Enhancing State Revenue Through New Taxation In Assam

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EXECUTIVE SUMMARY

TITLE OF THE STUDY

Enhancing state revenue through new items of taxation in Assam

Assam, despite its rich endowment of natural and economic resources such as petroleum, forests, and minerals, faces persistent challenges in achieving fiscal self-reliance due to structural constraints and a declining trend in own revenue mobilisation, with the Own Revenue to GSDP ratio falling from 7.34% in 2011-12 to 6.54% in 2023-24 (RE), and only a marginal improvement to 6.70% projected in 2024-25 (BE). The GST regime, while improving compliance, has reduced fiscal autonomy, with State GST now forming nearly half of total tax receipts. A department-wise review for 2023-24 and projections for 2024-25 reveal stagnation or decline in key revenue streams, notably from Forest, Stamps and Registration, and Land Revenue, alongside a shortfall in VAT from diesel sales. Key issues identified include leakages from cross-border fuel trade, administrative hurdles in land transactions, and underutilisation of mineral and forest resources, which, along with expected moderation in central transfers, call for urgent, targeted strategies to strengthen the state's own revenue base.

Accordingly, the study recommends[1] a multi-pronged strategy to strengthen Assam's own revenue.

In the petroleum segment, it is proposed that concessional tax regimes be considered for identified sectors such as tea gardens and government work contracts to reduce the incentive for cross-border diesel procurement, with appropriate safeguards to prevent misuse. Strengthening monitoring mechanisms for inter-state fuel movement, including integration of petroleum products in the e-waybill system or deployment of alternative digital tracking tools, will help plug revenue leakages. The legal and tax implications of app-based diesel delivery models must also be clarified to ensure full compliance.

The study suggests that the Government of Assam may consider introducing a robust and transparent framework for lottery operations under State supervision, drawing on best practices from Kerala and Sikkim. It is suggested that revenues from lottery proceeds may be earmarked for high-impact public initiatives in tourism, heritage, education, and infrastructure. The study further suggests exploring compliance-linked incentives, such as linking tax settlement to lottery eligibility, to broaden the tax base and promote voluntary compliance. The estimated gross revenue potential from this intervention is ₹5,881.35 crore, with a net realisation of ₹457.50 crore.

The study recommends that revenue enhancement in the transport sector may be undertaken through the creation of a digitalised and integrated vehicle registration and taxation ecosystem. It is proposed that a Transportation Management Centre (TMC) be established to monitor vehicle movement and tax arrears through FASTag-based enforcement systems. For commercial goods vehicles, the State may consider proposing to the GST Council the suspension of e-waybill issuance for defaulters. The study further suggests that unauthorised freight movement by night buses may be regulated through the introduction of annual freight permits or penal provisions. These measures are estimated to yield an additional revenue of ₹592.98 crore.

The study proposes that the Department of Geology and Mining may revise royalty rates on mineral-bearing lands in accordance with prevailing price levels and inflation trends, while maintaining competitiveness with neighbouring states such as Jharkhand. It is further suggested that priority be accorded to the extraction and commercialisation of underutilised minerals such as Sillimanite and Quartzite. The study also recommends the revival of non-operational mines through administrative streamlining and adoption of sustainable practices. These measures are projected to generate an additional revenue of ₹1,132.8 crore.

The study endorses that scientific and sustainable extraction practices in forestry and wildlife may be adopted in alignment with national norms such as AMMCR 2013 and standards of the Indian Bureau of Mines. It is suggested that GPS and weighbridge infrastructure be deployed to ensure transparency and efficiency in tracking minor minerals. The study further recommends promotion of agroforestry initiatives, particularly Trees Outside Forests (ToF), in conjunction with carbon offset markets, with appropriate safeguards to protect the economic rights of participating households and to facilitate carbon credit trading through recognised certification systems.

The study advocates the phased reintroduction of Agricultural Income Tax following the conclusion of the exemption period in March 2026. Emphasis is laid on reforming the tea industry and promoting commercial agroforestry, including oil palm and agarwood cultivation, to augment long-term tax potential.

The study further proposes a roadmap for the introduction of green levies, including eco-tourism cesses in ecologically sensitive zones, environmental surcharges on thermal power generation, and green entry taxes on commercial vehicles. It also recommends the development of a sub-national carbon market to support private sector net-zero commitments while enhancing State revenue.

With regard to stamps and registration, the study recommends that Notification No. E-457453, dated 7th March 2024, issued by the Revenue and Disaster Management Department, be formally revoked. The continued suspension of No Objection Certificates (NOCs) for land transactions between individuals of different religions has led to a significant decline in transaction volumes and stamp duty collections. Data from April to December 2024 indicates a marked reduction in NOC issuance across multiple districts, warranting administrative review and policy correction.

In conclusion, the study presents a comprehensive strategy for enhancing Assam's revenue potential through sector-specific interventions, administrative strengthening, and modernisation of tax and non-tax systems. By adopting these recommendations, the Government of Assam in principle can significantly improve its fiscal position, reduce dependence on central transfers and borrowings, and secure a sustainable and equitable growth trajectory for the state.