CHAPTER 7

TAXES AND DUTIES UNDER ARTICLE 269 OF THE CONSTITUTION

7.1 Paragraph 4(h) of the Order of the President requires us to make recommendations as to the scope for raising revenue from the taxes and duties mentioned in Article 269 of the Constitution but not levied at present.

7.2 Article 269 mentions the following taxes and duties:—

(a) Duties in respect of succession to property other than agricultural land;

(b) Estate duty in respect of property other than agricultural land;

(c) Terminal taxes on goods or passengers carried by railway, sea or air;

(d) Taxes on railway fares and freights;

(e) Taxes other than stamp duties on transactions in stock-exchanges and futures markets;

(f) Taxes on the sale or purchase of newspapers and on advertisements published therein;

(g) 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.

7.3 Of these taxes and duties, those mentioned at (b) and (g) are already being levied and they are therefore outside the purview of the matters referred to us. In regard to item (c), a terminal tax on passengers carried by railway from or to a place of pilgrimage, etc., is being levied under the provisions of the Terminal Tax on Railway Passengers Act, 1956. We considered whether we could examine the scope for raising revenue from this source. Although such a tax on passengers carried by railway falling under item (c) of Article 269(1) of the Constitution is in force, the Act itself restricts the levy of the tax to places of a particular category, namely places of pilgrimage, or places where fairs, melas or exhibitions are held; and the Government have no general power under the Act to levy terminal tax on passengers carried to other categories of towns. The existing law does not thus cover most of the towns to or from which railway passengers are carried, and the field of taxation has been limited to a part of the available field over which the tax could be levied. We have therefore taken the view that we are required to consider this item also insofar as the levy of such tax in respect of other places is concerned, and to make recommendations regarding the scope for raising revenue therefrom.

7.4 We invited the views and suggestions of the State Governments on the scope for the levy of the taxes mentioned in Article 269; and the views expressed and suggestions made by them have been taken into account in making our recommendations in respect of each item. At the outset we may mention that there seems to be an impression among some of the States that the Government of India have not shown sufficient interest in the field of taxation covered by this Article in which the whole proceeds are assigned to the States. One of the States pointed out that while taxes mentioned in this Article have not been levied, some new taxes have been introduced which are essentially taxes on income, but do not form a part of the divisible pool of income-tax, *e.g.*, gift tax, wealth tax, and expenditure tax. Our examination of the matter does not show that there has been lack of interest in exploiting this part of the States' sources of revenue. In fact, two of these taxes are being levied at present The inclusion of this item in our terms of reference also appears to indicate a desire on the part of the Government of India to explore the possibilities of raising revenue from taxes under Article 269.

7.5 We now proceed to examine the scope of raising revenue from each item of taxes and duties mentioned in this Article, other than estate duty in respect of non-agricultural property and inter-State sales tax.

I. Duties in respect of succession to property other than Agricultural Land

7.6 Though succession duties and estate duty in respect of property other than agricultural land are both specified in Article 269, their incidence falls on the same object, namely, property passing on the death of the owner to his successors. In the case of succession duties, the levy would be based on the parts of an estate devolving on each of the successors, while in the case of estate duty the levy is regulated by the value of the whole estate, though recovery of the duty is made from all the persons benefiting by the estate. Estate duty is already being levied and we think that there would be no particular advantage in levying succession duties also.

II. Terminal taxes on goods or passengers carried by Railway, Sea or Air

(i) *Terminal tax on goods carried by railway:*

7.7 Although terminal taxes on goods or octroi duties are being levied since long by a number of local bodies, a separate terminal tax on goods carried by rail has not been imposed so far by the Government of India.

7.8 Different views have been expressed by the State Governments regarding this item. While some are in favour of the levy, some others consider that this tax is regressive in nature; still others feel that the revenue realised from this levy may not be very significant. We also consulted the Railway Board, who are likely to be affected directly by this levy and who will also be the agency

for its collection. They pointed out that in the event of levy of terminal tax on goods carried by railway, it will be necessary to ensure that the States also impose simultaneously a parallel tax on goods carried by road, so as not to disturb to the disadvantage of the railways the existing relativity between transport charges by rail and road. They stated that the levy of a parallel tax on passengers carried by road had already run into difficulties and the States might not be agreeable to levy a parallel terminal tax on goods carried by road. They also informed us that the question of levy of a terminal tax on goods carried by rail was considered by the State Finance Secretaries in August, 1957, and it was envisaged that certain articles of necessity and common consumption would have to be exempted from the purview of the tax. The Railway Board pointed out that if exemptions have to be granted in respect of such commodities, which at present constitute quite a substantial part of goods traffic on railways, then levy of the tax on the remaining commodities might not be financially attractive. Further, it was pointed out that the proceeds from this tax would go to local bodies concerned and the State Governments might not derive benefit therefrom.

7.9 We consider that the fact that proceeds from the terminal tax on goods are to be passed on to the local bodies should not stand in the way of levy of the tax, if otherwise justified. To the extent that the revenues of local bodies are increased on this account, the need for grants to be given to these bodies by the State Governments would be reduced. We are, however, of opinion that a terminal tax levied on goods carried by railway would be administratively inconvenient, as it would involve collection of tax at different rates according to destinations, and separate accounting of receipts to be transferred to each State for different local areas therein. It would be far simpler for municipal bodies to suitably modify their octroi or terminal tax rates, or, preferably, impose some levy on the sale or consumption of the goods entering their territorial limits.

(ii) *Terminal tax on passengers carried by railway*:

7.10 We were informed that a proposal to levy terminal tax on railway passengers travelling a distance of not less than 150 miles to cities with a population of 3 lakhs or more was considered by the Government of India in 1956, but it was not proceeded with at that time in view of periodical increases in the railway fares. It was estimated then that about Rs. 2·5 crores could be realised from the proposed levy. It was also envisaged that a parallel tax would be levied by the State Governments on passengers carried by road. The Ministry of Railways are of the view that when a terminal tax is levied on railway passengers, it would have to be accompanied by a parallel tax on passengers coming by road transport, or enhancement of the rate of such tax if already levied, so that the relativity of the fares charged by the railway and road transport is maintained. It has also been pointed out to us that the possibility of imposing this tax has to be considered in the context of the total fares

payable by railway passengers, in which there have been a number of increases recently. The administrative difficulties in collecting the tax and the need for equalisation of the tax structure with taxes levied on road transport would also have to be taken into account.

7.11 We have tried to estimate the likely revenue from a terminal tax on passengers carried by railway, on the basis of information furnished by the Railway Board about the numbers of passengers of each class other than suburban passengers in the year 1967-68, originating from cities having a population of more than one lakh according to the Census taken in 1961. It has been stated by that Board that, over a period of time, the numbers of passengers originating from and those terminating at any place may be assumed to be not significantly different. On the assumption that the terminal tax would be levied on non-suburban passengers travelling over distance exceeding 50 Kilometres at rates similar to those at which such tax is at present levied on pilgrims, the likely revenue may be of the order of Rs. 5 crores per annum. Having regard to the administrative difficulties and inconvenience involved in collection, and the need to levy a corresponding tax on passengers travelling by road, we are of opinion that it would not be worthwhile to levy this tax.

(iii) *Terminal tax on goods and passengers carried by sea:*

7.12 We examined the scope for the levy of a terminal tax on goods and passengers carried by sea on the basis of the facts available to us. The Ministry of Shipping and Transport have pointed out that the coastal passenger traffic is mainly in the Konkan sector and there have been persistent complaints that the fares are already high. There is overseas passenger traffic only on a few routes. With the exception of India/U.K./Continent route, passengers on other routes are mostly deck passengers. A passenger welfare cess is already being levied at Rs. 1 per unberthed passenger and Rs. 2 per saloon or cabin passenger.

7.13 We have estimated that even if a terminal tax is levied at Rs. 2 to Rs. 5 per deck passenger and Rs. 10 to Rs. 15 per saloon or cabin passenger, the yield is not likely to exceed half a crore of rupees. We are of opinion that a revenue of this order would not justify the imposition of such tax on this mode of transport only.

7.14 A terminal tax on goods carried by sea can be levied either on the goods exported from or imported into the country or on coastal traffic. Such imports and exports as well as coastal traffic are already subject to various charges at the ports. The volume of goods shipped or landed at such ports is dependent on many factors of location, communication, etc., and is related to the trade and industry of the various regions in the hinterland served by the ports. In view of this larger impact of the shipping cargo traffic we consider that the levy of a terminal tax for the benefit of the ports only would not be justified, and no such tax need be levied in addition to the port charges and other fees already in force.

(iv) *Terminal tax on goods and passengers carried by air:*

7.15 The incidence of terminal taxes on goods and passengers carried by air would fall on the internal air traffic at many airports in the country as well as international traffic at a small number of airports. The internal traffic is mainly with Indian Airlines Corporation while the international traffic is carried by Air India and the international airlines operating in India. The Government of India (Ministry of Tourism & Civil Aviation), Air India and the Indian Airlines have expressed the view that, having regard to the existing levies on the air industry, there is little scope at present to introduce any new tax, particularly in the context of the need to attract more foreign tourists and to promote civil airlines activity.

7.16 It is further urged that any levy on passengers or cargo at airports ought to be related to the facilities provided for them at the airports. The facilities provided at present in India are inadequate compared to many airports abroad.

7.17 As regards internal traffic, it is stated that such levy would hamper full utilisation of the increased capacity expected as a result of introduction of large capacity jets in India. It will also discourage growth of cargo traffic by air. The levy, therefore, would not be in the interest of growth of civil aviation in the country. There is already a fee of Rs. 15 per head levied on passengers leaving India for destinations abroad by air from the four international airports in India. Further, such terminal tax is levied in very few other countries.

7.18 We think that while there is force in some of these arguments, a moderate terminal tax on passengers carried by air cannot be ruled out on these grounds. However, a terminal tax on passengers levied at Rs. 5 per passenger on internal flights and Rs. 25 per passenger on international flights is estimated to yield about Rs. 2½ crores only. In view of the small yield and as we are not recommending levy of a similar tax on passengers using other modes of transport, we think that levy of such a tax would not at present be expedient. As regards the levy of a terminal tax on air cargo, we feel that such a measure would not be advisable at this stage when this mode of transport of goods is still not sufficiently developed.

III. Taxes on Railway Fares and Freights

(i) *Tax on railway fares:*

7.19 In Chapter 2 of our interim Report we referred to the representations made by a number of States about the inadequacy of the grant in lieu of the repealed tax on railway fares and the suggestions made by some States for the revival of the tax. Before considering the matter in the present context, we may briefly recall the history of its levy and its subsequent abolition.

7.20 A tax on railway fares was levied in 1957 as a percentage of the fares and was recovered as an addition to the fare. The rates

of tax were:—

(1) Passengers travelling on season tickets . . .	Nil.
(2) Passengers travelling for distance upto 15 miles (inclusive)	Nil .
(3) Passengers travelling for distances from 16 miles to 30 miles (inclusive)	5% of fare.
(4) Passengers travelling for distances from 31 miles to 500 miles (inclusive)	15% of fare
(5) Passengers travelling for distances over 500 miles	10% of fare
(6) Passengers travelling on mileage coupons . .	12½% of cost of the coupons.

The tax was in force till the end of 1960-61.

7.21 In 1960 the Railway Board represented to the Railway Convention Committee that in order to enable the Railways to obviate the necessity of making up the shortfall in their surplus in the quinquennium 1961—66, and to avoid the continued financing of the Railway Development Fund through loans from General Revenues, it was necessary to allocate to the railways the entire proceeds of the passenger tax to be collected in the period 1961-66, which were estimated to be about Rs. 70 crores. The Board suggested that the tax should be merged with existing fares, so that the proceeds accrue to the Railways in the first instance in the ordinary way; and that the Railways may be required to make every year a special payment, for transfer to the States, equal to the average collection of passenger tax during the three years 1958—61 (or even the maximum collection of the three years, as may be decided).

7.22 On the basis of these suggestions the Railway Convention Committee, 1960, recommended that the passenger tax at the then existing rates might be merged with passenger fares from 1st April, 1961 and that the State Governments should be paid a fixed grant of Rs. 12·50 crores per year during the quinquennium 1961-66 representing the average of the actual collections for the years 1958-59 and 1959-60. This was on the consideration that the States, to whom the proceeds from this tax were payable, were likely to have included this source of income as part of their resources for purposes of the Third Five Year Plan.

7.23 Consequent on representations made by the States to the Fourth Finance Commission, the Railway Board suggested to the Railway Convention Committee, 1965, that the grant may be raised to Rs. 16·25 crores, keeping in view the rate of increase in traffic during the five years 1960-61 to 1964-65 and the expected increase in subsequent years. For this purpose it was suggested that the Railways should pay to the Government of India an amount equal to

one per cent of the capital at charge on 31-3-1964, out of which Rs. 16·25 crores may be paid as grant to States in lieu of the repealed tax and the balance of about Rs. 1·50 crores may be utilised to assist the States to provide their share of the cost of Railway safety works. The Railway Convention Committee approved this suggestion.

7.24 In their memoranda submitted to us the States have urged that either the tax on railway fares be reintroduced at the same rates at which it was levied in 1957-58, or the quantum of the grant in lieu of the tax may be increased and fixed as a percentage of the railway passenger earnings, such percentage being fixed on the basis of actual tax collections and passenger earnings in the years upto 1960-61 prior to the repeal of the tax.

7.25 From the data available to us, it appears that during the three years 1958-59 to 1960-61, the yield from this tax constituted 10·03 per cent to 11·69 per cent of the total non-suburban passenger earnings of railways, inclusive of the tax. The average for the three years comes to about 10·7 per cent. On this basis the amounts payable to the States in lieu of the tax would be higher than the fixed grants recommended by the Railway Convention Committees, and would be of the order of Rs. 25 crores at present.

7.26 A new Railway Convention Committee has been set up in December, 1968. We expected that their recommendations in regard to the grant to be paid to the States from 1969-70 onwards would be available to us before completion of our work, but it is understood that the Committee's report would not be available for some months.

7.27 We discussed with representatives of the Railway Board the suggestions of the States that either the tax should be reintroduced or the quantum of the grant in lieu of the tax increased. The Railways have in recent years been incurring heavy losses. It was represented to us that the cost of passenger services had increased considerably, and that whatever additional revenues could be obtained by increase in fares would have to be utilised by them towards meeting the increased cost of operation. Further, they stated that their experience was that whenever fares were increased, there had been a set back in the rate of growth of passenger traffic and they felt that the reintroduction of the tax would affect the railway finances adversely.

7.28 It appears to us that the quantum of the grant would have been higher than Rs. 12·50 crores if it had been fixed on the basis of actual tax collections during the three full years in which the tax was in existence. The subsequent revision in 1965 also was not related to the increase in total passenger earnings but it took into account the increase in passenger traffic. Due to the substitution of

the tax by a fixed grant, the States do not get a benefit proportionate to what they could have expected from the tax which was levied under Article 269 the proceeds of which are wholly assignable to States. In view of this, their desire for reimposition of the tax can be regarded as legitimate. Nevertheless, we have also to consider the implications of an increase in passenger fares at the present juncture and its adverse effect on the economy. We consider that in view of what has been represented to us regarding the unsatisfactory state of Railway finances during the last few years and their increased expenditure commitments, there is no scope for the reimposition of the tax on railway passenger fares in the present circumstances. We suggest, however, that this question may be reviewed by the Government of India if and when the railway finances show sufficient improvement.

7.29 As regards the States' suggestion for increase in the quantum of the grant as an alternative to the reimposition of the tax, we had intended to consider the matter while examining the question of scope for raising revenue from this source under item (h) of the terms of reference. However, as stated above, we have taken the view that in the present circumstances there is no scope for reimposition of the tax. The question of determining the quantum of the grant does not also, strictly, fall within the purview of them (h) of our terms of reference. We have no doubt that the Railway Convention Committee will take into account the views of the States as well as the representations of the Railways in this regard.

(ii) *Tax on railway freights*:

7.30 A tax on railway freights would in effect amount to a general increase in the railway freights. The difference between a tax on railway freights and the terminal tax, which we have dealt with earlier in this Chapter, is that the former is leviable on the freight chargeable for carriage of goods irrespective of the place of origin or destination, while the latter is leviable at fixed amounts with reference to specified places. The levy of a terminal tax would have the effect of raising prices of commodities in some places only; but the levy of a tax on freights would result in a general increase in the prices of commodities transported according to the distances covered. It would also increase the differences in prices prevailing in different regions due to increase in the cost of transport. Besides, such a tax will have a cumulative effect in many cases as it will be leviable on raw materials as well as on goods manufactured therefrom.

7.31 During the First World War a tax in the form of a surcharge on freights charged by Railways and inland steam vessels was imposed on certain commodities. This tax was discontinued in 1922.

7.32 It has been urged before us by the Railway Board that the Indian Railways' freight structure has been so framed as to assist industrial and agricultural development of the country. Coal, for instance, is being carried at a rate which does not cover even the cost of carriage. Other instances of low-rated commodities are ores,

manures and fodder. Such liberal treatment is allowed by the railways because the materials are used for industry, and if rates are increased upto the level justified by the cost of transport, there would be general increase in prices which would impede economic development.

7.33 The Railways feel that if there is any scope for the levy of the tax it can equally be said that there is scope for an increase in the freights, and in the present State of Railway finances such scope should be utilised for the purpose of improving railway revenues rather than for levy of a tax on freights. Another point made by them is that a levy on the freights should be accompanied by a parallel levy on the goods freight charged by the road operators.

7.34 We are of opinion that the freight structure should be consistent with the requirements of economic development of the country as a whole and it should conform to the objectives of the economic policies of Government. We are inclined to the view that, having regard to the position of railway finances at present, the levy of a tax on railway freights is not desirable, particularly as a large portion of the traffic, *e.g.*, foodgrains, coal and coke and ores may, for policy reasons, have to be exempted. Such a tax would increase costs of transport which is not desirable in the interest of general economic policy, and it would also necessitate a corresponding tax on road freights. We feel that in order to derive more revenue for the Union or State exchequers, the increased levy of Union excise duties and State sales taxes would be preferable to a tax on freights for carriage of goods.

IV. Taxes other than stamp duties on transactions in stock-exchanges and futures markets

(i) *Tax on transactions in stock-exchanges*:

7.35 Since 1957 all security markets are governed by the Securities Contracts (Regulation) Act, 1956, under which only stock-exchanges recognised by the Central Government are permitted to function.

7.36 There are two types of transactions in securities on stock-exchanges—those for spot or hand delivery and the others for clearance. The transactions for the purpose of investments are made for spot or hand delivery, while the transactions for clearance are of a speculative nature. Apart from the brokerage, the purchases or sales of securities in stock-exchanges are at present subject to certain levies. The Government of India levy stamp duty on the actual transfer of shares and debentures under entry 92 of the Union List in the seventh Schedule. Some State Governments levy a stamp duty under entry 63 of the State List on instruments relating to purchase and sale transactions in shares, debentures and other securities. Item (e) of Article 269 relates to taxes other than stamp duty which may be levied on transactions in stock-exchanges and futures markets. The levy of such tax on transactions in stock-exchanges under Article 269 would be in addition to the stamp duty levied by State Governments on the instruments relating to the transactions. The rate of

stamp duty levied by the Government of India on transfer of shares is 25 paise per Rs. 100 or part thereof. The rates of stamp duties levied by State Governments on clearance lists of transactions in stock-exchanges vary from 20 paise for Rs. 5,000 or part thereof in the case of Calcutta stock-exchange to 20 paise for Rs. 2,500 or part thereof in the case of Ahmedabad stock-exchange.

7.37 We invited the views of the State Governments on the levy of this tax. Some of the States were in favour of this levy, while some others felt that the yield from this tax would not be substantial or that such levy would not bring any advantage to them in the absence of stock-exchanges or futures markets in their area.

7.38 We also invited the views of the various stock-exchange associations in the country. They have all expressed opposition to any fresh levy on the stock-exchanges transactions. According to them even the existing stamp duty levied by the State Governments is prejudicial to the proper working of stock-exchanges.

7.39 We have been able to get statistics relating to the number of securities purchased or sold in stock-exchanges during the years 1966-67 and 1967-68, but we could not get complete statistics regarding the value of such transactions. Due to the large volume of purchase and sale transactions which are entered into on the basis of daily price fluctuations, the rate of any tax under this item can be only of a low order similar to the rate of stamp duty levied by the State Governments on such transactions. Assuming the same rates of tax, the total revenue likely to be realised from this source would not be more than a crore of rupees per year. Since the stamp duties are already being levied by some State Governments on clearance lists and contract notes relating to transactions in stock-exchanges and there is already in existence machinery for collection of such stamp duties, we feel that further scope, if any, for revenue from these transactions could be better exploited by an increase in the rate of such stamp duties, and it is not desirable to introduce a separate tax under Article 269 on such transactions.

(ii) *Tax on transactions in futures markets*:

7.40 The forward contracts in the country are regulated by the Forward Contracts (Regulation) Act, 1952. This Act is primarily concerned with the regulation of forward contracts other than non-transferable specific delivery contracts in notified commodities other than securities. It also provides for the regulation of non-transferable specific delivery contracts if considered necessary by Government. At present futures trading under recognised or registered associations is permitted under the Act in cotton seed, linseed, castor seed, coconut oil, turmeric, pepper, jute goods, kapas and kardi seed.

7.41 The rate of a tax on transactions in futures markets has necessarily to be very moderate as in the case of transactions in stock-exchanges. It is estimated by the Forward Markets Commission that a tax of 25 paise for every Rs. 10,000 value of transactions would yield a revenue of about Rs. 16 lakhs only. In view of such small yield, we consider that it would not be worthwhile to impose the tax.

and that such levy could be justified more as a regulatory measure rather than on revenue considerations.

V. Taxes on the sale or purchase of newspapers and on advertisements published therein

7.42 According to the twelfth annual report of the Registrar of Newspapers for India, at the end of the year 1967 there were in existence 9,315 newspapers in India, and 2,363 periodical publications which were not newspapers in the full sense of the term. The total combined circulation of newspapers during that year was 258·17 lakhs, out of which about half the circulation was accounted for by dailies and periodicals having news interest having a circulation of less than 15,000 only. About three fourths of the circulation relates to newspapers in languages other than English.

7.43 The Taxation Enquiry Commission who examined the question in 1953 had felt that a sales tax on newspapers would entail a degree of hardship disproportionate to the revenue, particularly on newspapers with smaller circulation, to which category belonged most of the newspapers published in regional languages. They were of opinion that such sales tax or a tax on advertisements in newspapers would not at that stage be worthwhile, having regard to the fairly widespread opposition which might be expected and which, *ex hypothesi*, would be vocal.

7.44 Many States have expressed themselves in favour of a levy on sale or purchase of newspapers. Others feel that the newspaper reading habit has not yet spread sufficiently and any tax on sale of newspapers would retard improvement in this regard. As regards the tax on advertisements published in newspapers, some States are of the view that such tax would affect the revenues of small newspapers. A number of States are, however, in favour of this levy and have pointed out that the burden of the tax would fall on the advertisers and not on publishers. The advertisers being mostly companies and business concerns, the addition of the tax would not make any material difference to them. Advertisement agents also obtain large commissions and part of the incidence of the tax could be absorbed by them.

7.45 The Ministry of Information and Broadcasting, Government of India, have stated that newspaper readership in the country is low and confined primarily to large cities and towns. A vast majority of our people are unable to subscribe to newspapers. Therefore, any taxation on the sale of newspapers is likely to hit their existing low sales and circulation and restrict the dissemination of news. As regards levy of a tax on advertisements appearing in newspapers, it has been pointed out by them that this will adversely affect the starting of new newspapers, so necessary in a democracy, and may also cause difficulties to existing newspapers with tight budgets, particularly those with small and medium circulation.

7.46 In this connection we have taken note of the fact that in respect of the number of copies of daily newspapers circulated per

thousand of population, India lags far behind many other countries as the following table indicates:—

Country		Number of copies of dailies circulated per 1000 population
Sweden	(1963)	499
U.K.	(1963)	488
Japan	(1963)	416
Federal Republic of Germany	(1963)	351
U.S.A.	(1963)	311
France	(1962)	252
Canada	(1963)	221
U.S.S.R.	(1963)	216
Chile	(1961)	134
Italy	(1962)	122
Brazil	(1963)	54
Ceylon	(1960)	36
U.A.R.	(1959)	20
India	(1966)	13·3
Burma	(1962)	9
Cambodia	(1962)	
Pakistan	(1962)	5

As the incidence of a tax on the sale of newspapers would be passed on to the reader, it is likely to affect adversely newspaper readership. In many States text books and other reading matter are exempted from sales tax. If a tax is levied on the sale of newspapers, smaller newspapers will have to be exempted. It has been estimated that even at the rate of 10 per cent on newspapers with a circulation of more than 15,000, the likely revenue from such tax would not exceed Rs. 3½ crores. Having regard to this order of revenue and the adverse effect on newspaper readership, we are of opinion that there is not much scope, in the present circumstances, for raising revenue from a tax on the sale or purchase of newspapers.

7.47 As regards tax on advertisements published in newspapers, we were not able to obtain data relating to the total revenue accruing from advertisements to publishers of newspapers. But there is no doubt that advertisement revenue forms an important source of the income of newspapers, which in some cases may be as much as 50 to 75 per cent of the total income. While the burden of such a

tax would mainly fall on the advertisers and advertising agents and not on the publishers, it is possible that the tax might adversely affect the finances of smaller newspapers. It will, therefore, be desirable to exempt small newspapers and periodicals from such tax. A part of the burden of the tax might indirectly fall on the Government of India and State Governments. Nevertheless, we consider that this is *prima facie*, a reasonable source from which additional revenues assignable to States could conveniently be raised. Taxes on parallel forms of publicity media like film slides, hoardings, etc. are already being levied. A tax levied at suitable rates, with higher rates on some advertisements like those inserted by companies, large business houses, cinema exhibitors, etc. may not be an undue burden if provision is made for exemption of small newspapers. In the absence of requisite data, we could not arrive at a reliable estimate of the likely revenue. But we consider that there is scope for the levy of this tax and we suggest that the Government of India may examine the question of its levy, rate structure, exemptions to be given, and other relevant matters.

CHAPTER 8

SCOPE FOR ADDITIONAL REVENUE

8.1 Under item (i) of paragraph 4 of the Presidential Order dated the 29th February, 1968, we have to make recommendations on the scope for raising additional revenue by the States from the sources of revenue available to them. A full examination of this question would involve our embarking upon an enquiry which can only be adequately undertaken by a Taxation Enquiry Commission. Apart from limitations of time, we did not have sufficient material supplied by the States on this question. In the views expressed by them, some States like Andhra Pradesh, Assam and Gujarat stated that they had already fully exploited all the sources of revenue available to them, and that there was hardly any fresh avenue left. Some of them referred to the ways in which the Government of India could help them in raising more revenues. The Government of Assam referred to the Centre's unhelpful attitude regarding revision of rate of royalty on crude oil and other minerals and the reimposition of carriage tax on tea and jute. The Government of Gujarat pointed out that the *per capita* incidence of State taxes in Gujarat had increased in recent years and that, unlike other States which had abolished land revenue, it had imposed education cess and raised the rate of local fund cess. They suggested that stamp duties under Article 268 on bills of exchange, cheques, etc., could be increased. Several States like Mysore, Haryana, Punjab and Rajasthan referred to their difficulties in increasing rates of taxes because of lower rates in neighbouring States. Bihar, Kerala, Punjab and Uttar Pradesh had already appointed Taxation Enquiry Committees whose reports were then awaited and Mysore was contemplating the appointment of a similar Committee. Haryana, Madhya Pradesh, Jammu and Kashmir, Rajasthan and Orissa conceded that there was some scope for raising taxes.

8.2 The State Governments had agreed with the Planning Commission to targets aggregating to Rs. 1,109 crores for mobilisation of additional resources during the Fourth Plan. These targets include revenue resources as well as receipts from rural debentures (*vide* Table 10). The representatives of many States told us that they had not had time to work out detailed proposals to achieve these targets. The data available with us are thus mainly limited to comparative yields and rates of some of the different taxes in States, which we compiled and the published material on the subject including recent reports by the Taxation Enquiry Committees of Uttar Pradesh and Kerala. We have, therefore, confined our comments only to a few general features.

8.3 We may begin with a broad picture of the States' tax revenues *per capita* and as percentage of their income (*vide* Tables 14 and 15). Unfortunately, the Central Statistical Organisation has not compiled firm estimates of the States' income on a comparable basis for years later than 1964-65, and we have used the average State