50,38,899.96	60,41,612.90	72,69,785.62	42,51,437.16	50,61,197.97	60,46,679.95	72,49,935.48	87,23,742.74

Note: * In 2010-11, the turnover is increased by 20 percent due to the extension of CGST base from manufacturing to retail level

Source: Computed from Table 6.6.

Table A.6.10: Commodity-wise Projected Central PLA Revenue at Existing CenVAT Rate: Turnover Approach

(Rs. Crore)

S. N.	Description of Commodity groups	KR	2010-11	2011-12	2012-13	2013-14	2014-15
1	Iron and Steel	0.05	35,245.38	44,700.09	56,691.04	71,898.62	91,185.68
2	Articles of iron and steel	0.04	6,881.73	8,945.82	11,629.00	15,116.97	19,651.12
3	Motor cars and other motor vehicles for transport of persons	0.04	6,889.85	8,236.19	9,845.61	11,769.53	14,069.39
4	All other Motor Vehicles	0.03	7,805.08	9,620.60	11,858.43	14,616.80	18,016.78
5	Organic Chemicals	0.04	3,634.69	4,092.36	4,607.64	5,187.81	5,841.03
6	Pharmaceutical products	0.06	2,606.97	2,927.99	3,288.54	3,693.49	4,148.31
7	Plastics and articles thereof	0.03	5,685.75	6,681.27	7,851.10	9,225.75	10,841.09
8	Aluminum and articles thereof	0.04	3,084.87	3,779.51	4,630.58	5,673.28	6,950.78
9	Cement Clinkers, cement all sorts	0.09	13,062.21	15,567.58	18,553.50	22,112.12	26,353.31
10	All other falling under machinery, mechanical appliances and electrical equipment	0.05	12,549.09	16,253.75	21,052.08	27,266.95	35,316.54
11	Total of 10 Commodities		97,445.63	1,20,805.16	1,50,007.54	1,86,561.33	2,32,374.03
12	All other commodities except petroleum and tobacco products	0.05	46,079.77	51,639.42	57,869.87	64,852.03	72,676.62
13	Total of all commodities except petroleum and tobacco products (11+12)		1,43,525.40	1,72,444.59	2,07,877.40	2,51,413.37	3,05,050.65
14	Tobacco Products	0.40	14,623.33	16,443.34	18,489.86	20,791.09	23,378.73
15	Petroleum Products	0.19	85,401.08	95,336.46	1,06,427.70	1,18,809.28	1,32,631.30
16	Total Revenue (13+14+15)		2,43,549.80	2,84,224.38	3,32,794.97	3,91,013.74	4,61,060.68

Note: K stands for average percentage share of PLA in total Revenue (*i.e.* PLA+CenVAT)
R is rate of CenVAT.

Source: Computed from Table A.6.9

Table A.6.11: Total Final Consumption Expenditure on Commodities at Factor Cost: Consumption Approach

(Rs. Crore)

S.N.	Particulars	Rate	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	1	2	3	4	5	6	7	8	9	10	11
1	Cereals & bread	12	151,773.21	128,857.46	153,805.07	146,312.35	155,537.99	147,980.93	160,327.68	182,333.04	200,567.86
2	Pulses	0	18,845.00	16,871.64	21,270.32	17,877.16	22,110.45	20,149.36	23,846.00	29,980.00	30,712.00
3	Sugar & gur	0	36,986.00	39,005.00	36,918.00	30,332.00	28,226.00	32,548.00	36,841.00	38,425.00	36,434.00
4	Oils & oilseeds	0	30,518.00	26,130.00	27,451.00	27,347.00	44,301.00	47,662.00	42,713.00	44,598.00	53,439.00
5	Fruits & vegetables	0	113,535.00	126,519.00	130,816.00	137,767.00	146,722.00	152,015.00	178,441.00	192,117.00	219,703.00
6	Potato & other tubers	0	10,536.00	10,125.00	13,699.00	13,379.00	12,212.00	16,450.00	19,616.00	20,457.00	28,030.00
7	Milk & milk products	0	103,681.00	102,926.00	109,663.00	113,960.00	120,220.00	131,850.00	142,187.00	154,492.00	172,941.00
8	Meat, egg & fish	0	50,649.00	55,129.00	59,554.00	63,195.00	65,503.00	69,305.00	77,266.00	85,728.00	96,646.00
9	Coffee, tea & cocoa	0	9,214.00	8,050.00	7,491.00	7,264.00	6,601.00	7,932.00	8,340.00	8,283.00	6,916.00
10	Spices	0	17,715.00	16,870.00	16,677.00	18,301.00	20,570.00	20,080.00	19,977.00	27,390.00	30,466.00
11	Other food items	0	8,340.00	9,699.00	8,977.00	8,593.00	8,508.00	8,894.00	9,980.00	10,567.00	10,545.00
12	Beverages	12	8,631.25	9,366.07	11,608.04	16,653.57	18,410.71	20,353.57	28,040.18	35,730.36	42,861.61
13	Pan & other intoxicants	0	10,009.00	9,525.00	9,042.00	9,931.00	10,431.00	11,131.00	12,443.00	14,757.00	17,430.00
14	Tobacco & its products	42	24,221.83	22,090.85	19,952.82	20,216.20	19,373.94	21,448.59	28,176.76	31,371.83	35,188.03
15	Clothing	12	51,728.57	63,316.07	60,478.57	64,076.79	69,324.11	73,429.46	77,906.25	83,429.46	88,897.32
16	Footwear	12	7,460.71	8,152.68	8,155.36	7,224.11	7,845.54	9,036.61	9,333.93	8,938.39	10,378.57
17	Gross rent & water charges	0	99,270.00	110,242.00	121,491.00	131,674.00	141,773.00	152,612.00	165,975.00	178,393.00	190,647.00
18	Electricity	12	8,802.68	10,428.57	12,083.04	13,471.43	15,350.00	16,666.07	17,630.36	19,281.25	21,017.86
19	Liquified petroleum gas	20	4,975.83	7,662.50	9,067.50	10,133.33	11,343.33	13,573.33	14,950.83	15,512.50	17,153.33
20	Kerosene oil	20	3,363.33	8,475.83	8,797.50	8,120.00	7,936.67	7,281.67	7,387.50	7,336.67	7,218.33
21	Other fuel	20	20,351.67	22,088.33	23,339.17	24,358.33	26,186.67	28,701.67	33,215.83	35,055.83	36,940.00
22	Furniture, furnishing & repair	12	1,471.43	1,541.07	1,408.04	1,274.11	1,403.57	1,441.96	1,464.29	1,839.29	2,298.21
23	Refrigerator, cooking, washing appliances etc.	12	5,586.61	6,278.57	6,345.54	6,683.93	7,642.86	9,455.36	10,827.68	12,899.11	14,832.14
24	Glassware, tableware & utensils	12	13,646.43	14,216.96	14,954.46	15,747.32	17,469.64	20,200.00	23,384.82	29,049.11	32,896.43
25	Other goods	12	8,491.07	10,369.64	12,306.25	12,702.68	13,750.89	16,060.71	19,115.18	21,908.04	25,783.04
26	Personal transport equipment	12	8,194.64	8,635.71	9,111.61	10,453.57	11,910.71	13,158.04	15,609.82	17,798.21	18,542.86
27	Operation of personal transport equipment	0	47,081.00	56,877.00	63,084.00	67,207.00	82,187.00	94,380.00	109,117.00	124,110.00	124,033.00
28	Equipment, paper & stationary	12	15,309.82	17,803.57	19,867.86	19,608.93	22,883.04	26,892.86	30,901.79	35,975.00	41,790.18
29	Personal goods n.e.c.	0	26,001.00	29,509.00	31,659.00	32,621.00	36,742.00	44,092.00	51,926.00	58,366.00	69,935.00
30	**Total Private Final Consumption Expenditure**		**916,389.09**	**956,761.55**	**1,029,073.13**	**1,056,484.81**	**1,152,476.12**	**1,234,781.19**	**1,376,940.89**	**1,526,121.08**	**1,684,242.77**
31	**Government Final Consumption Expenditure**	10	**31,027.15**	**31,382.86**	**33,788.58**	**33,293.62**	**34,829.85**	**36,892.67**	**42,231.77**	**49,017.24**	**57,517.25**

Note: 1. Consumption expenditure at factor cost is derived as = (Consumption at market price)/(1+r/100), where 'r' is the percentage rate of indirect tax.

Source: Computed from Consumption Expenditure on goods at market price given in *National Accounts Statistics*, 2009, CSO.

Table A.6.12: PFCE net of Consumption from Unorganized sector: Consumption Approach

(Rs. Crore)

S.N.	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	1	2	3	4	5	6	7	8	9	10
1	Cereals & bread	91,063.93	77,314.48	92,283.04	87,787.41	93,322.80	88,788.56	96,196.61	109,399.82	120,340.71
2	Pulses	11,307.00	10,122.99	12,762.19	10,726.30	13,266.27	12,089.62	14,307.60	17,988.00	18,427.20
3	Sugar & gur	22,191.60	23,403.00	22,150.80	18,199.20	16,935.60	19,528.80	22,104.60	23,055.00	21,860.40
4	Oils & oilseeds	18,310.80	15,678.00	16,470.60	16,408.20	26,580.60	28,597.20	25,627.80	26,758.80	32,063.40
5	Fruits & vegetables	68,121.00	75,911.40	78,489.60	82,660.20	88,033.20	91,209.00	107,064.60	115,270.20	131,821.80
6	Potato & other tubers	6,321.60	6,075.00	8,219.40	8,027.40	7,327.20	9,870.00	11,769.60	12,274.20	16,818.00
7	Milk & milk products	41,472.40	41,170.40	43,865.20	45,584.00	48,088.00	52,740.00	56,874.80	61,796.80	69,176.40
8	Meat, egg & fish	20,259.60	22,051.60	23,821.60	25,278.00	26,201.20	27,722.00	30,906.40	34,291.20	38,658.40
9	Coffee, tea & cocoa	5,528.40	4,830.00	4,494.60	4,358.40	3,960.60	4,759.20	5,004.00	4,969.80	4,149.60
10	Spices	10,629.00	10,122.00	10,006.20	10,980.60	12,342.00	12,048.00	11,986.20	16,434.00	18,279.60
11	Other food items	5,004.00	5,819.40	5,386.20	5,155.80	5,104.80	5,336.40	5,988.00	6,340.20	6,327.00
12	Beverages	5,006.13	5,432.32	6,732.66	9,659.07	10,678.21	11,805.07	16,263.30	20,723.61	24,859.73
13	Pan & other intoxicants	5,805.22	5,524.50	5,244.36	5,759.98	6,049.98	6,455.98	7,216.94	8,559.06	10,109.40
14	Tobacco & its products	14,048.66	12,812.69	11,572.63	11,725.39	11,236.89	12,440.18	16,342.52	18,195.66	20,409.06
15	Clothing	35,149.56	43,023.27	41,095.19	43,540.18	47,105.73	49,895.32	52,937.30	56,690.32	60,405.73
16	Footwear	5,069.56	5,539.75	5,541.57	4,908.78	5,331.04	6,140.37	6,342.40	6,073.64	7,052.24
17	Gross rent & water charges	57,576.60	63,940.36	70,464.78	76,370.92	82,228.34	88,514.96	96,265.50	103,467.94	110,575.26
18	Electricity	8,330.86	9,869.60	11,435.39	12,749.36	14,527.24	15,772.77	16,685.37	18,247.78	19,891.30
19	Liquified petroleum gas	3,381.08	5,206.67	6,161.37	6,885.60	7,707.80	9,223.08	10,159.09	10,540.74	11,655.69
20	Kerosene oil	2,285.39	5,759.33	5,977.90	5,517.54	5,392.97	4,947.89	5,019.81	4,985.27	4,904.86
21	Other fuel	13,828.96	15,009.02	15,858.96	16,551.49	17,793.84	19,502.78	22,570.16	23,820.44	25,100.73
22	Furniture, furnishing & repair	999.84	1,047.16	956.76	865.76	953.73	979.81	994.98	1,249.79	1,561.64
23	Refrigerator, cooking, washing appliances etc.	3,796.10	4,266.29	4,311.79	4,541.73	5,193.32	6,424.92	7,357.41	8,764.94	10,078.44
24	Glassware, tableware & utensils	9,272.75	9,660.43	10,161.56	10,700.30	11,870.62	13,725.90	15,889.99	19,738.87	22,353.12
25	Other goods	5,769.68	7,046.17	8,362.10	8,631.47	9,343.73	10,913.26	12,988.76	14,886.51	17,519.57
26	Personal transport equipment	3,277.86	3,454.29	3,644.64	4,181.43	4,764.29	5,263.21	6,243.93	7,119.29	7,417.14
27	Operation of personal transport equipment	18,832.40	22,750.80	25,233.60	26,882.80	32,874.80	37,752.00	43,646.80	49,644.00	49,613.20
28	Equipment, paper & stationary	10,403.02	12,097.53	13,500.21	13,324.27	15,549.02	18,273.70	20,997.76	24,445.01	28,396.43
29	Personal goods n.e.c.	17,667.68	20,051.37	21,512.29	22,165.97	24,966.19	29,960.51	35,283.72	39,659.70	47,520.83

Source: Computations are based on Table A.6.11 and Share of consumption from unorganized sector is calculated from *National Accounts Statistics*, 2009, CSO, Statement 76.1.

Table A.6.13: Commodity-wise Share of taxable inputs going into Production in Unorganized Sector: Consumption Approach

(Rs. Crore)

S.N.	Particulars	Input-Output Coefficient*	Share of Taxable Inputs going into Unorganised sector								
			1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	1	2	3	4	5	6	7	8	9	10	11
1	Cereals & bread	0.48	11,719.50	9,950.01	11,876.39	11,297.82	12,010.20	11,426.67	12,380.05	14,079.24	15,487.28
2	Pulses	0.46	1,394.10	1,248.12	1,573.52	1,322.50	1,635.67	1,490.60	1,764.06	2,217.84	2,271.99
3	Sugar & gur	0.61	3,586.48	3,782.26	3,579.89	2,941.25	2,737.04	3,156.13	3,572.42	3,726.02	3,532.95
4	Oils & oilseeds	0.56	2,728.66	2,336.33	2,454.44	2,445.14	3,961.02	4,261.54	3,819.04	3,987.58	4,778.07
5	Fruits & vegetables	0.05	974.85	1,086.33	1,123.23	1,182.91	1,259.80	1,305.25	1,532.15	1,649.57	1,886.44
6	Potato & other tubers	0.05	90.47	86.94	117.62	114.88	104.86	141.24	168.43	175.65	240.67
7	Milk & milk products	0.15	3,758.90	3,731.53	3,975.77	4,131.56	4,358.51	4,780.15	5,154.91	5,601.02	6,269.88
8	Meat, egg & fish	0.22	2,686.98	2,924.65	3,159.40	3,352.56	3,475.00	3,676.70	4,099.04	4,547.96	5,127.17
9	Coffee, tea & cocoa	0.42	622.70	544.04	506.26	490.92	446.11	536.06	563.64	559.78	467.40
10	Spices	0.88	2,508.11	2,388.47	2,361.14	2,591.07	2,912.32	2,842.94	2,828.36	3,877.90	4,313.40
11	Other food items	0.88	1,180.78	1,373.19	1,270.97	1,216.60	1,204.57	1,259.22	1,412.98	1,496.09	1,492.97
12	Beverages	0.68	980.23	1,063.68	1,318.30	1,891.31	2,090.87	2,311.51	3,184.46	4,057.82	4,867.70
13	Pan & other intoxicants	0.75	1,261.13	1,200.15	1,139.29	1,251.31	1,314.31	1,402.51	1,567.82	1,859.38	2,196.18
14	Tobacco & its products	0.33	1,354.12	1,234.99	1,115.46	1,130.19	1,083.10	1,199.08	1,575.22	1,753.84	1,967.19
15	Clothing	0.74	4,929.70	6,033.99	5,763.57	6,106.48	6,606.55	6,997.79	7,424.42	7,950.78	8,471.86
16	Footwear	0.64	611.42	668.12	668.34	592.03	642.95	740.56	764.93	732.52	850.54
17	Gross rent & water charges	0.37	6,105.58	6,780.41	7,472.28	8,098.59	8,719.72	9,386.37	10,208.26	10,972.03	11,725.71
18	Electricity	0.78	146.77	173.88	201.47	224.62	255.94	277.89	293.96	321.49	350.45
19	Liquified petroleum gas	0.78	495.82	763.53	903.54	1,009.74	1,130.31	1,352.52	1,489.78	1,545.75	1,709.25
20	Kerosene oil	0.78	335.14	844.58	876.63	809.12	790.85	725.59	736.13	731.07	719.27
21	Other fuel	0.78	2,027.95	2,201.00	2,325.64	2,427.20	2,609.38	2,859.99	3,309.81	3,493.16	3,680.91
22	Furniture, furnishing & repair	0.74	140.23	146.86	134.18	121.42	133.76	137.42	139.55	175.28	219.02
23	Refrigerator, cookin g, washing appliances etc.	0.82	586.12	658.72	665.75	701.25	801.86	992.02	1,135.99	1,353.32	1,556.12
24	Glassware, tableware & utensils	0.58	1,007.13	1,049.23	1,103.66	1,162.17	1,289.28	1,490.79	1,725.83	2,143.87	2,427.80
25	Other goods	0.58	626.65	765.29	908.22	937.48	1,014.84	1,185.30	1,410.73	1,616.84	1,902.82
26	Personal transport equipment	0.72	1,410.31	1,486.21	1,568.12	1,799.07	2,049.85	2,264.51	2,686.47	3,063.09	3,191.24
27	Operation of personal transport equipment	0.58	6,504.79	7,858.23	8,715.80	9,285.44	11,355.10	13,039.71	15,075.80	17,147.26	17,136.62
28	Equipment, paper & stationary	0.71	1,402.61	1,631.07	1,820.19	1,796.47	2,096.43	2,463.78	2,831.06	3,295.84	3,828.60
29	Personal goods n.e.c.	0.58	1,918.91	2,177.81	2,336.48	2,407.48	2,711.61	3,254.05	3,832.21	4,307.49	5,161.30

Source:* Central Statistical Organization. 2009. *Input Flow Matrix, 2006-07*, Ministry Of Statistics and Programme Implementation.

Table A.6.14: Deviation Between Estimated and Actual CGST Revenue for 2007-08 :Consumption Approach

(Rs. Crore)

S. N.	Particulars	APC till 06-07	2007-08		Percentage Deviation
			Estimated	Actual	
1	Cereals & bread	11.93	16,585.76	16,299.36	1.76
2	Pulses	23.46	0.00	0.00	
3	Sugar & gur	9.57	0.00	0.00	
4	Oils & oilseeds	19.76	0.00	0.00	
5	Fruits & vegetables	7.90	0.00	0.00	
6	Potato & other tubers	23.38	0.00	0.00	
7	Milk & milk products	7.02	0.00	0.00	
8	Meat, egg & fish	7.84	0.00	0.00	
9	Coffee, tea & cocoa	12.65	0.00	0.00	
10	Spices	19.75	0.00	0.00	
11	Other food	9.73	0.00	0.00	
12	Beverages	23.17	3,662.89	3,567.29	2.68
13	Pan & other intoxicants	10.39	0.00	0.00	
14	Tobacco & its products	13.68	9,525.36	9,398.02	1.35
15	Clothing	9.27	8,476.36	8,265.31	2.55
16	Footwear	7.28	876.17	948.33	-7.61
17	Gross rent & water charges	8.74	0.00	0.00	
18	Electricity	11.93	2,494.10	2,429.01	2.68
19	Liquified petroleum gas	18.51	2,864.81	2,672.99	7.18
20	Kerosene oil	2.62	1,173.27	1,124.83	4.31
21	Other fuel	8.13	5,907.08	5,756.33	2.62
22	Furniture, furnishing & repair	8.96	186.33	213.68	-12.80
23	Refrigerator, cooking, washing appliances etc	12.93	1,371.15	1,396.15	-1.79
24	Glassware, tableware & utensils	11.60	2,930.63	2,973.71	-1.45
25	Other goods	14.67	2,270.95	2,330.69	-2.56
26	Personal transport equipment	11.81	1,366.22	1,273.01	7.32
27	Operation of personal transport equipment	14.96	0.00	0.00	
28	Equipment, paper & stationery	15.57	3,847.26	3,867.00	-0.51
29	Personal goods n.e.c.	12.37	0.00	0.00	
30	Revenue from Private Consumption of Goods	7.63	63,538.32	62,515.70	1.64
31	Revenue from Government Consumption of Goods	8.31	5,309.29	5,751.73	-7.69
A	**Total Revenue from Consumption of Goods (30+31)**		**68,847.61**	**68,267.43**	**0.85**
B	**Gross Fixed Capital Formation (i+ii)**		**52,077.11**	**54,213.85**	**-3.94**
(i)	Household Sector	13.35	38,923.83	39,608.12	-1.73
(ii)	Public (Administrative) Sector	17.31	13,153.28	14,605.73	-9.94
C	**Total Revenue (A+B)**		**120,924.72**	**122,481.28**	**-1.27**

Note: APC is calculated by taking the average of annual percentage change in revenue ignoring outliers.

Source: Calculated from Table 6.9.

Table A.6.15: Projected Taxable Base For Estimating CGST Revenue from Commodities and Capital Formation: Consumption Approach

(Rs. Crore)

S. N.	Commodities	2010-11	2011-12	2012-13	2013-14	2014-15
1	Cereals & bread	188,523.03	210,292.01	234,574.69	261,661.31	291,875.67
2	Pulses	35,103.93	41,862.32	49,921.85	59,533.06	70,994.65
3	Sugar & gur	33,399.22	36,593.88	40,094.11	43,929.13	48,130.98
4	Oils & oilseeds	63,304.62	75,823.11	90,817.13	108,776.22	130,286.72
5	Fruits & vegetables	171,766.12	186,722.78	202,981.79	220,656.57	239,870.40
6	Potato & other tubers	34,214.02	43,147.64	54,413.92	68,621.93	86,539.80
7	Milk & milk products	94,313.32	101,597.91	109,445.15	117,898.49	127,004.75
8	Meat, egg & fish	55,852.72	60,573.42	65,693.11	71,245.53	77,267.24
9	Coffee, tea & cocoa	6,600.79	7,436.03	8,376.96	9,436.95	10,631.07
10	Spices	36,762.20	43,239.18	50,857.30	59,817.62	70,356.62
11	Other food	10,332.22	11,337.65	12,440.92	13,651.54	14,979.98
12	Beverages	55,010.73	67,537.36	82,916.45	101,797.56	124,978.14
13	Pan & other intoxicants	17,140.27	19,142.10	21,377.72	23,874.45	26,662.76
14	Tobacco & its products	32,613.62	36,977.39	41,925.04	47,534.70	53,894.94
15	Clothing	88,918.69	96,819.93	105,423.26	114,791.08	124,991.31
16	Footwear	10,163.78	11,053.00	12,020.03	13,071.65	14,215.29
17	Gross rent & water charges	156,246.34	169,539.09	183,962.72	199,613.46	216,595.69
18	Electricity	28,106.31	31,356.13	34,981.71	39,026.50	43,538.98
19	Liquified petroleum gas	21,692.66	25,493.42	29,960.11	35,209.40	41,378.42
20	Kerosene oil	6,078.63	6,238.15	6,401.85	6,569.86	6,742.27
21	Other fuel	36,044.88	38,852.57	41,878.95	45,141.07	48,657.29
22	Furniture, furnishing & repair	2,476.52	2,764.37	3,085.68	3,444.33	3,844.67
23	Refrigerator, cooking, washing appliances etc	16,869.93	19,094.18	21,611.69	24,461.12	27,686.25
24	Glassware, tableware & utensils	34,637.28	38,727.47	43,300.67	48,413.89	54,130.92
25	Other goods	29,576.35	34,027.12	39,147.65	45,038.75	51,816.36
26	Personal transport equipment	14,453.00	16,022.41	17,762.22	19,690.96	21,829.13
27	Operation of personal transport equipment	101,418.02	116,592.38	134,037.15	154,092.03	177,147.57
28	Equipment, paper & stationery	49,853.79	57,658.92	66,686.02	77,126.40	89,201.34
29	Personal goods n.e.c.	76,633.29	86,829.81	98,383.03	111,473.48	126,305.70
30	Taxable Base from Private Consumption of Goods	1,508,106.30	1,693,351.69	1,904,478.88	2,145,599.07	2,421,554.90
31	Taxable Base from Govt. Consumption of Goods	75,731.93	83,005.34	90,977.29	99,714.88	109,291.63
A	**Total Taxable Base from Consumption of Commodities** (30 + 31)	**1,583,838.23**	**1,776,357.03**	**1,995,456.17**	**2,245,313.95**	**2,530,845.53**
B	**Gross Fixed Capital Formation (i+ii)**	**826,242.65**	**951,664.40**	**1,096,615.78**	**1,264,221.01**	**1,458,117.81**
(i)	Household Sector	580,566.73	659,489.84	749,141.88	850,981.35	966,665.03
(ii)	Public (Administrative) Sector	245,675.92	292,174.56	347,473.90	413,239.66	491,452.78
C	**Total Taxable Base (A+B)**	**2,410,080.88**	**2,728,021.43**	**3,092,071.95**	**3,509,534.96**	**3,988,963.34**

Source: Computation are based on Table 6.9

Table A.6.16: Projected Central Revenue at Existing CenVAT Rates: Consumption Approach

(Rs. Crore)

S.N.	Commodities	Tax Rate	2010-11	2011-12	2012-13	2013-14	2014-15
1	Cereals & bread	12	22,622.76	25,235.04	28,148.96	31,399.36	35,025.08
2	Pulses	0	0.00	0.00	0.00	0.00	0.00
3	Sugar & gur	0	0.00	0.00	0.00	0.00	0.00
4	Oils & oilseeds	0	0.00	0.00	0.00	0.00	0.00
5	Fruits & vegetables	0	0.00	0.00	0.00	0.00	0.00
6	Potato & other tubers	0	0.00	0.00	0.00	0.00	0.00
7	Milk & milk products	0	0.00	0.00	0.00	0.00	0.00
8	Meat, egg & fish	0	0.00	0.00	0.00	0.00	0.00
9	Coffee, tea & cocoa	0	0.00	0.00	0.00	0.00	0.00
10	Spices	0	0.00	0.00	0.00	0.00	0.00
11	Other food	0	0.00	0.00	0.00	0.00	0.00
12	Beverages	12	6,601.29	8,104.48	9,949.97	12,215.71	14,997.38
13	Pan & other intoxicants	0	0.00	0.00	0.00	0.00	0.00
14	Tobacco & its products	42	13,697.72	15,530.50	17,608.52	19,964.57	22,635.88
15	Clothing	12	10,670.24	11,618.39	12,650.79	13,774.93	14,998.96
16	Footwear	12	1,219.65	1,326.36	1,442.40	1,568.60	1,705.83
17	Gross rent & water charges	0	0.00	0.00	0.00	0.00	0.00
18	Electricity	12	3,372.76	3,762.74	4,197.81	4,683.18	5,224.68
19	Liquified petroleum gas	20	4,338.53	5,098.68	5,992.02	7,041.88	8,275.68
20	Kerosene oil	20	1,215.73	1,247.63	1,280.37	1,313.97	1,348.45
21	Other fuel	20	7,208.98	7,770.51	8,375.79	9,028.21	9,731.46
22	Furniture, furnishing & repair	12	297.18	331.72	370.28	413.32	461.36
23	Refrigerator, cooking, washing appliances etc	12	2,024.39	2,291.30	2,593.40	2,935.33	3,322.35
24	Glassware, tableware & utensils	12	4,156.47	4,647.30	5,196.08	5,809.67	6,495.71
25	Other goods	12	3,549.16	4,083.25	4,697.72	5,404.65	6,217.96
26	Personal transport equipment	12	1,734.36	1,922.69	2,131.47	2,362.92	2,619.50
27	Operation of personal transport equipment	0	0.00	0.00	0.00	0.00	0.00
28	Equipment, paper & stationery	12	5,982.45	6,919.07	8,002.32	9,255.17	10,704.16
29	Personal goods n.e.c.	0	0.00	0.00	0.00	0.00	0.00
30	Revenue from Private Consumption		88,691.68	99,889.68	112,637.91	127,171.47	143,764.44
31	Revenue from Government Consumption	10	7,573.19	8,300.53	9,097.73	9,971.49	10,929.16
A	**Total Revenue From Commodities (30+31)**		**96,264.87**	**108,190.21**	**121,735.64**	**137,142.96**	**154,693.60**
B	**Gross Fixed Capital Formation (i+ii)**		**82,624.26**	**95,166.44**	**109,661.58**	**126,422.10**	**145,811.78**
(i)	Household Sector	10	58,056.67	65,948.98	74,914.19	85,098.14	96,666.50
(ii)	Public (Administrative) Sector	10	24,567.59	29,217.46	34,747.39	41,323.97	49,145.28
C	**Total Revenue (A+B)**		178,889.13	203,356.65	231,397.22	263,565.06	300,505.38

Source: Computed from Table A.6.15.

Table A.6.17: Total Sales Tax (net of CST) Revenue in the different States of India

(Rs. Crore)

Non-Special Category States	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Andhra Pradesh	2,433.97	2,981.17	4,105.12	4,802.57	5,609.61	6,321.58	7,094.81	7,741.45	8,395.70	9,988.63	11,524.23	14,222.67	17,593.41
Bihar	1,059.04	1,169.41	1,213.98	1,486.64	1,622.84	1,568.18	834.26	1,522.93	1,291.57	1,829.42	1,679.41	2,011.43	2,490.52
Chhattisgarh							563.90	768.08	989.24	1,347.17	1,674.01	2,140.71	2,502.69
Goa	177.67	199.71	238.02	235.21	319.99	346.73	365.37	398.93	463.52	502.70	671.83	783.28	819.66
Gujarat	3,038.11	3,428.54	3,724.45	4,045.97	4,177.66	4,891.07	4,841.69	5,095.00	5,772.58	6,702.03	8,646.13	10,886.21	13,199.05
Haryana	604.19	981.10	1,061.04	1,115.70	1,353.92	1,645.62	2,106.67	2,470.16	2,950.95	3,699.03	4,359.99	5,312.38	6,364.34
Jharkhand							788.55	1,152.32	1,582.80	1,860.58	2,126.51	2,491.31	2,209.80
Karnataka	2,713.80	3,370.90	3,615.61	3,816.68	4,132.48	4,614.20	4,590.08	4,658.75	5,744.16	7,536.00	8,614.31	10,262.85	12,631.90
Kerala	2,119.07	2,602.73	2,920.96	3,092.97	3,566.23	3,987.38	4,179.87	4,987.26	5,291.07	6,339.81	6,551.61	8,223.65	8,355.55
Madhya Pradesh	1,177.66	1,368.14	1,623.77	1,844.42	2,081.08	2,327.28	2,028.20	2,555.74	2,529.94	3,441.12	4,091.78	4,695.57	5,488.14
Maharashtra	5,690.19	6,045.01	6,547.20	6,731.72	8,853.84	10,331.08	10,071.89	11,746.20	12,795.01	16,399.62	17,358.56	21,583.06	24,368.22
Orissa	716.10	893.50	925.08	971.09	1,061.74	1,293.99	1,350.51	1,532.69	1,546.48	2,061.23	2,524.18	3,042.34	3,567.16
Punjab	982.07	1,011.43	1,124.83	1,229.94	1,589.93	2,267.21	2,063.87	2,722.86	2,932.39	3,337.15	4,270.28	4,509.80	5,014.04
Rajasthan	1,317.76	1,500.97	1,711.37	1,924.41	2,279.83	2,644.51	2,869.23	3,229.79	3,751.80	4,500.78	5,245.41	6,272.15	7,345.83
Tamil Nadu	3,987.94	4,673.59	4,569.22	5,398.49	6,194.14	6,013.29	6,838.88	8,660.93	9,868.04	11,502.55	13,693.86	15,465.25	16,434.12
Uttar Pradesh	2,966.81	3,447.11	3,749.73	4,275.42	4,675.18	5,519.17	5,664.73	7,121.16	7,684.13	8,888.32	10,401.58	12,589.83	13,638.13
West Bengal	2,020.90	2,272.27	2,511.64	2,834.22	3,158.41	3,377.05	3,499.80	3,668.42	4,276.12	5,086.33	5,394.81	6,279.83	7,262.92
Special Category States													
Arunachal Pradesh	0.34	0.40	0.32	0.28	0.35	8.19	16.78	17.62	21.79	28.25	47.69	61.64	77.06
Assam	464.05	517.41	507.66	550.40	742.32	917.90	1,072.76	1,440.55	1,542.14	2,091.79	2,568.41	2,783.24	2,691.43
Himachal Pradesh	105.22	127.81	149.33	172.51	201.92	269.99	311.94	338.92	388.77	504.83	646.50	821.16	978.98
Jammu & Kashmir	112.53	119.25	144.65	180.28	235.87	356.70	406.82	535.97	673.65	804.12	1,014.49	1,159.06	1,804.81
Manipur	15.88	19.30	14.95	19.42	22.87	31.30	29.52	43.18	45.96	54.56	71.17	96.64	120.32
Meghalaya	13.70	17.16	20.04	17.35	34.19	32.95	59.77	71.67	83.38	106.35	159.65	187.78	216.88
Mizoram	1.60	1.99	2.51	2.87	2.93	6.06	9.84	18.20	23.17	28.06	41.59	53.71	61.99
Nagaland	12.27	15.86	16.36	15.05	22.99	27.27	34.32	40.86	45.52	39.05	51.04	76.99	85.71
Sikkim	6.13	8.13	12.71	13.06	13.28	17.47	25.23	37.80	43.97	42.08	49.35	69.98	75.33
Tripura	27.37	35.69	42.39	47.70	57.78	81.08	105.80	116.65	146.83	150.97	203.39	233.45	262.70
Uttarakhand						132.31	88.20	1.05	0.24	0.21	931.66	1,219.05	1,627.41

Note: Uttar Pradesh data for the year 1995-96 has been taken from the RBI Bulletin for non-availability of data from the Finance Accounts.
Source: Comptroller Auditor General of India, Finance accounts, Various issues

Table A.6.18: Abnormal Years Ignored While Calculating the APC

Non-Special Category States	APC Till 2007-08	Pre 2005-06 APC	Post 2005-06 APC	Post-UFR & Pre-VAT APC	Pre VAT APC	Post VAT APC
Andhra Pradesh						
Bihar	2000-01 to 2005-06	2000-01 to 2004-05	2005-06	All years ignored	All the years Ignored and Post VAT APC is taken	2005-06
Chhattisgarh	2001-02 to 2002-03	2001-02 to 2002-03				
Goa	1998-99 to 1999-00	1998-99 to 1999-00			1998-99 to 1999-00	
Gujarat						
Haryana	1996-97	1996-97			1996-97	
Jharkhand	2000-01 to 2002-03 and 2007-08	2000-01 to 2002-03	2007-08	2002-03	2002-03	2007-08
Karnataka						
Kerala						
Madhya Pradesh	2001-02 to 2004-05	2001-02 to 2004-05		All years ignored	2002-03 to 2004-05	
Maharashtra						
Orissa						
Punjab	2000-01 to 2002-03	2000-01 to 2002-03		2001-02	2000-01 to 2002-03	
Rajasthan						
Tamil Nadu						
Uttar Pradesh						
West Bengal						
Special Category States						
Arunachal Pradesh	2005-06		2005-06	2001-02		2005-06
Assam	2007-08		2007-08			2007-08
Himachal Pradesh						
Jammu & Kashmir	2000-01 & 2007-08	2000-01	2007-08		2000-01	2007-08
Manipur	1997-98 & 2001-02 to 2002-03	1997-98 & 2001-02 to 2002-03			1997-98 & 2001-02 to 2002-03	
Meghalaya	1998-99 to 2001-02 & 2005-06	1998-99 to 2001-02	2005-06		1998-99 to 2001-02	2005-06
Mizoram	2002-03 & 2005-06	2002-03	2005-06	2002-03	2002-03	2005-06
Nagaland	1998-99 to 1999-00, 2004-05 & 2006-07	1998-99 to 1999-00 & 2004-05	2006-07		1998-99 to 1999-00 & 2004-05	2006-07
Sikkim	1997-98, 2001-02 to 2002-03 & 2004-05	1997-98, 2001-02 to 2002-03 & 2004-05			1997-98, 2001-02 to 2002-03 & 2004-05	
Tripura						
Uttarakhand	All Years ignored	All Years ignored	All Years ignored	All years ignored	All Years ignored	All Years ignored

Note: Shaded area indicates no outlier during the period.
Source: Calculated from the Table A.6.17.

Table A.6.19: Different Averages of Per Year Percentage Change

(In Percent)

Non-Special Category States	APC 1995-96 to 2007-08	Average of Pre & Post 2005-06 APCs	Average of Post-UFR & Pre-VAT APCs	Average of Pre & Post VAT APC s
Andhra Pradesh	18.16	19.05	12.19	**19.05**
Bihar	14.91	16.63		**21.79**
Chhattisgarh	20.71	21.37	33.73	**26.88**
Goa	13.40	14.80	9.80	**14.80**
Gujarat	13.35	17.36	8.41	**17.44**
Harayana	18.71	19.06	22.52	**19.06**
Jharkhand	16.53	16.26	27.45	**21.59**
Karnataka	14.08	15.67	13.87	**15.67**
Kerala	12.38	11.64	12.51	**11.64**
Madhya Pradesh	15.46	15.73		**17.36**
Maharashtra	13.32	13.67	12.80	**13.67**
Orissa	14.73	16.51	13.01	**16.51**
Punjab	13.23	13.65	17.81	**13.65**
Rajasthan	15.44	16.21	14.30	**16.60**
Tamil Nadu	12.84	12.81	17.72	**11.54**
Uttar Pradesh	13.73	14.30	12.98	**12.90**
West Bengal	11.36	11.81	10.99	**11.81**
Special Category States				
Arunachal Pradesh	22.52	23.29	19.45	**23.29**
Assam	18.32	17.25	23.46	**17.25**
Himachal Pradesh	20.64	22.01	17.19	**22.01**
Jammu & Kashmir	21.40	20.95	22.71	**20.95**
Manipur	24.65	26.05	16.44	**26.05**
Meghalaya	19.84	18.86	36.30	**18.86**
Mizoram	23.25	23.25	24.21	**23.25**
Nagaland	18.67	19.45	10.53	**19.45**
Sikkim	18.96	19.62	26.57	**19.62**
Tripura	21.22	21.04	17.36	**21.04**
Uttarakhand	17.10	17.72	18.17	**18.21**

Note: 1. APC is calculated by taking the average of annual percentage change, ignoring outliers

2. All-States average APC is applied for the State of Uttarakhand

Source: Calculated through Table A.6.17.

Table A.6.20: Per Year Percentage Change in Total Sales Tax (net of CST) Revenue

(Figures in percent)

Non-Special Category States	**1996-97**	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**Average of Pre & Post VAT APC till 2007-08**
Andhra Pradesh	22.48	37.70	16.99	16.80	12.69	12.23	9.11	8.45	18.97	15.37	23.42	23.70	19.05
Bihar	10.42	3.81	22.46	9.16	-3.37	-46.80	82.55	-15.19	41.64	-8.20	19.77	23.82	21.79
Chhattisgarh							36.21	28.79	36.18	24.26	27.88	16.91	26.88
Goa	12.41	19.18	-1.18	36.04	8.36	5.37	9.19	16.19	8.45	33.64	16.59	4.64	14.80
Gujarat	12.85	8.63	8.63	3.26	17.08	-1.01	5.23	13.30	16.10	29.01	25.91	21.25	17.44
Haryana	62.38	8.15	5.15	21.35	21.54	28.02	17.25	19.46	25.35	17.87	21.84	19.80	19.06
Jharkhand							46.13	37.36	17.55	14.29	17.15	-11.30	21.59
Karnataka	24.21	7.26	5.56	8.27	11.66	-0.52	1.50	23.30	31.19	14.31	19.14	23.08	15.67
Kerala	22.82	12.23	5.89	15.30	11.81	4.83	19.32	6.09	19.82	3.34	25.52	1.60	11.64
Madhya Pradesh	16.17	18.68	13.59	12.83	11.83	-12.85	26.01	-1.01	36.02	18.91	14.76	16.88	17.36
Maharashtra	6.24	8.31	2.82	31.52	16.68	-2.51	16.62	8.93	28.17	5.85	24.34	12.90	13.67
Orissa	24.77	3.53	4.97	9.33	21.87	4.37	13.49	0.90	33.29	22.46	20.53	17.25	16.51
Punjab	2.99	11.21	9.34	29.27	42.60	-8.97	31.93	7.70	13.80	27.96	5.61	11.18	13.65
Rajasthan	13.90	14.02	12.45	18.47	16.00	8.50	12.57	16.16	19.96	16.54	19.57	17.12	16.60
T amil Nadu	17.19	-2.23	18.15	14.74	-2.92	13.73	26.64	13.94	16.56	19.05	12.94	6.26	11.54
Uttar Pradesh	16.19	8.78	14.02	9.35	18.05	2.64	25.71	7.91	15.67	17.03	21.04	8.33	12.90
West Bengal	12.44	10.53	12.84	11.44	6.92	3.63	4.82	16.57	18.95	6.06	16.41	15.65	11.81
Special Category States													
Arunachal Pradesh	18.47	-20.91	-11.03	24.80	2237.51	104.88	5.04	23.67	29.63	68.80	29.26	25.02	23.29
Assam	11.50	-1.88	8.42	34.87	23.65	16.87	34.28	7.05	35.64	22.79	8.36	-3.30	17.25
Himachal Pradesh	21.47	16.83	15.52	17.05	33.71	15.54	8.65	14.71	29.85	28.06	27.02	19.22	22.01
Jammu & Kashmir	5.97	21.30	24.63	30.84	51.23	14.05	31.75	25.69	19.37	26.16	14.25	55.71	20.95
Manipur	21.48	-22.49	29.87	17.78	36.82	-5.69	46.30	6.43	18.72	30.44	35.80	24.50	26.05
Meghalaya	25.21	16.79	-13.41	97.09	-3.62	81.39	19.91	16.33	27.55	50.13	17.62	15.50	18.86
Mizoram	24.58	26.18	14.32	2.14	106.93	62.45	84.87	27.31	21.11	48.23	29.15	15.42	23.25
Nagaland	29.26	3.15	-7.99	52.75	18.62	25.84	19.07	11.41	-14.21	30.71	50.84	11.32	19.45
Sikkim	32.69	56.38	2.77	1.69	31.49	44.44	49.85	16.30	-4.30	17.29	41.81	7.64	19.62
Tripura	30.42	18.75	12.54	21.14	40.32	30.48	10.26	25.88	2.82	34.72	14.78	12.53	21.04
Uttarakhand						-33.34	-98.81	-77.20	-10.68	436685.09	30.85	33.50	18.21*

Note: 1.*All-States average is applied in State of Uttarakhand.
2. The shaded areas indicate the years of introduction of VAT in the respective States.
3. Though Haryana introduced VAT in the year 2003-04, it reduced its rates to VAT in 2005-06 only.
4. For the States of Bihar and Madhya Pradesh the pre-VAT APC is taken to be the value of post-VAT APC as changes in earlier years are erratic.

Table A.6.21: State-wise Deviation between Estimated and Actual Revenue from Sales Tax/STVAT : Growth Rate Method

(Rs. Crore)

Non-Special Category States	Actual 2006-07	APC Till 2006-07 (%)	Projected 2007-08	Actual 2007-08	%age Deviation
Andhra Pradesh	14,222.67	18.33	16,830.08	17,593.41	-4.34
Bihar	2,011.43	19.77	2,409.09	2,490.52	-3.27
Chhattisgarh	2,140.71	29.62	2,774.79	2,502.69	10.87
Goa	783.28	18.21	925.93	819.66	12.97
Gujarat	10,886.21	18.61	12,911.93	13,199.05	-2.18
Harayana	5,312.38	19.07	6,325.48	6,364.34	-0.61
Jharkhand	2,491.31	21.59	3,029.15	2,209.80	37.08
Karnataka	10,262.85	14.61	11,762.02	12,631.90	-6.89
Kerala	8,223.65	13.78	9,356.62	8,355.55	11.98
Madhya Pradesh	4,695.57	16.83	5,485.93	5,488.14	-0.04
Maharashtra	21,583.06	14.03	24,612.06	24,368.22	1.00
Orissa	3,042.34	17.22	3,566.27	3,567.16	-0.03
Punjab	4,509.80	14.59	5,167.58	5,014.04	3.06
Rajasthan	6,272.15	17.22	7,351.93	7,345.83	0.08
Tamil Nadu	15,465.25	13.21	17,508.27	16,434.12	6.54
Uttar Pradesh	12,589.83	17.47	14,789.28	13,638.13	8.44
West Bengal	6,279.83	11.07	6,975.00	7,262.92	-3.96
Special Category States					
Arunachal Pradesh	61.64	24.35	76.65	77.06	-0.54
Assam	2,783.24	17.25	3,263.48	2,691.43	21.25
Himachal Pradesh	821.16	23.40	1,013.31	978.98	3.51
Jammu & Kashmir	1,159.06	20.95	1,401.91	1,804.81	-22.32
Manipur	96.64	27.48	123.21	120.32	2.40
Meghalaya	187.78	19.39	224.18	216.88	3.37
Mizoram	53.71	26.68	68.05	61.99	9.76
Nagaland	76.99	24.30	95.70	85.71	11.65
Sikkim	69.98	23.27	86.27	75.33	14.52
Tripura	233.45	23.07	287.32	262.70	9.37
Uttarakhand	1,219.05	19.49	1,456.65	1,627.41	-10.49

Source: Computed from Table A.6.17 and A.6.20.

Table A.6.22: State-wise Per Year Buoyancy of Sales Tax (net of CST) Revenue

Non-Special Category States	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Average Buoyancy	GSDP GR	BGR till 07-08
Andhra Pradesh	1.74	6.03	0.85	1.88	1.05	1.47	1.30	0.62	1.85	1.26	1.67	1.47	1.67	11.26	18.77
Bihar	0.32	1.11	1.41	1.12	-0.24	-64.07	6.51	-7.88	3.96	-0.87	0.84	3.81	1.58	10.64	16.86
Chhattisgarh							3.62	1.48	2.34	1.06	1.67	0.88	1.70	17.73	30.16
Goa	0.64	0.80	-0.05	3.19	1.24	1.07	0.65	1.09	0.36	2.17	1.11	0.36	1.02	14.49	14.83
Gujarat	0.66	1.38	0.56	0.96	14.68	-0.09	0.36	0.71	1.29	1.45	1.64	1.27	1.13	12.01	13.58
Haryana	3.18	0.97	0.40	1.77	1.62	2.19	1.61	1.42	1.87	1.31	1.16	1.19	1.35	13.22	17.84
Jharkhand							5.58	3.16	0.84	1.98	1.23	-1.04	1.80	12.57	22.67
Karnataka	1.52	0.60	0.27	1.02	1.71	-0.10	0.19	2.44	1.95	1.18	1.58	1.61	1.26	10.73	13.55
Kerala	1.55	1.08	0.43	1.36	2.34	0.67	1.68	0.54	1.41	0.26	1.76	0.11	0.97	11.10	10.77
Madhya Pradesh	1.07	2.05	0.89	1.02	-10.21	-1.35	259.46	-0.05	9.33	1.99	1.27	1.85	1.78	9.08	16.12
Maharashtra	0.46	0.94	0.38	1.97	9.29	-0.30	1.73	0.65	2.10	0.43	1.52	0.80	1.41	10.81	15.29
Orissa	-10.94	0.16	0.48	1.06	16.09	0.55	1.93	0.04	2.04	2.26	1.28	1.29	1.25	10.92	13.68
Punjab	0.21	1.10	0.65	3.06	3.80	-1.34	9.63	0.85	1.62	2.22	0.45	0.98	1.23	9.57	11.79
Rajasthan	0.64	1.23	0.87	2.52	-46.46	0.75	-3.58	0.62	3.93	1.59	1.34	1.40	1.44	9.35	13.50
Tamil Nadu	1.22	-0.14	1.28	2.15	-0.31	9.78	4.27	1.28	1.08	1.42	0.90	0.60	1.47	10.14	14.95
Uttar Pradesh	0.80	1.15	1.18	1.25	4.96	0.53	2.95	0.82	1.82	1.27	1.78	0.75	1.24	10.67	13.21
West Bengal	1.12	0.54	0.72	1.17	1.12	0.39	0.70	1.31	1.78	0.62	1.04	1.12	0.95	11.14	10.62
Special Category States															
Arunachal Pradesh	7.81	-2.03	-0.83	3.27	205.26	5.92	-3.22	1.65	1.44	30.33	1.77	1.41	1.57	11.83	18.57
Assam	1.39	-0.22	0.70	2.41	4.16	4.14	2.58	0.79	3.08	2.06	0.71	-0.38	1.75	9.83	17.21
Himachal Pradesh	1.36	1.21	0.74	1.19	3.07	1.64	0.84	1.53	2.64	2.69	2.38	1.51	1.89	12.09	22.82
Jammu & Kashmir	0.47	1.67	2.24	1.38	7.72	1.75	2.50	2.79	2.08	2.79	1.52	5.85	2.01	10.93	21.95
Manipur	1.29	-1.64	2.37	1.18	-8.09	-0.69	11.38	0.48	1.27	2.79	6.54	3.63	2.26	9.05	20.47
Meghalaya	2.48	1.23	-0.76	8.13	-0.34	6.23	3.13	1.51	2.77	5.67	1.74	1.67	1.96	11.00	21.60
Mizoram	1.71	5.50	1.31	0.16	8.85	5.19	7.53	3.72	3.79	4.88	2.73	1.52	2.94	8.80	25.88
Nagaland	2.53	0.21	-3.04	7.77	0.69	1.49	1.53	1.50	-2.34	5.12	4.02	0.89	2.17	11.46	24.84
Sikkim	2.36	3.79	0.18	0.23	2.39	3.68	4.05	1.35	-0.36	1.22	3.19	0.56	1.48	12.54	18.55
Tripura	1.52	0.96	0.80	1.10	3.10	1.92	1.80	2.13	0.29	2.64	1.55	1.33	1.68	13.15	22.04
Uttarakhand						-3.65	-5.91	-7.57	-0.65	42,244.96	2.28	2.31	1.59	13.30	21.18

Note: 1. All-States average is applied in State of Uttarakhand

2. Shaded cells indicate the years selected for bifurcated States, newly formed States and the States that did not have sales tax until then, for calculating average buoyancy.

3. Apart from the years found to be outliers under Growth rate method, the following years have also shown erratic buoyancy due to the effect of GSDP, viz. Gujarat (2000-01); Orissa (1996-97 & 2000-01); Rajasthan (2000-01 & 2002-03); Arunachal Pradesh (2002-03); and Manipur (2000-01 & 2006-07), and therefore ignored while calculating average buoyancy.

Source: Table A.6.17 and Central Statistical Organisation (for GSDP Data)

Table A.6.23: State-wise Deviation between Estimated and Actual Revenue from STVAT/ Sales Tax : Buoyancy method

(Rs. Crore)

Non-Special Category States	Actual 2006-07	Actual 2007-08	BGR Till 2006-07	Projected 2007-08	%age Deviation
Andhra Pradesh	14,222.67	17,593.41	18.36	16,833.89	-4.32
Bihar	2,011.43	2,490.52	8.67	2,185.83	-12.23
Chhattisgarh	2,140.71	2,502.69	33.01	2,847.35	13.77
Goa	783.28	819.66	17.87	923.23	12.64
Gujarat	10,886.21	13,199.05	14.04	12,414.20	-5.95
Haryana	5,312.38	6,364.34	17.55	6,244.86	-1.88
Jharkhand	2,491.31	2,209.80	23.04	3,065.41	38.72
Karnataka	10,262.85	12,631.90	12.90	11,586.75	-8.27
Kerala	8,223.65	8,355.55	12.12	9,220.75	10.35
Madhya Pradesh	4,695.57	5,488.14	14.46	5,374.66	-2.07
Maharashtra	21,583.06	24,368.22	14.96	24,811.71	1.82
Orissa	3,042.34	3,567.16	14.04	3,469.45	-2.74
Punjab	4,509.80	5,014.04	12.20	5,060.07	0.92
Rajasthan	6,272.15	7,345.83	12.99	7,086.92	-3.52
Tamil Nadu	15,465.25	16,434.12	15.37	17,842.74	8.57
Uttar Pradesh	12,589.83	13,638.13	17.98	14,853.48	8.91
West Bengal	6,279.83	7,262.92	9.95	6,904.45	-4.94
Special Category States					
Arunachal Pradesh	61.64	77.06	18.06	72.77	-5.57
Assam	2,783.24	2,691.43	17.12	3,259.73	21.12
Himachal Pradesh	821.16	978.98	25.16	1,027.78	4.98
Jammu & Kashmir	1,159.06	1,804.81	22.35	1,418.10	-21.43
Manipur	96.64	120.32	18.78	114.79	-4.59
Meghalaya	187.78	216.88	22.19	229.45	5.79
Mizoram	53.71	61.99	27.51	68.49	10.48
Nagaland	76.99	85.71	37.37	105.76	23.40
Sikkim	69.98	75.33	21.86	85.28	13.21
Tripura	233.45	262.70	24.43	290.48	10.58
Uttarakhand	1,219.05	1,627.41	22.15	1,489.12	-8.50

Source: Calculating from Table A.6.17 and A.6.22.

Table A.6.24: State-wise Sales Tax (net of CST) - GSDP Ratio

Non-Special Category States	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Andhra Pradesh	0.03	0.03	0.04	0.04	0.04	0.04	0.05	0.05	0.04	0.05	0.05	0.05	0.06
Bihar	0.04	0.03	0.03	0.03	0.03	0.03	0.01	0.02	0.02	0.02	0.02	0.02	0.02
Chhattisgarh	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.03	0.03	0.03	0.03	0.03
Goa	0.06	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.04	0.05	0.05	0.05
Gujarat	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.04	0.04	0.04	0.04
Haryana	0.02	0.03	0.03	0.02	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.04
Jharkhand	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.03	0.04	0.04	0.04	0.04	0.03
Karnataka	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.05	0.06
Kerala	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.06	0.05	0.06	0.05	0.06	0.05
Madhya Pradesh	0.02	0.02	0.03	0.03	0.03	0.03	0.02	0.03	0.02	0.03	0.03	0.04	0.04
Maharashtra	0.04	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Orissa	0.02	0.03	0.03	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Punjab	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04
Rajasthan	0.03	0.02	0.03	0.02	0.03	0.03	0.03	0.04	0.03	0.04	0.04	0.04	0.04
Tamil Nadu	0.05	0.05	0.04	0.04	0.05	0.04	0.05	0.05	0.06	0.06	0.06	0.06	0.06
Uttar Pradesh	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04	0.04
West Bengal	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Special Category States													
Arunachal Pradesh	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.02	0.02	0.02
Assam	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.04	0.04	0.04	0.04
Himachal Pradesh	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03
Jammu & Kashmir	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.03	0.03	0.03	0.04	0.04	0.06
Manipur	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
Meghalaya	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.03	0.03	0.03
Mizoram	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.02	0.02	0.02
Nagaland	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Sikkim	0.01	0.01	0.02	0.02	0.01	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03
Tripura	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Uttarakhand	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.04	0.04	0.05

Source: Comptroller Auditor General of India. *Finance Accounts.* Various Issues (for Sales Tax data) and Central Statistical Organisation (for GSDP data).

Table A.6.25: Per Year Percentage Change in Tax-GSDP Ratio

(Figures in percent)

Non-Special Category States	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Average of Pre & Post VAT APC
Andhra Pradesh	8.50	29.60	-2.51	7.20	0.51	3.62	1.98	-4.47	7.91	2.87	8.22	6.55	7.18
Bihar	-16.92	0.35	5.61	0.88	-15.30	-47.19	62.01	-16.80	28.16	-16.14	-2.98	16.53	22.35
Chhattisgarh							23.83	7.85	17.92	1.14	9.60	-1.94	11.14
Goa	-5.91	-3.97	-19.95	22.22	1.50	0.32	-4.33	1.18	-12.14	15.70	1.40	-7.31	7.43
Gujarat	-5.49	2.26	-5.93	-0.15	15.73	-10.97	-8.12	-4.60	3.19	7.53	8.74	3.82	6.73
Haryana	35.72	-0.27	-6.89	8.29	7.29	13.53	5.88	5.09	10.41	3.73	2.49	2.67	7.64
Jharkhand							34.98	22.86	-2.78	6.59	2.86	-20.01	11.54
Karnataka	7.14	-4.30	-12.22	0.14	4.53	-5.51	-5.81	12.55	13.09	1.98	6.29	7.64	6.40
Kerala	7.08	0.83	-6.77	3.63	6.44	-2.26	7.00	-4.66	5.08	-8.40	9.59	-10.87	7.30
Madhya Pradesh	0.96	8.78	-1.43	0.25	13.14	-20.43	25.88	-16.42	30.96	8.61	2.77	7.10	13.38
Maharashtra	-6.50	-0.49	-4.31	13.39	14.63	-9.97	6.39	-4.22	13.01	-6.80	7.21	-2.79	9.53
Orissa	27.66	-14.87	-4.90	0.49	20.24	-3.31	6.09	-17.50	14.61	11.38	3.85	3.46	10.02
Punjab	-10.02	0.92	-4.45	17.98	28.22	-14.66	27.69	-1.27	4.89	13.64	-6.08	-0.21	14.79
Rajasthan	-6.30	2.37	-1.56	10.36	16.40	-2.54	16.66	-7.84	14.17	5.53	4.32	4.34	7.62
Tamil Nadu	2.71	-15.75	3.50	7.38	-11.26	12.15	19.20	2.75	1.01	4.95	-1.32	-3.84	6.71
Uttar Pradesh	-3.39	1.04	1.95	1.76	13.91	-2.20	15.64	-1.59	6.51	3.16	8.24	-2.53	8.39
West Bengal	1.19	-7.40	-4.30	1.49	0.71	-5.22	-1.96	3.47	7.49	-3.39	0.49	1.43	1.91
Special Category States													
Arunachal Pradesh	15.74	-28.30	-21.48	15.99	2,007.74	74.05	6.71	8.18	7.56	65.06	10.93	6.17	8.02
Assam	2.98	-9.58	-3.26	17.79	17.00	12.30	18.53	-1.77	21.56	10.57	-2.99	-11.04	12.80
Himachal Pradesh	4.91	2.53	-4.56	2.38	20.48	5.52	-1.45	4.65	16.65	15.97	14.08	5.74	10.05
Jammu & Kashmir	-5.95	7.59	12.30	6.98	41.81	5.58	16.93	15.11	9.18	15.36	4.44	42.18	10.21
Manipur	4.14	-31.83	15.33	2.36	43.35	-12.90	40.58	-6.22	3.42	17.63	28.75	16.62	13.66
Meghalaya	13.64	2.80	-26.43	76.06	-12.94	60.44	12.73	4.95	16.01	37.93	6.79	5.69	13.41
Mizoram	8.89	20.45	3.04	-9.67	84.61	45.00	66.15	18.60	14.72	34.89	16.70	4.78	15.97
Nagaland	15.85	-10.17	-10.34	43.04	-6.51	7.29	5.90	3.54	-19.13	23.32	33.89	-1.20	18.37
Sikkim	16.55	36.14	-11.21	-5.18	16.20	28.89	33.42	3.79	-14.60	2.68	25.38	-5.30	18.27
Tripura	8.61	-0.73	-2.69	1.68	24.18	12.64	4.31	12.25	-6.43	19.05	4.80	2.83	9.75
Uttarakhand						-38.92	-98.98	-79.31	-23.34	395,764.66	15.27	16.59	10.76

Note: Highlighted years are abnormal years represented by high and unusual percentage variations, and are therefore ignored.
Source: Calculated from Table A.6.24.

Table A.6.26: State-wise Deviation between Estimated and Actual Revenue from STVAT/Sales Tax: Tax-GSDP Ratio Method

Non-Special Category States	Actual 2006-07 Revenue (Rs. Cr.)	Actual 2007-08 Revenue (Rs. Cr.)	Tax-GSDP Ratio 2006-07	Average of Pre & Post VAT APC (%)	Projected Tax-GSDP Ratio 2007-08	Projected GSDP 2007-08 (Rs. Cr.)	Projected 2007-08 Revenue (Rs. Cr.)	Percentage Deviation (%)
Andhra Pradesh	14,222.67	17,593.41	0.05	7.01	0.06	298,830.75	16,896.45	-3.96
Bihar	2,011.43	2,490.52	0.02	28.16	0.03	109,136.03	2,843.13	14.16
Chhattisgarh	2,140.71	2,502.69	0.03	11.14	0.04	75,411.53	2,792.91	11.60
Goa	783.28	819.66	0.05	7.43	0.06	17,451.87	963.07	17.50
Gujarat	10,886.21	13,199.05	0.04	7.96	0.04	292,832.52	13,099.33	-0.76
Harayana	5,312.38	6,364.34	0.04	7.71	0.05	142,824.33	6,461.83	1.53
Jharkhand	2,491.31	2,209.80	0.04	11.54	0.04	70,680.90	3,133.69	41.81
Karnataka	10,262.85	12,631.90	0.05	5.81	0.06	208,094.74	12,002.60	-4.98
Kerala	8,223.65	8,355.55	0.06	7.30	0.06	157,909.76	9,780.35	17.05
Madhya Pradesh	4,695.57	5,488.14	0.04	12.29	0.04	142,157.29	5,740.72	4.60
Maharashtra	21,583.06	24,368.22	0.04	9.53	0.05	561,531.59	26,088.01	7.06
Orissa	3,042.34	3,567.16	0.03	10.72	0.04	100,760.69	3,723.46	4.38
Punjab	4,509.80	5,014.04	0.04	14.79	0.04	135,060.34	5,666.10	13.00
Rajasthan	6,272.15	7,345.83	0.04	7.62	0.05	161,938.27	7,363.58	0.24
Tamil Nadu	15,465.25	16,434.12	0.06	6.71	0.06	288,765.44	18,140.38	10.38
Uttar Pradesh	12,589.83	13,638.13	0.04	8.39	0.04	345,381.52	15,065.75	10.47
West Bengal	6,279.83	7,262.92	0.02	1.68	0.02	295,621.98	7,086.90	-2.42
Special Category States								
Arunachal Pradesh	61.64	77.06	0.02	9.20	0.02	3,770.52	74.64	-3.15
Assam	2,783.24	2,691.43	0.04	12.80	0.05	71,873.98	3,446.47	28.05
Himachal Pradesh	821.16	978.98	0.03	11.59	0.03	31,824.74	1,028.38	5.05
Jammu & Kashmir	1,159.06	1,804.81	0.04	10.21	0.04	32,259.56	1,419.55	-21.35
Manipur	96.64	120.32	0.02	14.75	0.02	5,831.09	121.03	0.59
Meghalaya	187.78	216.88	0.03	16.19	0.03	7,739.15	242.64	11.87
Mizoram	53.71	61.99	0.02	19.47	0.02	3,238.26	69.62	12.29
Nagaland	76.99	85.71	0.01	18.37	0.01	7,123.77	101.70	18.65
Sikkim	69.98	75.33	0.03	18.27	0.04	2,327.85	93.09	23.57
Tripura	233.45	262.70	0.02	11.27	0.03	11,674.65	294.93	12.27
Uttarakhand	1,219.05	1,627.41	0.04	11.40	0.05	33,638.26	1,537.68	-5.51

Source: Computed from Table A.6.24 and A.6.25.

Table A.6.27: State-wise Projected Sales Tax - GSDP Ratio

Non-Special Category States	2007-08	APC of Tax-GSDP Ratio (%)	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	0.06	7.18	0.07	0.07	0.08	0.09	0.09
Bihar	0.02	22.35	0.04	0.05	0.06	0.08	0.10
Chhattisgarh	0.03	11.14	0.04	0.05	0.06	0.06	0.07
Goa	0.05	7.43	0.06	0.06	0.07	0.07	0.08
Gujarat	0.04	6.73	0.05	0.06	0.06	0.06	0.07
Haryana	0.04	7.64	0.05	0.06	0.06	0.07	0.07
Jharkhand	0.03	11.54	0.04	0.05	0.05	0.06	0.07
Karnataka	0.06	6.40	0.07	0.08	0.08	0.09	0.09
Kerala	0.05	7.30	0.06	0.07	0.07	0.08	0.08
Madhya Pradesh	0.04	13.38	0.06	0.06	0.07	0.08	0.09
Maharashtra	0.04	9.53	0.05	0.06	0.06	0.07	0.08
Orissa	0.03	10.02	0.05	0.05	0.06	0.06	0.07
Punjab	0.04	14.79	0.06	0.06	0.07	0.08	0.10
Rajasthan	0.04	7.62	0.05	0.06	0.06	0.07	0.07
Tamil Nadu	0.06	6.71	0.07	0.07	0.08	0.08	0.09
Uttar Pradesh	0.04	8.39	0.05	0.05	0.06	0.06	0.07
West Bengal	0.02	1.91	0.03	0.03	0.03	0.03	0.03
Special Category States							
Arunachal Pradesh	0.02	8.02	0.02	0.03	0.03	0.03	0.03
Assam	0.04	12.80	0.05	0.06	0.07	0.08	0.09
Himachal Pradesh	0.03	10.05	0.04	0.04	0.05	0.05	0.06
Jammu & Kashmir	0.06	10.21	0.08	0.08	0.09	0.10	0.11
Manipur	0.02	13.66	0.03	0.04	0.04	0.05	0.05
Meghalaya	0.03	13.41	0.04	0.05	0.05	0.06	0.07
Mizoram	0.02	15.97	0.03	0.03	0.04	0.05	0.05
Nagaland	0.01	18.37	0.02	0.02	0.03	0.03	0.04
Sikkim	0.03	18.27	0.05	0.06	0.07	0.09	0.10
Tripura	0.02	9.75	0.03	0.03	0.04	0.04	0.04
Uttarakhand	0.05	10.76	0.07	0.07	0.08	0.09	0.10

Source: Calculated from Table A.6.24 and A.6.25.

Table A.6.28: State-wise Projected GSDP

(Rs. Crore)

Non-Special Category States	2007-08 (Actual)	GR	2010-11	2011-12	2012-13	2013-14	2014-15
Andhra Pradesh	312,509.00	11.26	430,370.13	478,816.00	532,715.32	592,681.98	659,398.95
Bihar	105,148.34	10.64	142,423.53	157,582.58	174,355.10	192,912.83	213,445.77
Chhattisgarh	76,588.23	17.73	124,989.84	147,156.32	173,253.95	203,979.90	240,154.98
Goa	17,214.59	14.49	25,834.05	29,577.25	33,862.82	38,769.34	44,386.78
Gujarat	306,813.00	12.01	431,120.75	482,881.58	540,856.89	605,792.77	678,524.93
Haryana	147,576.13	13.22	214,174.67	242,485.31	274,538.18	310,827.96	351,914.70
Jharkhand	69,503.40	12.57	99,134.66	111,591.73	125,614.13	141,398.56	159,166.44
Karnataka	215,281.60	10.73	292,283.56	323,645.97	358,373.62	396,827.59	439,407.73
Kerala	162,414.79	11.10	222,739.79	247,469.61	274,945.07	305,471.02	339,386.13
Madhya Pradesh	142,499.93	9.08	184,946.51	201,739.05	220,056.30	240,036.69	261,831.24
Maharashtra	590,995.22	10.81	804,102.82	891,020.01	987,332.26	1,094,055.11	1,212,313.86
Orissa	103,303.83	10.92	140,977.22	156,372.29	173,448.54	192,389.55	213,398.97
Punjab	137,485.81	9.57	180,876.64	198,194.09	217,169.54	237,961.73	260,744.60
Rajasthan	166,628.79	9.35	217,866.47	238,234.06	260,505.74	284,859.53	311,490.07
Tamil Nadu	290,286.00	10.14	387,898.41	427,249.90	470,593.51	518,334.25	570,918.18
Uttar Pradesh	347,671.07	10.67	471,227.94	521,497.06	577,128.72	638,695.00	706,828.98
West Bengal	303,705.22	11.14	416,906.59	463,341.20	514,947.66	572,301.99	636,044.38
Special Category States							
Arunachal Pradesh	4,004.43	11.83	5,600.64	6,263.30	7,004.37	7,833.12	8,759.92
Assam	71,169.32	9.83	94,293.51	103,564.63	113,747.31	124,931.17	137,214.64
Himachal Pradesh	31,974.19	12.09	45,035.29	50,482.11	56,587.69	63,431.71	71,103.49
Jammu & Kashmir	31,793.04	10.93	43,395.59	48,137.49	53,397.55	59,232.38	65,704.79
Manipur	5,703.91	9.05	7,396.07	8,065.12	8,794.68	9,590.25	10,457.77
Meghalaya	7,605.28	11.00	10,402.20	11,546.81	12,817.37	14,227.73	15,793.28
Mizoram	3,287.89	8.80	4,235.06	4,607.94	5,013.65	5,455.09	5,935.39
Nagaland	7,193.00	11.46	9,960.28	11,101.76	12,374.06	13,792.17	15,372.80
Sikkim	2,352.54	12.54	3,353.12	3,773.58	4,246.76	4,779.27	5,378.56
Tripura	11,252.00	13.15	16,298.80	18,441.55	20,866.01	23,609.21	26,713.04
Uttarakhand	34,017.00	13.30	49,479.59	56,062.11	63,520.33	71,970.76	81,545.40

Note: Growth Rate (GR) has been calculated for the period 1995-96 to 2007-08. However, For bifurcated, newly formed States and for the States of Arunachal Pradesh and Mizoram GSDP growth rate is calculated from 2001-02 onwards.

Source: Central Statistical organization.

Table A.6.29: State-wise Percentage Share of Total Expenditure on Consumer goods

States	MPCE on Consumer Goods * (In Rs.)		%age Share in Total Population @		Weighted Average (In Rs.)	Total Population$ (In Cr.)	Total Expenditure on Goods (In Cr.)	%age Share
	Rural	Urban	Rural	Urban				
Andhra Pradesh	670.90	1,181.42	72.70	27.30	810.30	8.12	78,973.73	7.55
Arunachal Pradesh	824.39	1,318.49	79.25	20.75	926.94	0.12	1,310.32	0.13
Assam	674.92	1,197.92	87.10	12.90	742.40	2.89	25,742.88	2.46
Bihar	512.51	786.73	89.54	10.46	541.19	9.16	59,508.17	5.69
Chhattisgarh	498.77	924.33	79.91	20.09	584.27	2.31	16,200.47	1.55
Goa					2,079.39	0.16	4,009.52	0.38
Gujarat	720.72	1,211.17	62.64	37.36	903.95	5.55	60,175.81	5.75
Haryana	911.49	1,174.76	71.08	28.92	987.63	2.36	27,932.98	2.67
Himachal Pradesh	980.91	1,473.21	90.20	9.80	1,029.15	0.67	8,326.24	0.80
Jammu & Kashmir	877.80	1,118.93	75.19	24.81	937.62	1.11	12,445.35	1.19
Jharkhand	521.66	989.45	77.76	22.24	625.71	2.96	22,200.57	2.12
Karnataka	573.24	1,029.93	66.01	33.99	728.45	5.66	49,517.87	4.73
Kerala	1,082.30	1,420.57	74.04	25.96	1,170.12	3.38	47,408.30	4.53
Madhya Pradesh	476.99	876.77	73.54	26.46	582.77	6.71	46,919.39	4.48
Maharashtra	705.55	1,394.79	57.57	42.43	997.96	10.57	126,629.36	12.10
Manipur	735.89	1,176.95	73.42	26.58	853.13	0.26	2,630.24	0.25
Meghalaya	704.75	1,127.15	80.42	19.58	787.47	0.25	2,351.07	0.22
Mizoram	836.29	1,337.52	50.37	49.63	1,085.05	0.10	1,332.66	0.13
Nagaland						0.26	2,544.39	0.24
Orissa	441.73	963.85	85.01	14.99	520.00	3.92	24,487.71	2.34
Punjab	1,060.30	1,394.75	66.08	33.92	1,173.74	2.70	38,005.38	3.63
Rajasthan	701.31	1,042.76	76.61	23.39	781.16	6.30	59,009.70	5.64
Sikkim						0.06	824.93	0.08
Tamil Nadu	660.09	1,066.68	55.96	44.04	839.16	6.54	65,892.19	6.30
Tripura	551.74	1,039.24	82.94	17.06	634.90	0.34	2,582.78	0.25
Uttar Pradesh	607.40	885.89	79.22	20.78	665.28	18.53	147,954.80	14.14
Uttarakhand	588.00	1,039.82	74.33	25.67	703.98	0.93	7,860.61	0.75
West Bengal	601.63	1,193.60	72.03	27.97	767.22	8.58	78,963.36	7.55
N-E States	722.64	1,155.76	78.30	21.70	816.61	1.39	13,576.40	1.30
Group of UTs	992.82	1,660.50	11.54	88.46	1,583.43	1.70	32,327.29	3.09
All-India	640.30	1,132.30	72.18	27.82	777.16	112.20	1,046,362.04	100.00

Note: MPCE = Monthly Per Capita Expenditure

Source: * National Sample Survey Organisation. 2008. *Household Consumer Expenditure in India, 2006-07*, NSS 63rd round, Ministry of Statistics and Programme Implementation, Government of India, October, 2008 (Table 4U and 4R, Annexure A).

@ Census 2001

$ Central Statistical Organization (Various Issues).

Table A.6.30: Total Projected Revenue from Services at the Existing Base

(Rs. Crore)

S.N.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1	Revenue at Existing Rate	84,638.53	110,210.49	143,508.52	186,866.94	243,325.29
2	Revenue at GST rate of 8%	67,710.83	88,168.39	114,806.82	149,493.55	194,660.23
3	Revenue at GST rate of 9%	76,174.68	99,189.44	129,157.67	168,180.25	218,992.76

Source: Computed from Table 6.16.

Table A.6.31: Final Expenditure on Consumption of Services at Factor Cost

(Rs. Crore)

S. N.	Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(i)	**PFCE on Services at Factor Cost**	**92,303.76**	**105,072.54**	**124,532.75**	**147,544.94**	**167,410.13**	**184,002.31**	**204,338.29**	**238,131.01**	**285,373.35**
1	Hotel & restaurants	20,412.07	22,733.18	25,089.89	27,710.93	30,989.68	36,931.29	44,883.41	55,307.94	65,534.00
2	Services of electrical appliances	7,333.57	8,029.55	8,866.14	9,838.02	10,922.93	12,097.72	13,464.76	15,417.41	17,588.11
3	Recreational Services	823.69	1,092.47	751.16	740.92	831.26	950.52	631.45	794.77	924.26
4	Personal care & effects	33,453.19	34,769.49	37,894.27	40,124.60	43,647.21	47,103.06	51,938.41	57,605.91	64,587.93
5	Other miscellaneous services	30,281.24	38,447.85	51,931.29	69,130.47	81,019.05	86,919.72	93,420.26	109,004.98	136,739.05
(ii)	**GFCE on Services at Factor Cost***	**1101.67**	**1032.25**	**1051.09**	**1040.1**	**808.26**	**748.19**	**983.88**	**1707.31**	**2025.48**
1	Recreational Services	83.07	49.69	166.43	80.69	112.73	117.63	167.76	289.99	343.39
2	Agriculture, forestry, fishing and hunting	400.94	358.67	317.73	308.38	549.57	611.43	628.78	977.22	1157.00
3	Electricity, gas, steam and other sources of energy	617.66	623.89	566.93	651.03	145.96	6.23	187.34	162.87	192.68
4	Other economic services	-56.07	-65.41	-81.88	-4.00	-5.78	12.90	-14.24	277.23	332.41

Note: Consumption expenditure on services at factor cost (FC) is derived as: consumption expenditure at FC = (Consumption at market price) ÷ (1 + r), where ‘r’ is percentage rate of service tax and taken to be 12.36 percent

* Total GFCE on services at factor cost excludes negative figures

Source: Computed from Consumption Expenditure on services at market price given in *National Accounts Statistics*, 2009.

Table A.6.32: PFCE on Services net of Unorganized Sector

(Rs. Crore)

S.N.	Particulars	NPFCE on Services net of unorganized sector								
		1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Hotel & restaurants	7,058.49	7,861.13	8,676.08	9,582.44	10,716.23	12,770.84	15,520.68	19,125.49	22,661.66
2	Services of Electrical appliances	3,836.19	4,200.26	4,637.88	5,146.27	5,713.78	6,328.32	7,043.41	8,064.85	9,200.34
3	Recreation services	430.87	571.47	392.93	387.58	434.83	497.22	330.31	415.74	483.48
4	Personal care & effects	17,499.36	18,187.92	19,822.49	20,989.18	22,831.85	24,639.61	27,168.98	30,133.65	33,785.95
5	Other miscellaneous services	15,840.12	20,112.07	27,165.26	36,162.15	42,381.06	45,467.71	48,868.14	57,020.51	71,528.20

Source: Computations are based on Table A.6.30 and Share of consumption from unorganized sector which is calculated from *National Accounts Statistics*, 2009, CSO

Table A.6.33: Taxable Inputs going into production in unorganized sector

(Rs. Crore)

S.N.	Particulars	Input-Output coefficient*	Share of Taxable Inputs going into Unorganized sector								
			1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	Hotel & restaurants	0.65	3,471.93	3,866.73	4,267.59	4,713.41	5,271.10	6,281.72	7,634.31	9,407.44	11,146.81
2	Services of Electrical appliances	0.40	559.58	612.69	676.52	750.68	833.46	923.10	1,027.41	1,176.41	1,342.04
3	Recreation services	0.40	62.85	83.36	57.32	56.54	63.43	72.53	48.18	60.64	70.52
4	Personal care & effects	0.21	1,340.12	1,392.85	1,518.03	1,607.38	1,748.49	1,886.93	2,080.63	2,307.67	2,587.37
5	Other miscellaneous services	0.38	2,195.05	2,787.04	3,764.44	5,011.19	5,872.97	6,300.71	6,771.92	7,901.64	9,912.05

Source: * Central Statistical Organisation. 2009. Input Flow Matrix, 2006-07, Ministry Of Statistics and Programme Implementation.

Table A.6.34: Projected Total Taxable base of Services: Consumption Approach

(Rs. Crore)

S.N.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
(i)	**PFCE on Services**	**259,529.79**	**304,363.19**	**357,570.04**	**420,789.23**	**495,989.24**
1	Hotels and restaurants	52,505.28	60,803.53	70,413.29	81,541.83	94,429.20
2	Services of Electrical appliances	14,640.14	16,333.55	18,222.84	20,330.66	22,682.29
3	Recreation & cultural services	963.69	1,158.98	1,393.85	1,676.32	2,016.04
4	Personal care & effects	46,588.17	50,594.88	54,946.17	59,671.69	64,803.62
5	Other miscellaneous services	144,832.53	175,472.25	212,593.89	257,568.72	312,058.10
(ii)	**GFCE on Services**	**4,359.17**	**5,767.93**	**7,637.42**	**10,119.62**	**13,417.06**
1	Recreational Services	855.96	1,160.58	1,573.61	2,133.63	2,892.96
2	Agriculture, forestry, fishing and hunting	2,735.71	3,644.59	4,855.44	6,468.56	8,617.62
3	Mining, manufacturing & Construction	93.86	110.30	129.61	152.30	178.96
4	Other economic services	673.64	852.46	1,078.76	1,365.13	1,727.52

Source: Computed from Table 6.17.

Table A.6.35: State-wise Percentage Share of Total Expenditure on Consumer Services

States	MPCE Consumer Services* (Rs.)		%age Share in Total Population@		Weighted Average (Rs.)	Total Population$ (in Cr.)	Total Expenditure on Services (in Cr.)	%age Share
	Rural	Urban	Rural	Urban				
Andhra Pradesh	56.24	179.26	72.70	27.30	89.83	8.12	8,755.11	7.25
Arunachal Pradesh	92.23	229.36	79.25	20.75	120.69	0.12	170.61	0.14
Assam	46.45	170.96	87.10	12.90	62.51	2.89	2,167.72	1.79
Bihar	28.82	78.23	89.54	10.46	33.99	9.16	3,737.27	3.09
Chhattisgarh	29.54	123.94	79.91	20.09	48.51	2.31	1,344.96	1.11
Goa					240.07	0.16	462.91	0.38
Gujarat	75.86	210.79	62.64	37.36	126.27	5.55	8,405.71	6.96
Haryana	101.24	161.33	71.08	28.92	118.62	2.36	3,354.87	2.78
Himachal Pradesh	136.58	259.70	90.20	9.80	148.64	0.67	1,202.59	1.00
Jammu & Kashmir	94.96	165.61	75.19	24.81	112.49	1.11	1,493.09	1.24
Jharkhand	31.36	129.79	77.76	22.24	53.25	2.96	1,889.49	1.56
Karnataka	51.03	150.23	66.01	33.99	84.74	5.66	5,760.63	4.77
Kerala	168.05	260.91	74.04	25.96	192.16	3.38	7,785.44	6.44
Madhya Pradesh	37.94	124.93	73.54	26.46	60.96	6.71	4,907.68	4.06
Maharashtra	70.54	278.69	57.57	42.43	158.85	10.57	20,155.92	16.68
Manipur	60.45	150.33	73.42	26.58	84.34	0.26	260.03	0.22
Meghalaya	70.17	174.50	80.42	19.58	90.60	0.25	270.50	0.22
Mizoram	91.15	226.67	50.37	49.63	158.41	0.10	194.56	0.16
Nagaland						0.26	308.25	0.26
Orissa	16.83	108.28	85.01	14.99	30.54	3.92	1,438.13	1.19
Punjab	137.83	214.41	66.08	33.92	163.81	2.70	5,303.96	4.39
Rajasthan	66.08	141.94	76.61	23.39	83.82	6.30	6,331.87	5.24
Sikkim						0.06	99.94	0.08
Tamil Nadu	68.69	160.51	55.96	44.04	109.13	6.54	8,568.97	7.09
Tripura	25.52	131.02	82.94	17.06	43.52	0.34	177.03	0.15
Uttar Pradesh	45.78	110.49	79.22	20.78	59.23	18.53	13,172.11	10.90
Uttarakhand	35.00	114.95	74.33	25.67	55.52	0.93	619.92	0.51
West Bengal	28.23	177.66	72.03	27.97	70.03	8.58	7,207.52	5.97
N-E States	67.35	167.49	78.30	21.70	89.08	1.39	1,480.92	1.23
Group of UTs	125.03	314.38	11.54	88.46	292.52	1.70	5,972.15	4.94
All-India	54.86	180.20	72.18	27.82	89.72	112.20	120,805.40	100.00

Note: MPCE = Monthly Per Capita Expenditure

Source: * National Sample Survey Organisation. 2008. *Household Consumer Expenditure in India, 2006-07*, NSS 63rd round, Ministry of Statistics and Programme Implementation, Government of India, October, 2008 (Table 4U and 4R, Annexure A).

@ Census 2001

$ Central Statistical Organization (Various Issues).

Estimation of CGST Revenue from Firm-Level Data

One of the approaches for estimating revenue from Central GST could be based on data from corporate sector. With a view to do so, this study made use of the firm-level database provided by the Centre for Monitoring Indian Economy (CMIE)[1].

Limitation of CMIE Firm-level Database

We started working on the database of the CMIE presuming that its coverage is good enough. The CMIE firm-level database, when used by the Kelkar Committee[2], had coverage of more than of 2.74 lakh companies. This was primarily due to the fact that in the year 2000, CMIE was assigned the task of compiling all the balance sheets of the corporate sector by the Department of Corporate Affairs (DCA), which provided access to records available with the Registrar of Companies. This arrangement was, however, discontinued after two years. Owing to discontinuance of the arrangement with the DCA, the coverage of the database of CMIE has drastically reduced to over 21,000 companies only which can not be taken as the representative of the economy. Further, the selection of companies is not based on any methodical basis and no account can be taken of companies out of the coverage. The coverage is, therefore, not sufficient to draw any scientific conclusion about the revenue implication of GST.

Estimation of GST Revenue from Firm-level Data

In addition to the above limited coverage, the detailed information for all these 21,199 companies is not available for all the years. The database has information for 8,316 companies for the year ended March 2007, of which about 50 percent are manufacturing units and 43 percent are the companies that are essentially engaged in services activities during 2006-07. While, the rest of the other 7 percent constitutes the construction, electricity, and mining sector. "Services" further has a break-up into financial and non-financial services which have a share of 49.24 and 50.76 percent, respectively.

The size distribution of these companies by sales is presented in Table 1. As it could be observed from the table that in 2006-07, 29 percent of the companies had sales less than Rs.1 Lakh. About 38 percent of the companies had sales less than Rs.50 Lakh. Companies with sales less than Rs. 1 crore in 2006-07 accounted for 41 percent in numbers, but only 0.01 percent of the total sales. In light of this distribution, it was anticipated that the exclusion of companies of sales less than Rs.1 crore would make an insignificant impact upon the inferences drawn at the aggregate level and therefore for estimation of revenue we concentrated only on those companies that had sales of at least Rs. 1 crore and more.

After taking this point into consideration, we arrive at a dataset of 4,916 firms that had their accounts ending March 2007. It is this set of 4,916 companies that we used to

[1] The CMIE provides firm-level data in the form software called PROWESS.

[2] Government of India. 2004. *Report of Task Force on Implementation of FRBM Act, 2003*, Ministry of Finance, GOI.

estimate the revenue from levying of CGST that can be generated These are the larger and well-organized entities that can be expected to pay a tax levied upon them.

We use two indicators to estimate the potential revenue from the levy of goods and services tax, *viz.* sales values and gross value added. While Sales figures can be obtained directly from the accounts of the company, it is difficult to estimate the gross value added. We have, therefore, estimated GVA by adding the payments made to the factors of production, *viz.* wages, interest payments, rent, profits and depreciation for the year.

However, Using GVA as a base for estimation of GST revenue implies that input tax is claimed for all inputs purchased. This is a very conservative assumption and therefore, this would underestimate the potential revenue.

Table 2 presents the summary of aggregates generated by using the audited annual accounts of 4,916 firms for the year 2006-07. It shows the total number of firms, across the different industries, having sales value of Rs. 1 Crore or more, and respective GVA and the amount of net exports obtained from them.

Table 3 gives the estimates of GST revenue if it is levied on sales or sales net of exports at the rate of 8 percent. These are the upper bounds of the potential GST that can be generated from these firms. Further, the GST estimates based on GVA or GVA net of net exports are given in Table 4. These are the lower bounds of the potential revenue.

As these estimates are for the year 2006-07, the estimate of the base for the next year can be made based on the sales growth observed in the sales of listed companies[3]. Applying the GST rate, the potential GST revenue that can be generated from firms can be computed. Similarly, estimates for the year 2010-11 to 2014-15 can be obtained.

However, this approach focuses on very small subset of all the production entities in the economy and therefore, these are very conservative estimates.

[3] As per SEBI regulations, listed companies are required to release their quarterly results within one month of the end of the quarter.

Table 1: The CMIE Firm -Level Database: Size Distribution (2006-07)

Size by Sales (Rupees)	Count (Numbers)	Sales (Rs. Crore)	Cumulative Count (%)	Cumulative Sales (%)
Upto 1 Lakh	2,411	0	28.99	0
1Lakh- 10 Lakh	392	15.17	33.71	0.00
10 Lakh - 50 Lakh	381	100.91	38.29	0.00
50 Lakh - 1 Crore	216	160.77	40.89	0.01
1 Crore - 50 Crore	2,396	38,614.22	69.70	1.50
50 Crore - 100 Crore	633	45,621.48	77.31	3.25
Above 100 Crore	1,887	2,513,891.16	100	100
Total	8,316	2,598,403.71		

Table 2: Summary of Statistics about CMIE firm-level Database: 2006-07

(Rs. Crore)

Industry	Firms (Nos.)	Sales	GVA	Net Exports
Manufacturing	3,314	1,822,510.20	296,589.31	-232,005.69
Mining	51	114,390.69	61,648.79	-5,587.78
Electricity	81	165,322.94	46,902.18	-7,632.22
Non-Financial	1,097	407,984.31	142,939.13	-18,641.93
Construction	232	84,255.32	22,500.85	117.58
Financial Services	141	3,663.40	25,460.89	-1,019.32
Total	4,916	2,598,126.86	596,041.15	-264,769.36

Table 3: Estimates of Potential Revenue from Uniform GST based on Sales in 2006-07

(Rs. Crore)

Industry	At the rate of 8 Percent	
	Tax on Sales	Tax on Sales net of net Exports
Manufacturing	145,800.82	164,361.27
Mining	9,151.26	9,598.28
Electricity	13,225.84	13,836.41
Non-Financial	32,638.74	34,130.10
Construction	6,740.43	6,731.02
Financial Services	293.07	374.62
Total	207,850.15	229,031.70

Table 4: Estimates of Potential Revenue from Uniform GST based on GVA in 2006-07

(Rs. Crore)

Industry	At the rate of 8 Percent	
	Tax on GVA	Tax on GVA net of Net Exports
Manufacturing	23,727.14	42,287.60
Mining	4,931.90	5,378.93
Electricity	3,752.17	4,362.75
Non-Financial	11,435.13	12,926.48
Construction	1,800.07	1,790.66
Financial Services	2,036.87	2,118.42
Total	47,683.29	68,864.84

7

Summary of Conclusions

Introduction

Introduction of value added tax (VAT) around the world has been the most remarkable fiscal innovation of the present century. The switchover to VAT regime has been rather slow in India due to the dichotomy in tax powers assigned to the Union and State Governments. However, India has over time adopted a system of dual-VAT: central VAT (CenVAT) at the Union level, and state-VAT at the State level.

Objectives and Scope of the Study

The existing system of dual VAT is proposed to be converted into a system of goods and services tax (GST) by April 1, 2010 or a little later. This will not only affect the revenues of the State Governments but will also have a significant impact on the kitty of the Union Government. Keeping this in view, this study

a. examines the fiscal significance of the existing taxes;

b. reviews the existing structure of domestic trade taxes under the Union and the State List;

c. analyses the given base of the proposed GST; and

d. estimates the revenue implications of the proposed GST for the Union and the States Governments. In doing so, it presents empirical estimates of the same with different assumptions and methodologies.

In doing so, the study follows three approaches, *viz.* revenue approach, turnover approach and the consumption approach depending upon the availability of data at the Union and State levels.

Fiscal Significance of Taxes on Commodities and Services

As of now, in addition to the dual VAT levied by the Union Government and the State Governments, there are many taxes on commodities and services that are levied by both the tiers of Governments. These taxes have considerable fiscal significance in the Budgets of the Union and State Governments.

The total tax revenue of the Union and State Governments has increased over time. It has achieved a growth rate of 13.05 percent during 1991-92 to 2006-07. Taxes on commodities and services have made significant revenue contributions at the Union as well as State levels. Due to reforms and rationalization of taxes since 1991-92, their share in total tax revenue has fluctuated during 1991-92 to 2006-07. However, from 2002-03 onwards, taxes on income and property with the Union Government have become important and their share has gone up from 24% to 46% in 2006-07.

Union excise duty, service tax and customs duty are among the most important indirect taxes of the Union Government. Due to the economic liberalization and reforms, the fiscal contribution of customs duty has faded over time. Though revenue from UED has gone up over time, its share in the total tax revenue of the Union Government displayed a fluctuating trend; contributing nearly 25 percent in 2006-07. Service tax is yet another notable tax from which a significant portion of revenue can be drawn by bringing more services into the tax net. Since it has been levied only from 1994-95 onwards, its growth rate has been quite high showing a remarkable responsiveness as seen by its high buoyancy of 3.05.

Important taxes on commodities and services at the State level are sales tax (state-VAT), state excise, motor vehicles tax, passengers & goods tax, electricity duty and entertainment tax. Of these, sales tax is the only major source of revenue for the States. The yield from this tax has shown an upsurge during 1991-92 to 2006-07. It has proved to be the most buoyant source of revenue. As regards state excise, its share in revenue collected from commodities and services has shown a slight downturn, owing to the prohibition policies adopted during the course of time by some of the States. Nevertheless, it has been the second largest source of revenue of the States. Motor vehicles tax and passengers & goods tax were initially levied with the purpose of regulating traffic, but have gradually been utilized as a potential source of revenue for the States, with a moderate growth rate and buoyancy greater than unity. The shares of both electricity duty and entertainment tax in total revenue from commodities and services of States have declined during the period 1991-92 to 2006-07.

Structure of Union Taxes on Commodities and Services

In addition to customs duty, which is a tax on international trade, the Union Government levies union excise duty and service tax on the domestic trade. CenVAT is levied on all manufactured goods, payable at the time of clearance of such goods from the manufacturing unit (factory). Set-off is given for the tax paid on inputs and capital goods received in a factory for the manufacture of any dutiable final product. For capital goods, credit can be availed off on only 50% of the duty paid on the goods in the financial year; the remaining credit can be claimed in the next financial year, provided the goods are still in use. The coverage of CenVAT, however, does not encompass light diesel oil, high-speed diesel (HSD), and motor spirit (gasoline).

Apart from CenVAT, the Central Government levies some additional taxes related to it. These include additional duties of excise (ADE), special duty, special excise duty (SED), and countervailing duty (CVD). Revenue collected from cesses, surcharges and some specified levies are earmarked for dedicated/pre-determined purposes, *viz.* education or upliftment of the workers engaged in a particular industry, development of technology etc. Cesses and surcharges do not form part of the CenVAT chain and no credit can be availed of on these cesses and surcharges.

Apart from the levy of CenVAT, the Central Government levies a tax on services. This tax was initially levied on three services, *viz.* general insurance, stock broking, and telephone from July 1, 1994. It is now levied on 110 services. Input tax credit (ITC) is available for taxes paid on goods and services used as inputs in providing services.

Structure of State Taxes on Commodities and Services

The important State taxes on commodities and services are state-VAT, state excise, motor vehicles tax, passengers & goods tax, entertainment tax, and electricity duty.

Of these, sales tax is the most important revenue generating tax which used to be levied either at the first point or last point of sale. However, of late, this has been converted into a system of state-VAT, which is a paradigm shift in the States' tax system. State-VAT has three rate categories of 1, 4 and 12.5 percent with zero percent on exempted goods and 20 percent or more on luxury items. The commodities listed under 20 percent rate category are not covered by VAT. Commodities under 1 percent rate category include gold, silver, precious stones, pearls etc.; 4 percent covers basic necessities, inputs and capital goods, while all the goods not enumerated in either of the lists are taxed at the rate of 12.5 percent.

CST is levied on inter-State transactions. Being a Union subject, the law relating to CST has been enacted by the Union Government, though States have been authorized to levy and collect the tax and retain its yield. However, CST is not in consonance with the principle of inter-jurisdictional equity as it is levied on the basis of 'origin' and collected by the exporting State, which is inconsistent with the principles of VAT. Therefore, the Union and the States have agreed to phase it out by 2010.

The next important revenue generating source for States is state excise duty which is levied on production or regulation of liquor. It is collected in two components, *viz.* excise duty and license fee. While the former is levied on the basis of manufacture or consumption of alcoholic drinks, license fee is determined either through fixed fee system or auction system.

Method of fixing the rate of excise duty varies from State to State. In Andhra Pradesh, Arunachal Pradesh, Karnataka, Kerala, and Rajasthan it is charged at a progressive rate, based on price range for Indian Made Foreign Liquor (IMFL); in Uttar Pradesh and Madhya Pradesh, liquor is charged according to ex-distillery price; and in Maharashtra, as a certain percentage of the manufacturing cost or at a specific rate, whichever is higher. In the case of beer, Uttar Pradesh and Maharashtra levy excise duty according to the strength of beer; while Orissa and Himachal Pradesh charge according to bulk litre. Similarly, the rates of excise duty on liquor vary across States on the basis of the type of liquor.

Tax on motor vehicles is levied to regulate the vehicular traffic in the country. The tax rates vary from one State to another according to the type of vehicle. In some States it is levied at a specific rate whereas in other States it is at an *ad valorem* rate.

In the case of passenger transport vehicles, the seating capacity and/or route length on which the carriage plies form the tax base. Different States adopt different bases for levying tax which indicates lack of uniformity in the system of taxation. Goods vehicles are generally taxed according to the laden/ unladen weight. In some States, it is levied according to the purchase price of the vehicle.

Electricity duty is levied on the sale or consumption of energy specified either per unit or as a percentage of tariffs. However, there exists large variations in the rate, bases of levy and exemptions from State to State. In some of the States, *e.g.* Andhra Pradesh, Himachal Pradesh, Rajasthan, Orissa, Uttar Pradesh, Karnataka, Gujarat and Bihar etc., electricity duty is not included in electricity tariff, while in others, the cost of the tax is in-built into the electricity tariff. Rates also vary according to the type of use, *viz.* domestic consumption, mines, commercial or industrial use etc.

States are empowered to levy tax on entertainment. The tax is levied on admission to places of amusement or entertainment. The rate of the tax varies according to location, type of theatres, population size, zones etc. Some States follow a progressive rate structure while others levy it on a proportional basis. Further, show tax is also levied in some of the States, viz. Andhra Pradesh, Karnataka, Bihar, Meghalaya, Tripura etc. In addition, some of the States levy additional duties or surcharges on the basic entertainment duty. However, entertainment devoted to philanthropic, religious and charitable purposes are generally exempted from this tax.

The Proposed System of GST

The study presumes that the proposed GST will have two components, *viz.* Central GST (CGST) levied by the Union government, and State GST (SGST) levied by the State Governments.

It further assumes that the CGST will comprise central excise duty (CenVAT); and service tax levied by the Union Government. In addition, it will subsume (i) additional excise duties on petroleum products and tobacco; (ii) additional customs duty or countervailing duty (CVD) (which countervails Central excises) and (iii) special additional customs duty (which countervails State level taxes). Cesses levied on manufactured *beedis*, rubber, tea, coffee and un-manufactured tobacco will also fall into this category. Similarly, some major surcharges presently in operation such as national calamity contingent duty, educational cess, additional duty of excise on *pan masala* having tobacco, special additional duty of excise on motor spirit etc. will also be subsumed.

The State taxes that will be subsumed (in addition to state-VAT) include:

entertainment tax, luxury tax, entry tax (not levied in lieu of octroi), and taxes on lottery, betting and gambling, and cesses and surcharges levied by the States. The CST will be gradually reduced to zero percent by 2010.

The above design has been worked out on the basis of the decisions taken by the Empowered Committee (EC), information from the Union Government, and decisions arrived at through the discussions held with the officials of the Finance Commission.

GST Rate Structure: Ideally, to keep the GST neutral to economic transactions, both CGST and SGST should be at single rates. However, keeping in view the economic realities of the Indian economy, it is inferred from the information available in public domain that the GST would have two rate categories: 4% on certain basic necessities and 8% (or 9%) (standard rate) on rest of the commodities and services. In addition precious metal, jewellery, precious stones and diamond will have to be taxed at 1%. Tobacco would be part of the GST but the Centre would be allowed to levy an additional tax (sumptuary tax) on it. Petroleum would be taxed at a higher rate and would be out of GST net.

While the CST is gradually being phased out and would be zero by 2010, a new incarnation of the interstate taxation under is going to be Integrated GST (IGST). This would be supported by the Tax Information Exchange System (TINXSYS), already put in place. Also, there would be Clearing House Mechanism to apportion revenue to the consuming States.

Empirical Estimates of CGST Revenue from Commodities

In the case of estimation of revenue from goods under the CGST, the study adopts three approaches, *viz.* revenue approach, turnover approach and consumption approach. Revenue approach for the CGST follows two methods, *viz.* (a) growth rate method and (b) buoyancy method. Turnover approach is based on the trends in turnover of all commodities classified into 13 groups. Consumption approach comprises private final consumption expenditure (PFCE) and the Government final consumption expenditure (GFCE), both estimated for goods at factor cost. The GFCE also includes expenditure on gross fixed capital formation (GFCF).

Empirical Estimates of SGST Revenue from Commodities

At the State level, for estimation of revenue from commodities under SGST, two approaches are followed, *viz.* revenue approach and consumption approach; turnover approach is not adopted due to lack of data on turnover. However, three methods are followed under revenue approach. These are (a) growth rate method, (b) buoyancy method and tax-GSDP ratio method. Consumption approach adopts the revenue base calculated for the Centre. The revenue is distributed amongst States on the basis of per capita consumption.

Revenue from Services

Revenue generation from services for CGST at the Union level is estimated using the service tax data from CBEC and consumption expenditure on services from the CSO. The consumption expenditure is used to estimate base of only those services that have so far not been tapped by the Centre.

The consumption approach takes into account both the private final consumption expenditure (PFCE) and the Government final consumption expenditure (GFCE), both on services at factor cost. In estimating PFCE on services at market price, the services regarded as 'public goods' and 'merit goods' are excluded. Total taxable base for services is obtained by adding GFCE and PFCE at factor cost. Based on the average annual percentage change during 1999-00 to 2007-08, the study obtains the projected potential base and revenue for 2010-11 to 2014-15. The additional base is added to the revenue obtained from the existing base.

Using the estimated tax revenue of services for CGST, the revenue for the States is estimated through per capita consumption expenditure on consumer services for each State. The revenue of the services is accordingly allocated among the States on the basis of per capita consumption expenditure on services.

Aggregate Revenue from GST

The GST results obtained by using different approaches for Centre and States reveal that the turnover approach for estimating CGST revenue from goods and the tax-GSDP ratio for SGST gives higher revenue.

Adding service tax revenue to the above indicates that the proposed GST would yield the same revenue as from the current system if the standard rate is 8% but the revenue is higher if the same is 9%.

No. 6/3/2008-TFC-5727
Government of India
Ministry of Finance
Thirteenth Finance Commission
****

HT House, Barakhamba Road
New Delhi-110001.

Dated July 24, 2008

To

Prof. Mahesh C. Purohit,
Director,
Foundation for Public Economics & Policy Research,
133, SFS, Phase-IV,
Ashok Vihar,
Delhi-110052.

Subject: - Study on Revenue Implications of GST.

Reference: (1) Our letter of even number dated 13th March, 2008.
(2) Our Letter No.7/2/2008-TFC-3731 dated 04.06.2008.

Sir,

This is further to our letter first cited above and your presentation on 14th July, 2008 in the Office of Member (AS) on the progress of the study entrusted to FPEPR. As reflected in the subsequent discussions, the following factors may be taken into account during your study: -

A. METHODOLOGY

(i) Apart from goods, it is necessary to ensure that all the services which are being brought into the GST net are accounted for in the revenue estimation.

(ii) In respect of goods, the fact that commodity-wise VAT collection is not likely to be available for all states should be factored into the methodology.

(iii) The possibility of estimating revenue based on the turnover of the existing four VAT tax slabs of 1%, 4%, 12.5% and above 12.5% could be examined.

(iv) It should also be ensured that the growth effect of GST is adequately incorporated in the revenue projections.

B. TIME SCHEDULE

As per the addendum to your proposal, data collection for turnover approach in respect of states and revisiting the methodology should have been completed by 31st July, 2008 so that data processing and analysis could commence by 1st August. Please confirm that the work is on schedule and the draft report will be available for comments by the peer reviewer and the Commission by 1st December, 2008.

2. In the reference second cited, the working paper of Goods and Service Tax in India presented by Prof. R. Kavita Rao was forwarded to you for comments and views on whether the methodology of your study needs amendments. Please confirm.

3. We are happy to provide you the use of this office library for your work.

Yours faithfully,

24/7/08
(P.K. Verma)
Director (SF-I)

List I – Union List

Relevant Clauses	Items
82	Taxes on income other than agricultural income.
83	Duties of customs including export duties.
84	Duties of excise on tobacco and other goods manufactured or produced in India except: (a) Alcoholic liquors for human consumption; (b) Opium, Indian hemp and other narcotic drugs and narcotics, but including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.
85	Corporation Tax
86	Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies.
87	Estate duty in respect of property other than agricultural land.
88	Duties in respect of property other than agricultural land.
89	Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freights.
90	Taxes other than stamp duties on transactions in stock exchanges and future markets.
91	Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bill of lading, letter of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
92	Taxes on the sale or purchase of newspapers and on advertisements published therein.
92A [1]	Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce – 1
92B [2]	Taxes on consignment of goods (whether the consignment is to the person making to any other person), where such consignment takes place in the course of inter-state trade or commerce – 297. Any other matter not enumerated in list II or list III including any tax not mentioned in either of those lists.
92C [3]	Taxes on services

List – II--State List

Relevant Clauses	Items
45	Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey, for revenue purposes and records of rights, and alienation of revenues.
46	Taxes on agricultural income.
47	Duties in respect of succession to agricultural land.
48	Estate duty in respect of agricultural land.
49	Taxes on lands and buildings.
50	Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
51	Duties of excise on the following goods manufactured or produced in the State countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India: (a) Alcoholic liquors for human consumption;

1 Inserted by the Constitution (Sixth Amendment) Act, 1956, sec.2 (w.e.f. 11-6-1956).
2 Inserted by the Constitution (Forty-Sixth Amendment) Act 1982, Sec.5 (w.e.f. 2.2.1983).
3 Inserted by the Constitution (Ninety-Fift Amendment) Act 2003.

(b) Opium, Indian hemp and other narcotic drugs and narcotics; but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.

52 Taxes on the entry of goods into a local area of consumption, use or sale therein.

53 Taxes on the consumption or sale of electricity.

54 Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92A of List I.-3

55 Taxes on advertisements other than advertisements published in newspapers. –4

56 Taxes on goods and passengers carried by road or on inland waterways.

57 Taxes on vehicles whether mechanically propelled or not suitable for use on roads, including tramcars, subject to the provisions of entry 35 of List III.

58 Taxes on animals and boats.

59 Tolls

60 Taxes on professions, trades, callings and employments.

61 Capitation Taxes

62 Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.

63 Rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty.

List III – Concurrent List

35 Mechanically propelled vehicles including the principles on which taxes on such vehicles are to be levied.

44 Stamp duties other than duties or fees collected by means of judicial stamps, but not including rates of stamp duty.

Source: Union and State Lists of Taxation and expenditure responsibilities in the Indian Constitution, Govt. of India (2003) pp. 364-372.

Notes:

1. Inserted by the Constitution (Fifteenth Amendment) Act 1956, S.2.
2. Inserted by the Constitution (Forty Sixth Amendment) Act, 1982, S.S.
3. Submitted by the Constitution (Sixth Amendment) Act, 1956, S.2.
4. Inserted by the Constitution (Sixth Amendment) Act 1956, S.57.

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