

INTRODUCTION

The economic unity of a federal polity is as much significant as the political. At the same time it is a usual, though understandable, tendency of the individual state governments to favour local interests in preference to out-of-state interests. This particular study was taken up with a view to find out interstate barriers created by sales tax laws in India.

An interstate trade barrier is defined in Chapter I. Chapter II deals with the history of taxation of interstate sale transactions and also taxation of interstate sales of those commodities which Parliament may declare to be of special importance in interstate commerce. In Chapter III, a brief review of some of the salient features of state sales tax laws is attempted.

Chapter IV deals with taxation of interstate sale transactions under the Central Sales Tax Act. In this Chapter will be found an analysis of the effect on interstate movement of commodities of diversity of rates in the Central Sales Tax Act and the state Acts, and multiple taxation of a commodity under the Central Act in its interstate sale, and the Acts of the exporting and importing states in its intrastate sale.

Chapter V makes certain recommendations for the amendment of the Central Sales Tax Act. Creation of an Interstate Taxation Co-ordination Council is also recommended.

Chapter VI deals with taxation of intrastate sale transactions by the states and attempts to point out such discriminatory provisions in the state Acts as adversely affect interstate trade and commerce.

Chapter VII discusses the replacement of sales tax by additional duties of excise.

As the primary aim of the study is to examine interstate trade barriers, such problems as the general structure and administration of sales tax within a state, definitions and many other related problems have not been considered.

There are many other topics in interstate relationship that require attention. Some of them are pointed out by the All India Seminar of 1957 mentioned by the Executive Chairman in his Foreword. It is hoped that eventually many of these topics in this area which is one of great legal and economic importance to our national life could be covered by similar studies.

A good part of whatever merit and authenticity this study possesses it owes to the co-operation of the many institutions and individuals including the Union and state governments. One difficulty that was felt in making the study was to keep track of the innumerable sales tax notifications issued by the state governments from time to time. The Institute is thankful to Shri H. N. Sanyal, Additional Solicitor-General of India, Shri K. Santhanam, Chairman of the Second Finance Commission and Prof. N. L. Nathanson of the Northwestern University, U.S.A., for giving useful suggestions. Thanks are also due to Prof. Ralph F. Fuchs of the Indiana Law School, U.S.A., who was visiting consultant to the Institute during the year 1960-61, for reading the drafts and suggesting improvements. But I should hasten to add that none of these gentlemen is responsible for the views in the study or for any imperfection that one may find in it.

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