

A study of the various sources of government revenues sheds light on one of the fundamental questions of political economy, namely the differential burden of taxation which the state chooses to impose on various groups in the economy while discharging its duties. This also has implications for the performance of the economy in terms of parameters such as profits, wages and the level of investment and growth in the economy.

In the context of the recent liberalization measures undertaken by the government, the extent of the containment of the budget deficit is a crucial determinant of the degree of resilience which the economy will be able to exhibit in getting out of its present crisis. It is therefore doubly instructive to look at the trends in government revenue and its composition since 1950-51. While public debate has focussed on the expenditure side of the fiscal deficit, and passed strictures against "excessive" plan and non plan expenditure, the revenue raising ability of the government has not received a proportional amount of attention. It would be interesting to look at this ability, especially in the context of the government's intention to alter the tax system in accordance with the dictates of the structural adjustment programme and in the light of the Chelliah Committee recommendations.

At the outset it should however be made clear that an assessment of the revenue side of the Government of India's current account without a simultaneous evaluation of the expenditure side, is not a complete picture of the differential fiscal burden on the economy. However, it is far more difficult to determine the actual groups benefitting from various heads of government expenditure, as opposed to the targeted groups, and this task is beyond the scope of the present essay. While analysing the impact of various taxes we shall, therefore, make certain assumptions about the beneficiaries of government expenditure. These assumptions, while certainly not realistic, have the merit of providing us with a bench-mark or best case scenario against which all other outcomes can be judged.

In what follows we shall make an attempt to delineate the broad parameters of our existing taxation system and the changes that have occurred within it since 1950-51. We shall be considering only the revenues of the Central Government since a full analysis of the revenues of the State Governments would also involve questions of fiscal federalism which would render the present exercise somewhat intractable. The first section of the essay will deal with the aggregative performance of the fiscal system in terms of the magnitude of government tax and non-tax revenues, their elasticities with respect to GDP, and the changes in these variables during the period under study. The second section will attempt to develop an analytical framework in which to study the various instruments of revenue collection and their impact on the economy. The third section will deal with the various heads under which government revenue is collected and their varying importance over the period. The final section will deal with the summary and conclusions of our study in the light of the analytical structure that we have put forward. It will also attempt to review the recent and proposed policy changes consonant with the current process of liberalisation and discuss their likely impact.

Tables 1 and 2 show the importance of tax revenue as a proportion of GDP at factor cost in India for four decades from 1950-51 to 1992-93.¹ They also provide an indication of tax revenue as a percentage of total government expenditure on the current account. If we consider five - yearly averages of tax revenue and GDP, we find that although their ratio shows a generally steady upward trend throughout the period (with a minor dip between 1980-81 and 1984-85), there seem to have been two major spurts in tax collection activity. One was in the period between 1960-61 to 1965-66 when the ratio of tax revenue to GDP increased to 6.08 per cent, mainly due to the concentrated efforts at mobilization of taxes in 1962-63 and 1963-63, which resulted in an increase in tax revenues of around Rs. 1300 crores in these two years. The second major spurt took place between 1975-76 to 1979-80, when tax revenue as a percentage of the GDP increased from 7.00 per cent in the preceding period to 8.53 per cent. This increase was centered around revenue increases in the years 1976-77 and 1978-79. This ratio declined in 1980-81 to 1984-85 due to very sluggish growth in revenue collections in the first two years of this period. The latest figures show some increase, the bulk of which took place in 1988-89.

Table - 1

Tax Revenue as a Percentage of GDP at factor Cost (1980-81 Prices) Five Yearly Averages

| Period | Percentage of Tax Revenue to GDP |
|--------------------|----------------------------------|
| 1950-51 to 1954-55 | 4.03 |
| 1955-56 to 1959-60 | 4.43 |
| 1960-61 to 1964-65 | 6.08 |
| 1965-66 to 1969-70 | 6.43 |
| 1970-71 to 1974-75 | 7.00 |
| 1975-76 to 1979-80 | 8.53 |
| 1980-81 to 1984-85 | 8.18 |
| 1985-86 to 1989-90 | 9.32 |

Source: RBI, Report on Currency and Finance, various issues and Economic Survey 1990-91.

Thus we see that the general trend in the ratio of tax revenue to GDP has shown an increasing trend, with a minor hiccup when it dipped in 1980-81 to 1984-85. The major spurts in tax collections have been registered in 1962 and in the post-Emergency regime, but by and large, if we take the period as a whole the tax collection capacity of the government has not increased very significantly, (only doubling in 40 years) considering the

¹. The figures for the last year are budgetary estimates, while those for the preceding two years are revised estimates.

rapid expansion of government activity and intervention in the economy.

Another important feature of any study of the finances of the government is the deficit. While there are many measures of the deficit, the most appropriate one naturally depends on the objectives of the study. In the present essay, we are concerned with the revenue raising capacity of the government, especially in the context of tax revenues. The most appropriate version of the deficit will therefore be the revenue deficit, namely the difference between receipts and expenditures on the revenue account. This indicates the capability of the government to finance its current needs. Any deficits here would indicate a diversion of funds from the capital account or an increase in net indebtedness. In other words, the revenue deficit is a measure of the most basic financial capabilities of the government to carry out its day to day business. A fiscal deficit can be misleading for this purpose because a cut in the fiscal deficit may come about by a reduction in government capital expenditure, as has been the case in the 1992-93 budget.

If we look at total revenue as a percentage of current government expenditure however, at current prices (Table 2), we find that apart from the isolated instances of 1958-59 and 1971-72, the persistent inadequacy of total revenue in covering total expenditure has become apparent from 1979-80 when it was unable to cover approximately 6 per cent of total expenditure. This gap has been widening steadily and since 1985-86 hovering around 20 per cent. The revised estimates of 1991-92 show a slight increase to almost 21 per cent. However the budgetary estimates for 1992-93 project a gap of approximately 15.5 per cent. Whether this is achievable remains to be seen. The gap between tax revenue and government expenditure is of course much wider and has increased faster, and stands at around 40 per cent currently. This reflects, no doubt the growing importance of non-tax sources of revenue, but also the inability of the tax system to mobilize adequate resources for covering government expenditures, as this trend has been accompanied by an increasing revenue deficit. For example, until the mid '50s the bulk of government expenditure was covered by tax revenues, but by 1984-85 it had declined to less than two-thirds.

We have also computed two measures of elasticities of total revenue and tax revenue with respect to GDP. The first has been obtained by fitting a double log function to the data, results of which are summarized in Table 3. If we consider the elasticity of total revenue with respect to GDP (both deflated to 1980-81 prices), we obtain a value of 1.60 which is statistically significant. This is a reasonable result because a priori, as income grows, we would expect the tax revenues to grow due to an increase in the tax base (Musgrave 1969). This increase is likely to be more than in proportion to the increase in GDP as a result of factors like an increasing degree of urbanization, an increased demand for public goods, and an increase in the facilities for tax collection (Tanzi 1987). The analogous figure for the elasticity of tax revenue with respect to GDP is marginally lower at 1.55.

Table - 2

**Total Revenue and Tax Revenue as a Percentage of Government
Expenditure at Current Prices (Rs. Crores)**

| | Total Revenue | Tax Revenue | Govt Expenditure | Total Revenue as a % of Govt Expenditure | Tax Revenue as a % of Govt Expenditure | Revenue Deficit |
|-----------|------------------|----------------|---------------------|---|---|--------------------|
| 1950-51 | 405.86 | 357.00 | 346.64 | 117.08 | 102.99 | 59.22 |
| 1951-52 | 515.36 | 459.99 | 387.27 | 133.08 | 118.78 | 128.09 |
| 1952-53 | 418.31 | 370.23 | 373.84 | 111.90 | 99.03 | 44.47 |
| 1953-54 | 394.25 | 347.73 | 385.75 | 102.20 | 90.14 | 8.50 |
| 1954-55 | 434.75 | 384.15 | 401.24 | 108.35 | 95.74 | 33.51 |
| 1955-56 | 481.19 | 411.47 | 440.74 | 109.18 | 93.36 | 40.45 |
| 1956-57 | 563.23 | 493.76 | 473.83 | 118.87 | 104.21 | 89.40 |
| 1957-58 | 673.38 | 575.33 | 631.33 | 106.66 | 91.13 | 42.05 |
| 1958-59 | 670.21 | 553.06 | 675.46 | 99.22 | 81.88 | -5.25 |
| 1959-60 | 778.59 | 642.44 | 736.04 | 105.78 | 87.28 | 42.55 |
| 1960-61 | 877.46 | 730.14 | 826.21 | 106.20 | 88.37 | 51.25 |
| 1961-62 | 1036.79 | 875.37 | 911.94 | 113.69 | 95.99 | 124.85 |
| 1962-63 | 1427.53 | 1060.98 | 1314.13 | 108.63 | 80.74 | 113.40 |
| 1963-64 | 1846.14 | 1374.33 | 1658.60 | 111.31 | 82.86 | 187.54 |
| 1964-65 | 2080.59 | 1562.80 | 1806.69 | 115.16 | 86.50 | 273.90 |
| 1965-66 | 2320.39 | 1784.62 | 2000.63 | 115.98 | 89.20 | 319.76 |
| 1966-67 | 2473.22 | 1933.96 | 2244.46 | 110.19 | 86.17 | 228.76 |
| 1967-68 | 2553.64 | 1936.67 | 2449.65 | 104.25 | 79.06 | 103.99 |
| 1968-69 | 2759.87 | 2018.86 | 2678.91 | 103.02 | 75.36 | 80.96 |
| 1969-70 | 3067.00 | 2201.40 | 2902.00 | 105.69 | 75.86 | 165.00 |
| 1970-71 | 3343.00 | 2452.00 | 3178.90 | 105.16 | 77.13 | 164.10 |
| 1971-72 | 4028.00 | 2928.00 | 4096.36 | 98.33 | 71.48 | -68.36 |
| 1972-73 | 4758.00 | 3443.00 | 4592.00 | 103.61 | 74.98 | 166.00 |
| 1973-74 | 5073.00 | 3895.00 | 4836.00 | 104.90 | 80.54 | 237.00 |
| 1974-75 | 6557.00 | 5097.40 | 5793.30 | 113.18 | 87.99 | 763.70 |
| 1975-76 | 8075.00 | 6010.00 | 7188.50 | 112.33 | 83.61 | 886.50 |
| 1976-77 | 8738.90 | 6581.10 | 8440.50 | 103.54 | 77.97 | 298.40 |
| 1977-78 | 9792.10 | 7060.30 | 9362.30 | 104.59 | 75.41 | 429.80 |
| 1978-79 | 11239.90 | 8568.30 | 10947.60 | 102.67 | 78.27 | 292.30 |
| 1979-80 | 11339.50 | 8567.60 | 12033.60 | 94.23 | 71.20 | -694.10 |
| 1980-81 | 12829.00 | 9388.00 | 14543.60 | 88.21 | 64.55 | -1714.60 |
| 1981-82 | 15574.20 | 11573.00 | 15867.70 | 98.15 | 72.93 | -293.50 |
| 1982-83 | 18091.40 | 13056.50 | 19345.60 | 93.52 | 67.49 | -1254.20 |
| 1983-84 | 20492.60 | 15476.50 | 22890.20 | 89.53 | 67.61 | -2397.60 |
| 1984-85 | 24383.70 | 17693.70 | 27881.20 | 87.46 | 63.46 | -3497.50 |
| 1985-86 | 28352.00 | 20648.00 | 34771.80 | 81.54 | 59.38 | -6419.80 |
| 1986-87 | 34204.00 | 23754.00 | 42554.00 | 80.38 | 55.82 | -8350.00 |
| 1987-88 | 38327.00 | 27350.00 | 48129.00 | 79.63 | 56.83 | -9802.00 |
| 1988-89 | 45740.00 | 33751.00 | 56255.00 | 81.31 | 60.00 | -10515.00 |
| 1989-90\$ | 54616.00 | 37798.00 | 67052.00 | 81.45 | 56.37 | -12436.00 |
| 1990-91\$ | 57381.00 | 44318.00 | 77634.00 | 73.91 | 57.09 | -20253.00 |
| 1991-92\$ | 66549.00 | 50006.00 | 83630.00 | 79.58 | 59.79 | -17081.00 |
| 1992-93# | 75688.00 | 56456.00 | 89570.00 | 84.50 | 63.03 | -13882.00 |

\$ Revised Estimates

Budgetary Estimates

Source: RBI, Report on Currency and Finance, various issues.

Table - 3
Elasticities of Total Revenue and Tax Revenue
with Respect to GDP (1950-51 to 1989-90)

| | Constant Elasticity with respect to GDP | | R squared |
|---------------|--|------|-----------|
| Total Revenue | -9.29 | 1.60 | 0.98 |
| Tax Revenue | -8.99 | 1.55 | 0.99 |

Note: All coefficients are significant at the 5% level of significance.

Source: Computed from Table 1.

The other measure of elasticity that we have computed is a more disaggregated one, namely arc elasticities of tax revenue with respect to GDP across five yearly intervals, the results of which are summarized in Table 4. This elasticity measures the increases in tax revenue which accompanies a unit increase in GDP in each of the five yearly periods, and therefore gives a more detailed picture of the government's tax collection efforts. These figures reveal a steady upward trend until the period 1960-61 to 1964-65, representing the greater mobilisation of resources in the initial planning period, concomitant with the more pervasive role envisaged for the State. In the period 1960-61 to 1964-65, the elasticity of tax revenue with respect to GDP peaked at a value of 2.25, representing a 2.25 per cent increase in tax revenues per unit increase in GDP. The drastic decline to 0.42 in the succeeding period is partly a result of a very high initial level as well as due to dislocations caused by the war and the drought. The other noteworthy feature is the large rise in tax elasticity in the 1970-71 to 1974-75 period, coinciding with the "garibi hatao" period. This increase in tax revenues centered around two years, 1973-74 and 1974-75 and reflected the greater enforceability of tax collections in that period.² In recent years, the figure stands slightly above 1 and shows a declining trend.

It would be interesting to compare the composition of tax revenues in the two periods which saw a sharp rise in tax elasticity, namely 1960-61 to 1964-65 and 1970-71 to 1974-75. If we look at detailed compositions of tax revenue in both these periods (Annexure 1 and Table 5), the following features can be highlighted. (i) In the first period, the proportion of indirect tax revenues actually declined (from 59.8 per cent in 1960-61 to 52.34 per cent in 1964-65 while that of direct taxes increased slightly from 23.42 to 25.66 per cent. This is in contrast to the latter period, when the proportion of direct taxes actually decreased by 1.2 per cent, with a corresponding increase in indirect taxes. (ii) In the sixties, within direct taxes, the increase was centered around the category of corporate taxes while personal income taxes actually declined in importance. In the seventies, however, while there was a slight increase in taxes other than corporate tax, the proportion of corporate tax in total revenue declined. Thus, despite the fact that poverty alleviation and redistribution of income were major slogans during the early seventies, the tax structure did not show any changes which could be considered progressive.³ This is in contrast to the earlier period,

² The figure is also probably upwardly biased because it follows a below average base year.

³ In countries where there is poor enforcement of tax collections, personal income taxes very often end up being taxes on the incomes of public sector employees and the employees of large corporations. The extent of mobilisation of resources through corporate taxes therefore,

where not only did the share of direct taxes increase, but within it, the proportion of corporate taxes showed an upward trend as well.

Table - 4
Five Yearly ARC Elasticities of Total Revenue and Tax Revenue
with respect to GDP at Current Prices

| | % Change in Total Revenue | % Change in Tax Revenue | % Change in GDP | (1)/(3) | (2)/(3) |
|--------------------|---------------------------------|-------------------------------|--------------------|---------|---------|
| | (1) | (2) | (3) | (4) | (5) |
| 1950-51 to 1954-55 | 7.12 | 7.61 | 6.50 | 1.09 | 1.17 |
| 1955-56 to 1959-60 | 61.81 | 56.13 | 43.40 | 1.42 | 1.29 |
| 1960-61 to 1964-65 | 137.12 | 114.04 | 50.66 | 2.71 | 2.25 |
| 1965-66 to 1969-70 | 32.18 | 23.35 | 55.13 | 0.58 | 0.42 |
| 1970-71 to 1974-75 | 96.14 | 107.89 | 68.83 | 1.40 | 1.57 |
| 1975-76 to 1979-80 | 40.43 | 42.56 | 43.88 | 0.92 | 0.97 |
| 1980-81 to 1984-85 | 90.07 | 88.47 | 70.65 | 1.27 | 1.25 |
| 1985-86 to 1989-90 | 92.64 | 83.06 | 69.24 | 1.34 | 1.20 |

Source: Computed from Table-1.

Table - 5
Direct and Indirect Taxes as a Proportion of
Total Revenue in Some Selected Years

| | Direct Taxes | Indirect Taxes |
|---------|--------------|----------------|
| 1960-61 | 23.42 | 59.80 |
| 1961-62 | 23.44 | 60.99 |
| 1962-63 | 22.00 | 51.31 |
| 1963-64 | 23.35 | 51.10 |
| 1964-65 | 25.66 | 52.34 |
| 1970-71 | 15.32 | 58.03 |
| 1971-72 | 14.55 | 58.14 |
| 1972-73 | 15.80 | 56.56 |
| 1973-74 | 16.72 | 60.06 |
| 1974-75 | 14.13 | 60.32 |

Source: RBI, Report on Currency and Finance, various issues.

is a better indicator of the progressiveness of the tax structure.

The dominant trend that emerges out of these figures, therefore, is an inverted U-shaped curve, of an initial increase, due to factors such as the initiation of central planning, greater monetization of the economy, greater public expenditure etc. followed by a decline in the capacity to raise revenues with further increases in GDP. This is a particularly disturbing trend, especially in the context of an increasing inability to meet current expenditures out of current revenue forcing the government to rely on instruments of internal and external debt to meet its commitments. A detailed look at the various components of tax revenue will make the picture clearer.

-2-

Before looking at the various sources of revenue, we shall set out an analytical structure which will help us evaluate each category of taxes. The model we use is basically an extended version of Kalecki (1971) and evaluates the relative impact of indirect taxes on domestically produced commodities, customs duties, income taxes and taxes on capital assets on the economy.

The Kaleckian model considers an economy with two classes of people, wage earners and profit earners. The workers are assumed to spend their entire wage income (W) on consumption (C_w) and the profit earners (called capitalists) spend their profit income (P) on both consumption (C_c) and investment (I). Further money wages are assumed to be given and all profits are private profits. In other words, the state does not participate in any profit generating activity and performs a purely redistributive role.⁴ In addition, the state's expenditure (G), is financed only by taxation. Lastly, firms are assumed to operate with mark-up pricing.

According to the national income identity, the sum of all incomes must be equal to the sum of all expenditure. Thus, abstracting from government activities:

$$P + W = C_w + C_c + I \dots\dots(i)$$

Since workers are assumed to consume all that they earn, i.e $W = C_w$, the capitalists profits, which we define as the difference between gross sales and marginal cost, are given by equation (ii).

$$P = C_c + I \dots\dots(ii)$$

The capitalists are assumed to spend a fixed proportion of their income (c_c) on consumption and hence

$$C_c = c_c P \dots\dots(iii)$$

⁴ This is the same as assuming that no net resources are transferred to the public sector from the government or vice versa.

where c_c is the capitalists' marginal propensity to consume.

Let us now examine the impact of some generic tax measures on the economy. We shall examine each case under situations of both a balanced budget and a budget deficit.

Case I: Assume that an ad valorem *indirect tax* is levied, at a constant rate, on all wage goods and that the proceeds are used to provide unemployment benefits and the salaries of public officials. These increases in incomes are therefore spent on consumption.

Our national income identities therefore change in the following manner:

$$C_c + C_w + I + G = P + W + T_w \dots\dots(iv)$$

where T_w is the amount raised from the taxation of wage goods. Since this entire amount is going to finance increased consumption we now have:

$$C_w + G = W + T_w \dots\dots(v)$$

Thus capitalists profits remain unchanged and so does investment. However the total demand for wage goods has increased on account of government expenditure transferring income to the unemployed and officials.⁵ In the first period, therefore, the price of wage goods will increase due to two sources: the indirect tax, which is added on to marginal costs and the increased demand. In the second period, assuming that excess capacity exists in the system, the excess demand will be satisfied at the higher price.

Thus we see that an imposition of an indirect tax will reduce real wages⁶ while leaving profits unchanged, besides raising the price level. This occurs even assuming that the proceeds of the tax are redistributed to the unemployed. However, if the economy is operating at full capacity, the increase in demand for wage goods can only be met by the creation of new capacity, i.e. by fresh investment. This will have an expansionary effect on the economy and further increase profits and employment⁷. This will only happen in the long run, however, and with a higher price level and at a lower level of real wages.

Let us now drop the assumption of a balanced budget and assume that, to finance a pattern of expenditure similar to that described above, the government runs up a budget deficit D . Our national income identity is therefore:

$$C_c + C_w + I + G = P + W + T_w \dots\dots(vi)$$

and the magnitude of the deficit:

$$D = G - T_w \dots\dots(vii)$$

where G is government expenditure. Assuming that the budget is not balanced, we have:

^{5.} This is, of course, the best case scenario for government expenditure. If the government spends on other things such as defence, capitalists profits will also increase by an increase in investment. This case can be easily accommodated into our framework but it is more instructive to see the effects of taxation even when government expenditure is performing a progressive role.

^{6.} Even if we assume a certain degree of indexation of wages on account of the expenditure on officials' salaries, our result will differ to the extent that the rate of inflation will be higher.

^{7.} Since the value of the balanced budget multiplier is 1, the increase in investment will be exactly the same as the increase in taxation.

$$P = C_c + I + D \dots \dots \dots \text{(viii)}$$

Substituting equation (iii) in the above equation we find that profits increase by an amount $(1/1-c_c)$ times the deficit. This is accompanied by an increase in prices and the consequent decline in real wages. If there is some slack in the economy, there will be no necessity to increase investment to accommodate the increased demand. However, in the absence of existing capacity, there will be an increase in investment with an attendant rise in employment.⁸

Case II: Let us now consider the imposition of an *income tax* on the profits of the capitalists. Since this tax is paid out of the gross profits, it does not form a part of production costs. Thus our national income identity now becomes:

$$(P - T_i) + W + T_i = C_c + C_w + I + G \dots \dots \text{(ix)}$$

where $(P - T_i)$, W and T_i are the net incomes of the capitalists, the wage earners and of the government respectively. Also, assuming a balanced budget and government expenditure on the dole for the unemployed and salaries for officials

$$W + T_i = C_w + G \dots \dots \text{(x)}$$

and

$$P = C_c + I + T_i \dots \dots \text{(xi)}$$

Thus there is an increase in the gross profits of the capitalists by the amount of the tax, while the post tax profits remain unchanged. This is because of the injection of government expenditure which transfers income to groups with a higher marginal propensity to consume, thus shoring up effective demand. Since this tax does not enter into marginal costs, the price levels will remain unchanged as long as unutilised capacity exists within the economy for expansion of wage good production.

One of the most influential arguments in policy making circles against the introduction of a tax on profit incomes is the belief that it will act as a supply side disincentive to further investment. This is based on the argument that increases in income tax will cause interest rates to rise,⁹ which will dampen investment. However, there exists a countervailing tendency in the form of larger gross profits and the expectations of further increases with every rise in government expenditure which accompanies tax increases.

^{8.} The extent of employment generation depends on the employment elasticities in not only the wage goods sector, but also the investment goods sector and the sector producing goods for capitalist consumption. In India, the value of these elasticities is not very large. The all India elasticity of employment with respect to total value of agricultural output for the period 1973-74 to 1983-84 works out to about 0.11 (Bhalla forthcoming, Table 5.17) while the elasticity of employment with respect to the output of the manufacturing sector is of the order of 0.38 for the period 1968 to 1984 (Papola 1989, Table 2.9, p. 47). The boom is therefore likely to be accompanied by very little employment, at least in the case of India. To maintain the boom and to sustain the higher level of profits, the government will be forced to rely on continuous and increasing deficits.

^{9.} This is because, with a rise in income tax rates, the net reward for lending will be diminished. To compensate for this, bankers will have to raise the rate of interest (Kalecki 1971).

Let us now drop the balanced budget assumption. While equation (ix) still holds, we now have a budget deficit. This implies that gross profits are augmented by the value of the product of the multiplier and the deficit ($1/1-c_c \cdot D$) by an argument similar to the one used in the case of indirect taxes.

Thus we see that the imposition of an income tax leaves real wages as well as profits unchanged. There may be a price rise in the short run on account of the increased demand for wage goods if no slack in the production capacity exists, but in the long run this will be ironed out with fresh investment. The argument that income taxes will discourage fresh investment is also not very convincing since the increase in gross profits should counterbalance any depressive tendency, and the final result should be an increase in net profit levels.

Case III: The next case that we will consider is that of an *asset tax*, levied at a fixed rate on the owner of any type of owned capital. Like the income tax, this will also not enter as a cost of production. By a logic similar to that applied above we can derive the magnitude of profits in the situation of a balanced budget as:

$$P = C_c + I + T_c \dots \dots \dots (xii)$$

where T_c is the amount realised on account of the capital goods tax. It is easy to see that the increase in profits has come about as a result of a matching increase in government expenditure. Also, the disincentive to invest on account of the hike in interest rates which accompany income taxes is not present here. This is because the same tax would be levied on an individual whether she borrowed money to invest or chose to abstain. This, accompanied by the increase in gross profits imparts a greater buoyancy to the expansionary tendency in the economy. There is also a rise in net profits, unlike in the case of income tax. The rise in employment is also expected to be greater, with no decline in real wages since there are no depressive tendencies in the system. However, this may be a difficult tax to implement for, as Kalecki notes,

"...it is difficult to believe, however, that capital taxation will ever be applied on a large scale; for it may seem to undermine the principle of private property" (Kalecki 1971, p. 42).

Case IV: Let us now drop the closed economy assumption to study the impact of import tariffs on our model. We shall assume that the economy is operating with a fixed exchange rate and, apart from changes in world prices, the price of imports can only be changed by changes in tariffs. Let us further assume that imports are price inelastic¹⁰ and that the composition of government expenditure is the same as it was in the above cases. Thus, when a uniform ad valorem tax (T_m) is levied on imports (M), our national income identity becomes:

$$C_c + C_w + I + G + X - M = P + W + T_m \dots \dots \dots (xiii)$$

where X are exports and $(X-M)$ the balance of trade. Since the budget is balanced, profits

¹⁰. This holds for the imports of both intermediate goods and final goods and follows from the assumption of mark-up pricing.

are now:

$$P = C_c + I + X - M.....(xiv)$$

Thus, when a tax T_m is imposed on imports, given our assumptions about import elasticities, the value of imports will increase and the balance of trade will deteriorate. This will be accompanied by an increase in the price level in the economy on two counts: cost pushes on the production structure on account of the dearer imports, as well as an increased demand for wage goods fostered by government expenditure G . Thus, there will be a general price level increase in the economy, depending on the degree of pervasiveness of imports in the input structure of the economy. However, given our assumption of mark up pricing by firms, we would not expect profits to go down. Instead, inflationary pressures will fuel a process of redistribution from fixed money wage earners to profit earners. The expansionary impetus of this increase in profits may or may not be translated into higher levels of employment and output, depending on how much of it is dissipated in imports (which represent a withdrawal from the economy). If imports and domestically produced commodities are not substitutable, a priori, we would not expect a very large multiplier.¹¹

A government deficit (D), in this situation, will augment profits and further fuel expansion. To the extent that expansion also involves greater imports the trade gap will increase and put brakes on the growth of output and employment.

It would be interesting to study the reverse situation as well, namely a reduction in T_m as a result of lowering of customs duties. In this case, given the inelastic demand for imports, profits will go up. This will however, be accompanied by a reduction in G , given our assumption of a balanced budget. The net impact on the economy will depend on the relative strength of the two opposing forces, the expansionary tendencies of burgeoning profit rates and the contractionary squeeze of reduced government expenditures. If the expansionary tendencies are manifested in larger imports, it will cut down their potential for increasing output and employment. This will also be accompanied by a widening trade gap which, if unchecked, will prove detrimental for profitability in the long run.

If the government is operating with a budget deficit, these expansionary tendencies will be multiplied, and will feed each other if the government is committed to maintaining aggregate demand. This expansion however, will be maintained at the expense of burgeoning budget and trade deficits, which are clearly unsustainable in the long run.

Thus we see that for countries which do not have a significant world export presence, the effectiveness of tariffs as a tool of government policy is undermined by the "perverse" elasticity of demand for imports. What is crucial in this scenario is the ability of firms to reinvest profits without a corresponding increase in imports. In other words, the lack of a diversified domestic industrial structure, which cannot sustain further investment without relying on imports, influences both the trade gap and the government deficit.

^{11.} This method of raising import prices is, however preferable to a price increase engineered by a devaluation since the latter does not even possess the redeeming features of the expansionary effects of government expenditure.

Our model has therefore established the following propositions:

1. The imposition of an indirect tax on domestically produced wage goods will set off inflationary tendencies, reduce the real wage and leave profits unchanged or increased, depending on whether the budget is balanced or running a deficit.
2. A corporate profit tax will increase gross profits while leaving profits after tax unchanged. If there is a budget deficit, the latter will increase as well. In any case, the expansionary tendency set off due to the increase in government expenditure will increase profits.
3. A tax on imports, in a situation where imports are inelastic will increase the import bill and fuel inflation. Since this inflation is cost-push in its origin, profits will remain unchanged while real wages will decline. The strength of the expansionary impetus of unchanged profits as well as increased government expenditure will depend on the extent to which surpluses are invested domestically. The reverse situation, namely that of a reduction in tariffs, will increase profits while contracting government expenditures. If the expansionary tendencies of increasing profits are manifested in greater imports, the benefits to the economy in terms of output and employment are dampened. However, if the government is committed to maintaining profit rates and runs a large deficit while reducing tariffs, boom conditions can be maintained, but in a clearly unsustainable manner, by running up both internal and external deficits.

- 3-

The detailed disaggregated picture of the various sources of government revenues is presented in Annexure 1. There are two issues to be considered in this context. (1) The relative contribution of direct taxes as compared to indirect taxes and (2) Within indirect taxes, the division between the two major components, customs and excise duties.

The most noticeable shift in the pattern of government revenue has been the drastic decline in the importance of direct taxes as a source of revenue. Table 6 shows the distribution of revenue between direct and indirect taxes. Direct taxes (including income tax and taxes on property and capital transactions) as a source of tax revenue have almost halved from a respectable 36.28 per cent to a paltry 19.19 per cent. The bulk of this decline seems to have taken place by 1970-71 (with a small reversal in the next quinquennium), with the fluctuations reducing in the subsequent years. This has been paralleled by a definite increase in indirect taxation, with it accounting for 80 per cent of total revenues in the budget estimates of 1992-93 from 63.72 per cent at the beginning of the period.

Table - 6

| Year | Percentage of Direct and Indirect taxes in tax revenue | |
|-----------|---|----------------|
| | Direct taxes | Indirect taxes |
| 1950-51 | 36.28 | 63.72 |
| 1955-56 | 28.14 | 71.86 |
| 1960-61 | 28.14 | 71.86 |
| 1965-66 | 26.54 | 73.46 |
| 1970-71 | 20.88 | 79.12 |
| 1975-76 | 24.63 | 75.37 |
| 1980-81 | 21.23 | 78.77 |
| 1985-86 | 18.18 | 81.82 |
| 1986-87 | 17.11 | 82.89 |
| 1987-88 | 15.20 | 84.80 |
| 1988-89 | 18.00 | 82.00 |
| 1989-90\$ | 16.06 | 83.94 |
| 1990-91\$ | 17.02 | 82.98 |
| 1991-92\$ | 19.79 | 80.21 |
| 1992-93# | 19.19 | 80.81 |

\$ Revised Estimates

Budget Estimates

Source: RBI, Report on Currency and Finance, various issues.

Within the category of direct taxes, as Annexure 1 shows, the bulk of the decline has been accounted for by income taxes other than corporate taxes, namely personal income taxes, which comprised a substantial 21 per cent of total revenue in 1950-51 and have declined dramatically to 2.53 per cent. Even in absolute terms, if we consider personal income tax at 1980-81 prices, the increase has been only of the order of Rs. 100 crores in four decades, i.e. merely 33 per cent, even though GDP has trebled in the same period! After an initial increase until the mid sixties, corporate taxes have remained more or less steady between 10 and 11 per cent throughout the period. In recent years they have registered a slight decline. Other categories like estate duty and wealth tax, i.e. various versions of the asset tax, have accounted for an almost negligible portion of government revenue.

Direct taxes have been the traditionally accepted method of income redistribution while indirect taxes, whose effectiveness is inversely proportional to price elasticity of the commodity, have a regressive burden. However, this trend is one shared by most developing countries (Tanzi 1987), since the requirements of an effective system of income tax are many and difficult to satisfy. These include high standards of accounting, higher levels of literacy, greater taxable capacity of the agricultural sector, all of which is not present to the desired extent in India. As mentioned earlier, in such situations, the personal income tax is more often than not a tax on the wages of the public sector employees and on

the employees of large corporations and its true potential for serving as a tool of income distribution by tapping the incomes of the rich is dissipated. It is also extremely suggestive that corporate taxes have not increased at all with increases in GDP, reflecting the government's near-complete inability to tap private profits for additional funds.

The last point we would like to make pertains to the issue of tariffs versus excise duties. Annexure 1 shows the relative importance of customs duties vis-a-vis excise duties between 1950-51 and 1992-93. From a position of relative prominence in 1950-51 (38.72 per cent of total revenue), customs duties declined until the mid '70s, when they accounted for less than 20 per cent of revenue. The initial high level was due to the fact that we inherited a colonial economy with a very limited industrial structure, which could not provide a substantial tax base. A period of self-reliant development where the domestic infant industry was protected by quotas, rather than by tariff barriers ensured that the share of customs duties in total revenue declined by more than half this previous value. Major liberalization measures in the mid 1970s and the 1980s, when non-price tariff barriers were replaced by price barriers implied that the share of customs duties in total revenues increased from 18.63 per cent in 1977-78 to 33 per cent in 1985-86. In recent years, customs duties as a ratio of tax revenue have remained more or less stable at the same level.

One interesting phenomenon is the fact that excise duties have changed almost simultaneously with customs duties in a reverse direction. In fact, the correlation between the two ratios, considered on a year to year basis, is -0.93. Thus until the mid '70s, the unimportance of customs duties was mirrored by a large share of excise in total revenue which was of the order of 50 per cent. The rapid increase in customs duties in the late '70s and early '80s were also accompanied by slowdowns in excise duty collections. It is thus reasonable to assume that, without a step up in the tax effort, the proposed reduction in customs duties referred to earlier will be sought to be made good by increases in excise collections.

What implications does this inverse relationship have for the economy? Large excise collections in a period of restrictive trade controls were understandable since they provided the main tax base for the government, which was denied revenue in the form of customs duties. Also, the goods which were being imported were clearly not substitutes for domestic goods. On the other hand, in a period of liberalization, as is the present one, lowering tariffs in an increasingly restriction-free environment would imply that relatively less protection is being given to domestic goods vis-a-vis imported goods. For example if we consider tariff changes between 1976 and 1990, we find that the most changes have taken place in categories of capital goods and intermediate goods, for example in machinery and mechanical appliances, organic chemicals, iron and steel, and electric and electronic machinery (Table 7).

Table - 7

List of Product Groups in which Major Tariff Reductions have taken Place

| S.No. | Product | H.S. Code | No. of Items within the category in which reductions have taken place |
|-------|-------------------------------------|-----------|---|
| 1. | Machinery and Mechanical Appliances | 84 | 425 |
| 2. | Organic Chemicals | 29 | 196 |
| 3. | Iron and Seel | 72 | 154 |
| 4. | Articles of Iron and Steel | 73 | 111 |
| 5. | Electrical and Electronic Machinery | 85 | 102 |
| 6. | Plastics | 39 | 97 |
| 7. | Inorganic Chemicals | 28 | 97 |
| 8. | Fish, Crustaceans etc. | 3 | 87 |
| 9. | Instruments | 90 | 65 |
| 10. | Mineral Products, Cement | 25 | 60 |

Source: Goyal, 1991.

Table 8 shows a computation of the total revenue loss as a result of tariff reductions in 1989-90 and 1990-91, weighed by the imports of these commodities in 1990-91.¹² The total revenue loss as a result of these reductions has been Rs. 3697.25 crores, which works out to 17.23 per cent of the total customs revenue budgeted for 1990-91! Within these, large revenue losses have taken place in the categories of Edible Vegetables (06), Organic Chemicals (29), Plastics and articles thereof (39), iron and steel (72 and 73), machinery and mechanical appliances (84). These are mainly capital and intermediate goods which will mean a lessening of protection in these areas for domestic industry. Also, a careful examination of the six-digit product groups show that far from enhancing the industrial base of the country or encouraging competition in crucial sectors, many of the commodities which fall under the so-called capital goods are machinery for the production of confectionery, chocolates, baking products, leather footwear,

^{12.} The data for imports is based on compilations from the Daily Trade Register data for Madras, Cochin, Calcutta and Delhi ports for 1990-91 and for the Bombay port for April 1990 to February 1991. We therefore expect our figures to actually be a slight underestimation of the actual revenue loss. The data on tariff reductions has been taken from the BIG Database on customs tariffs. The comprehensive results of tariff reductions and imports have been published in Goyal (1991) and ISID (1991) respectively.

Table - 8
Revenue Loss on Account of Tariff Reductions in 1989 and 1990 (Rs. Crores)

| Code | Description | No. of items on which tariffs have been reduced | Value of Imports | Revenue loss | Average % reduction in duties |
|------|---|--|---------------------|-----------------|-------------------------------------|
| 01 | Live Animals | 12 | 0.34 | 0.11 | 31.03 |
| 03 | Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates | 87 | 0.00 | 0.00 | 4.76 |
| 04 | Birds' Eggs, Natural Honey, Edible Products of Animal Origin | 19 | 2.23 | 0.11 | 4.76 |
| 05 | Products of Animal Origin | 16 | 3.43 | 0.16 | 4.76 |
| 06 | Live Trees | 10 | 0.01 | 0.00 | 4.76 |
| 07 | Edible Vegetables, Roots and Tubers | 13 | 367.57 | 342.20 | 93.10 |
| 08 | Edible Fruit and Nuts | 2 | 27.26 | 22.25 | 81.63 |
| 09 | Coffee, Tea, Mace and Spices | 2 | 1.70 | 0.83 | 48.72 |
| 12 | Oilseeds and Oleaginous Friuits | 28 | 5.94 | 0.28 | 4.76 |
| 13 | Lac, Gums and Resins | 12 | 31.39 | 8.50 | 27.08 |
| 14 | Vegetable Planting Materials | 11 | 0.32 | 0.02 | 4.76 |
| 15 | Vegetable Oils | 53 | 178.51 | 109.16 | 61.15 |
| 17 | Sugar and Sugar Confectionery | 6 | 0.31 | 0.07 | 23.81 |
| 23 | Residues and Waste from Food Industries, Prepared Animal Fodder | 24 | 2.89 | 0.14 | 4.76 |
| 25 | Salts, Sulphur, Earths and Stone, Plastering Material, Lime and Cement | 60 | 166.75 | 53.70 | 32.20 |
| 26 | Ores, slag and ash | 25 | 46.80 | 8.22 | 17.57 |
| 27 | Mineral fuels, mineral oils etc. | 18 | 1920.95 | 1658.61 | 86.34 |
| 28 | Inorganic Chemicals,organic and Inorganic Compounds | 97 | 126.23 | 11.62 | 9.21 |
| 29 | Organic Chemicals | 197 | 835.48 | 227.34 | 27.21 |
| 30 | Pharmaceutical Products | 30 | 47.35 | 13.02 | 27.49 |
| 32 | Tanning or dyeing extracts, paints, putty, inks, varnishes | 45 | 102.43 | 8.54 | 8.34 |
| 33 | Essential oils and resinoids, perfumery cosmetic and toilet preparations | 34 | 11.27 | 2.12 | 18.82 |
| 34 | Soap, organic surface active agents, wax, candles, dental preparations | 22 | 33.83 | 8.16 | 24.11 |
| 35 | Albumenoidal substances, modified starches, glue | 13 | 11.10 | 3.21 | 28.96 |
| 36 | Explosives, matches etc. | 8 | 2.19 | 0.62 | 28.31 |
| 38 | Miscellaneous chemical products | 56 | 150.01 | 28.38 | 18.92 |
| 39 | Plastics and Articles thereof | 108 | 666.07 | 167.98 | 25.22 |
| 40 | Rubber and Articles thereof | 3 | 4.72 | 0.25 | 5.33 |
| 41 | Raw hides and skins, leather | 23 | 107.43 | 5.11 | 4.76 |
| 44 | Wood and Articles thereof | 23 | 135.37 | 64.46 | 47.62 |
| 45 | Cork and Articles thereof | 5 | 2.33 | 0.10 | 4.22 |
| 46 | Materials of Straw, basketware, wickerwork | 6 | 0.02 | 0.00 | 4.37 |
| 50 | Silk | 1 | 67.27 | 22.42 | 33.33 |
| 51 | Wool, Animal hair, woven fabric | 20 | 37.02 | 2.73 | 7.37 |

(Contd...)

| Code | Description | No. of items on which tariffs have been reduced | Value of Imports | Revenue loss | Average % reduction in duties |
|--------------------|---|---|------------------|--------------|-------------------------------|
| 52 | Cotton | 51 | 1.79 | 0.10 | 5.82 |
| 53 | Other vegetable textile fibres | 18 | 0.93 | 0.07 | 7.89 |
| 59 | Textile fibres and Articles suitable for industrial use | 1 | 0.79 | 0.04 | 4.72 |
| 68 | Articles of stone, plaster, cement, mica etc. | 5 | 7.60 | 0.38 | 5.03 |
| 69 | Ceramic Products | 3 | 12.90 | 5.55 | 43.03 |
| 72 | Iron and Steel | 192 | 1471.68 | 498.66 | 33.88 |
| 73 | Articles of Iron and Steel | 118 | 402.78 | 204.20 | 50.70 |
| 75 | Nickel and Articles thereof | 14 | 54.89 | 3.00 | 5.47 |
| 76 | Aluminium and articles thereof | 33 | 72.66 | 11.88 | 16.35 |
| 78 | Lead and articles thereof | 10 | 53.15 | 31.23 | 58.75 |
| 79 | Zinc and articles thereof | 9 | 3.95 | 0.95 | 24.04 |
| 80 | Tin and articles thereof | 8 | 0.42 | 0.02 | 4.22 |
| 82 | Cutlery, spoons, forks of base metal | 33 | 14.93 | 0.66 | 4.42 |
| 84 | Machinery and mechanical appliances | 141 | 698.32 | 104.60 | 14.98 |
| 85 | Electric Machinery | 45 | 77.75 | 15.36 | 19.75 |
| 86 | Railway or tramway locomotives, track fixtures, fittings and parts thereof | 24 | 77.20 | 11.74 | 15.21 |
| 87 | Vehicles other than railway and tramways and parts thereof | 17 | 9.58 | 0.32 | 3.31 |
| 88 | Aircraft, spacecraft and parts thereof | 15 | 169.38 | 17.19 | 10.15 |
| 90 | Precision optical, surgical, photographic measuring instruments and parts thereof | 26 | 57.96 | 20.34 | 35.09 |
| 98 | Project Imports | 1 | 2.55 | 0.53 | 20.69 |
| Total Revenue Loss | | | | 3697.25 | |

Source: Computed from Goyal (1991) Appendix 1.

consumer electronics etc. enhancing the capacity of the economy to produce a product mix increasingly skewed towards luxury and elite consumption.

On the other hand, if this revenue loss is sought to be made up by greater incidence of excise duty, the efficiency of this measure will depend on the extent to which the government can tax goods with a wide tax base, i.e. those goods with an inelastic demand. Thus an increasing tax burden on the consumption of necessities is inevitable, which by its very nature can be passed on to consumers in total. Thus, we can expect an increasingly regressive tax structure to pay for the revenue loss incurred as a result of liberalization.

The following features emerge out of the preceding analysis of our tax structure. First, at the overall level, the elasticity of our total revenue and tax revenue with respect to GDP at factor cost has been going down in recent years after showing an initial increase. While some decline is understandable, the fact of a continuous decline points to a lessening of the government's tax effort, which is especially unfavourable during a period of increasing expenditures.

Second, tax revenues are proving increasingly inadequate for meeting government expenditure. Starting from an initial 103 per cent of total government expenditure in 1950-51, they are now unable to cover more than 61 per cent of expenditure, while total revenue covers about 80 per cent.

Third, within tax revenue direct taxes account for a very small share. This share has been continuously declining over time and stands at 19.19 per cent in 1992-93 as compared to 36.28 per cent in 1950-51. Within direct taxes, the largest decline has been in terms of personal income taxes, which have gone down from 23.87 per cent to 2.45 per cent in the same period. Corporate profit tax collections have remained more or less stagnant around 13 to 15 and declined to around 10 per cent in recent years, reflecting the government's complete inability to raise revenue with this most progressive of all taxation tools.

Fourth, an examination of indirect taxes reveals that the tools of customs and excise duties have been used in an almost perfectly substitutable fashion. While this was only to be expected in a quota based foreign trade regime, in a period of liberalization the proposed reduction in tariffs can only have a negative impact on domestic industry. Also, commodities in which substantial tariff reductions have taken place reveals that most of them are capital goods. An exercise to show the revenue losses as a result of reductions in duties in 1989-90 and 1990-91, revealed that the total loss of revenue would be the equivalent of 17.23 per cent of total customs revenue estimated for 1990-91. Thus, there is considerable scope for raising customs revenues, with less detrimental effects on domestic industry as well as curb some of the regressive fall-outs of tax policy. Of course, for this the commodity tax structure would also have to be carefully structured.

How can we put the above information into a macroeconomic perspective using the analytical framework we had developed in an earlier section? Keeping in mind the theoretical conclusions arrived at in the previous section, we can arrive at the following conclusions:

- (a) Corporate profit taxes are an effective means of redistribution of resources. They also do not have any detrimental impact on the economy's macro-economic parameters since both wages and profits are left unchanged. The almost stagnant and currently declining share of revenues raised by this measure indicates a major opportunity for the government in tapping resources in a non-inflationary, non-retrogressive way. In view of this, the Chelliah Committee's recommendations to reduce the rate of corporate profit tax further is ill-advised, to say the least.

- (b) The reliance on domestic indirect taxes for the largest chunk of government revenues has to be reduced. The effectiveness of indirect taxes as a means of resource mobilisation depends crucially on the size of the tax base as well as the inelasticity of demand for that commodity. Indirect taxes, especially on wage goods and goods with a low elasticity of demand are inflationary, and reduce real wages while augmenting profits, or at best, leaving them unchanged.
- (c) The reduction of import duties along with the devaluation have left the net impact on prices of imports somewhat unclear. Imports have certainly showed no signs of abating and our trade gap has increased in rupee terms at a compound rate of 14 per cent (Table 9) in recent years.¹³ Given the intermeshing of our production structure with imported inputs, a reduction in imports is not possible unless the engineering of a recession is politically feasible for the government. The uncontrolled trade deficit, along with steadily increasing budget deficits seem to vitiate the target of achieving macro-economic balance within the economy. Since the effectiveness of price as a measure of import rationing is by no means clear, the almost complete abandonment of physical controls and reliance on tariffs is foolhardy, to say the least. The price elasticity of our import structure and the net impact of devaluation and tariff reduction on import prices are empirical questions which need to be resolved before any meaningful tariff policy measures can be formulated.

The main recommendations of the Chelliah Committee include a reduction in corporate profit tax, the abolition of interest tax and an increase in the exemption limit for gift tax. It also recommends enlarging the ambit of indirect taxes, probably to compensate for the loss in revenue which will be incurred in the process of "opening up" the economy by reductions in tariffs.

These measures seem to be a logical adjunct of the current policy of liberalisation which the economy has been pursuing. The current policy aims at the creation of an environment conducive to the functioning of free enterprise, in the belief that the market will be the best guide to economic activity. In other words, favourable conditions have to be created for the entry of foreign capital which is envisaged as the agent which will stimulate competition, upgrade technology and force Indian capital to compete with it on international terms. This is also seen as a measure to solve the balance of payments crisis in the medium term by stimulating not only capital flows but exports as well.

^{13.} We have only considered the period from 1987-88 to 1990-91 to get a feel of current trends. We have dropped the figures for 1991-92 from our computations since it was an extremely atypical year characterised by very severe import compression.

Table - 9
Trade Gap in Rupees Crores

| Year | Exports | Imports | Trade Gap |
|---------|----------|----------|-----------|
| 1987-88 | 15673.66 | 22244.00 | -6570.34 |
| 1988-89 | 20231.50 | 28194.00 | -7962.50 |
| 1989-90 | 27681.47 | 35412.00 | -7730.53 |
| 1990-91 | 32553.34 | 43171.00 | -10617.66 |

Source: Annexure 1 and Damodaran (1992).

The thrust of the report therefore is on the supply side, aimed at creating a favourable atmosphere for the functioning of private initiative through measures like reductions in corporate profit tax and tariffs on imported inputs. This ignores certain structural features of the Indian economy such as a highly inelastic import structure and the oligopolistic functioning of large firms which do not respond to price signals in the desired fashion. In such a scenario, as demonstrated above, lowering tariffs will only fuel the deficits which these measures seek to reverse. Unless these structural features are remedied (by government intervention, since they do not lend themselves to a solution by the market), the policies being followed are misplaced. Also, a complete neglect of the demand side ignores the impact of income distribution on the composition and magnitude of aggregate demand and its inter-linkages with growth and inflation. For example, as our model demonstrates, a tax on the consumption of workers can only produce an expansion in output and employment if the proceeds of the tax are redistributed to the same class, and that too with a higher inflation rate and a decline in real wages. If the proceeds of the tax are spent on luxury consumption, the capitalists income will be augmented, with a decline in real wages. This may not filter down to the rest of the economy, given the high import intensity of the consumption basket of the capitalists.

Thus, we see that the proposed tax reforms, by concentrating on generating "correct" signals on the supply side for firms to respond to, vitiates the goals which it wants to reach. Certain crucial structural features of the economy are ignored, which tend to garble these signals and produce the opposite of the desired results. Also a complete neglect of the demand side ignores vital questions of income distribution which has an important bearing on solving some of the structural rigidities discussed earlier.

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Annexure 1
Revenue Account of the Government of India (in Rs. Crores)
(All figures in parentheses are percentages to total revenue)

| | 1950-51 | 1951-52 | 1952-53 | 1953-54 | 1954-55 | 1955-56 | 1956-57 | 1957-58 | 1958-59 | 1959-60 | 1960-61 | 1961-62 | 1962-63 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| Total Revenue | 405.86 (100.00) | 515.36 (100.00) | 418.31 (100.00) | 394.25 (100.00) | 434.75 (100.00) | 481.19 (100.00) | 563.23 (100.00) | 673.38 (100.00) | 670.21 (100.00) | 778.59 (100.00) | 877.46 (100.00) | 1036.79 (100.00) | 1427.53 (100.00) |
| 1. Tax Revenue | 357.00 (87.96) | 459.99 (89.26) | 370.23 (88.51) | 347.73 (88.20) | 384.15 (88.36) | 411.47 (85.51) | 493.76 (87.67) | 575.33 (85.44) | 553.06 (82.52) | 642.44 (82.51) | 730.14 (83.21) | 875.37 (84.43) | 1060.98 (74.32) |
| i) Tax on Income & Expenditure | 125.70 (30.97) | 142.52 (27.65) | 128.25 (30.66) | 107.09 (27.16) | 103.64 (23.84) | 113.23 (23.53) | 144.17 (25.60) | 146.40 (21.74) | 151.18 (22.56) | 176.88 (22.72) | 191.97 (21.88) | 228.84 (22.07) | 312.39 (21.88) |
| Income Tax other than Corporate Tax | 85.21 (20.99) | 93.33 (18.11) | 84.45 (20.19) | 65.55 (16.63) | 66.31 (15.25) | 76.19 (15.83) | 92.99 (16.51) | 90.27 (13.41) | 96.21 (14.36) | 69.53 (8.93) | 80.01 (9.12) | 71.54 (6.90) | 90.69 (6.35) |
| Corporate Tax | 40.49 (9.98) | 41.41 (8.04) | 43.80 (10.47) | 41.54 (10.54) | 37.33 (8.59) | 37.04 (7.70) | 51.18 (9.09) | 56.13 (8.34) | 54.33 (8.11) | 106.56 (13.69) | 111.05 (12.66) | 156.46 (15.09) | 221.50 (15.52) |
| Other Income Tax [^] | nil (0.00) | 7.78 (1.51) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | 0.64 (0.10) | 0.79 (0.10) | 0.91 (0.10) | 0.84 (0.08) | 0.20 (0.01) |
| ii) Tax on Property and Capital Transactions | 3.81 (0.94) | nil (0.00) | 1.76 (0.42) | 2.26 (0.57) | 2.31 (0.53) | 2.55 (0.53) | 2.41 (0.43) | 10.61 (1.58) | 14.91 (2.22) | 17.02 (2.19) | 13.49 (1.54) | 14.21 (1.37) | 16.15 (1.13) |
| Estate Duty | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | 0.24 (0.06) | -0.05 (-0.01) | -0.30 (-0.05) | -0.09 (-0.01) | 0.32 (0.05) | 0.15 (0.02) | 0.18 (0.02) | 0.33 (0.03) | 0.06 (0.00) |
| Wealth Tax | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | 7.04 (1.05) | 9.67 (1.44) | 12.11 (1.56) | 8.15 (0.93) | 8.26 (0.80) | 9.54 (0.67) |

(Contd...)

| | 1950-51 | 1951-52 | 1952-53 | 1953-54 | 1954-55 | 1955-56 | 1956-57 | 1957-58 | 1958-59 | 1959-60 | 1960-61 | 1961-62 | 1962-63 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Other Tax! | 3.81 (0.94) | nil (0.00) | 1.76 (0.42) | 2.26 (0.57) | 2.07 (0.48) | 2.60 (0.54) | 2.71 (0.48) | 3.66 (0.54) | 4.92 (0.73) | 4.76 (0.61) | 5.16 (0.59) | 5.62 (0.54) | 6.55 (0.46) |
| iii) Tax on Cdys & Services | 227.49 (56.05) | 317.47 (61.60) | 240.22 (57.43) | 238.38 (60.46) | 278.20 (63.99) | 295.69 (61.45) | 347.18 (61.64) | 418.32 (62.12) | 386.97 (57.74) | 448.54 (57.61) | 524.68 (59.80) | 632.32 (60.99) | 732.44 (51.31) |
| Total Customs Duties | 157.15 (38.72) | 231.69 (44.96) | 173.75 (41.54) | 158.71 (40.26) | 184.86 (42.52) | 166.70 (34.64) | 173.23 (30.76) | 179.99 (26.73) | 138.29 (20.63) | 156.11 (20.05) | 170.03 (19.38) | 212.25 (20.47) | 245.96 (17.23) |
| Total Imports | 650.00 | 943.00 | 670.00 | 572 | 656 | 774.00 | 903 | 1036 | 904 | 961 | 1122.00 | 1092 | 1131 |
| Increase in Imports Over Previous Year | .. | (45.08) | (-28.95) | (-14.63) | (14.69) | (17.99) | (16.67) | (14.73) | (-12.74) | (6.31) | (16.75) | (-2.67) | (3.57) |
| Customs Duties as a Percentage of Imports | (24.18) | (24.57) | (25.93) | (27.75) | (28.18) | (21.54) | (19.18) | (17.37) | (15.30) | (16.24) | (15.15) | (19.44) | (21.75) |
| Union Excise | 67.54 (16.64) | 85.78 (16.64) | 66.20 (15.83) | 79.43 (20.15) | 93.11 (21.42) | 128.68 (26.74) | 172.21 (30.58) | 233.40 (34.66) | 239.95 (35.80) | 285.95 (36.73) | 341.25 (38.89) | 408.66 (39.42) | 473.92 (33.20) |
| Other@ | 2.80 (0.69) | nil (0.00) | 0.27 (0.06) | 0.24 (0.06) | 0.23 (0.05) | 0.31 (0.06) | 1.74 (0.31) | 4.93 (0.73) | 8.73 (1.30) | 6.48 (0.83) | 13.40 (1.53) | 11.41 (1.10) | 12.56 (0.88) |
| 2. Non Tax Revenue* | 48.86 (12.04) | 55.37 (10.74) | 48.08 (11.49) | 46.52 (11.80) | 50.6 (11.64) | 69.72 (14.49) | 69.47 (12.33) | 98.05 (14.56) | 117.15 (17.48) | 136.15 (17.49) | 147.32 (16.79) | 161.42 (15.57) | 366.55 (25.68) |

(Contd...)

| | 1963-64 | 1964-65 | 1965-66 | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Revenue | 1846.14 (100.00) | 2080.59 (100.00) | 2320.39 (100.00) | 2473.22 (100.00) | 2553.64 (100.00) | 2759.87 (100.00) | 3066.60 (100.00) | 3343.00 (100.00) | 4028.00 (100.00) | 4758.00 (100.00) | 5073.00 (100.00) | 6557.60 (100.00) | 8075.00 (100.00) |
| 1. Tax Revenue | 1374.33 (74.44) | 1562.80 (75.11) | 1784.62 (76.91) | 1933.96 (78.20) | 1936.67 (75.84) | 2018.86 (73.15) | 2201.00 (71.77) | 2452.00 (73.35) | 2928.00 (72.69) | 3443.00 (72.36) | 3895.00 (76.78) | 5097.40 (77.73) | 6010.00 (74.43) |
| i) Tax on Income & Expenditure | 414.02 (22.43) | 457.27 (21.98) | 453.72 (19.55) | 500.56 (20.24) | 461.43 (18.07) | 483.73 (17.53) | 508.00 (16.57) | 485.00 (14.510) | 547.00 (13.58) | 699.00 (14.69) | 796.00 (15.69) | 1082.60 (16.51) | 1400.00 (17.34) |
| Income Tax other than Corporate Tax | 139.31 (7.55) | 142.78 (6.86) | 148.46 (6.40) | 171.59 (6.94) | 151.10 (5.92) | 183.96 (6.67) | 155.00 (5.05) | 114.00 (3.41) | 75.00 (1.86) | 137.00 (2.88) | 213.00 (4.20) | 362.10 (5.52) | 480.00 (5.94) |
| Corporate Tax | 274.59 (14.87) | 314.05 (15.09) | 304.84 (13.14) | 328.90 (13.30) | 310.33 (12.15) | 299.77 (10.86) | 353.00 (11.51) | 371.00 (11.10) | 472.00 (11.72) | 558.00 (11.73) | 583.00 (11.49) | 709.50 (10.82) | 862.00 (10.67) |
| Other Income Tax^ | 0.12 (0.01) | 0.44 (0.02) | 0.42 (0.02) | 0.07 (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | nil (0.00) | 4.00 (0.08) | nil (0.00) | 11.00 (0.17) | 58.00 (0.72) |
| ii) Tax on Property and Capital Transactions | 17.02 (0.92) | 16.49 (0.79) | 19.83 (0.85) | 20.13 (0.81) | 18.19 (0.71) | 21.56 (0.78) | 25.00 (0.82) | 27.00 (0.81) | 39.00 (0.97) | 53.00 (1.11) | 52.00 (1.03) | 59.20 (0.90) | 80.00 (0.99) |
| Estate Duty | 0.45 (0.02) | -1.35 (-0.06) | -0.13 (-0.01) | 1.71 (0.07) | -0.21 (-0.01) | 1.20 (0.04) | nil (0.00) | 2.00 (0.06) | 1.00 (0.02) | 3.00 (0.06) | -1.00 (-0.02) | 0.90 (0.01) | 4.00 (0.05) |
| Wealth Tax | 10.20 (0.55) | 10.50 (0.50) | 12.05 (0.52) | 10.58 (0.43) | 10.67 (0.42) | 11.11 (0.40) | 16.00 (0.52) | 15.00 (0.45) | 25.00 (0.62) | 36.00 (0.76) | 36.00 (0.71) | 39.20 (0.60) | 54.00 (0.67) |
| Other Tax! | 6.37 (0.35) | 7.34 (0.35) | 7.91 (0.34) | 7.84 (0.32) | 7.73 (0.30) | 9.25 (0.34) | 9.00 (0.29) | 10.00 (0.30) | 13.00 (0.32) | 14.00 (0.29) | 17.00 (0.34) | 19.10 (0.29) | 22.00 (0.27) |

(Contd...)

| | 1963-64 | 1964-65 | 1965-66 | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| iii) Tax on Cdys & Services | 943.29 (51.10) | 1089.04 (52.34) | 1311.07 (56.50) | 1413.27 (57.14) | 1457.05 (57.06) | 1513.57 (54.84) | 1668.00 (54.39) | 1940.00 (58.03) | 2342.00 (58.14) | 2691.00 (56.56) | 3047.00 (60.06) | 3955.60 (60.32) | 4530.00 (56.10) |
| Total Customs Duties | 334.74 (18.13) | 397.50 (19.11) | 538.97 (23.23) | 585.37 (23.67) | 513.35 (20.10) | 446.50 (16.18) | 423.00 (13.79) | 524.00 (15.67) | 695.00 (17.25) | 857.00 (18.01) | 996.00 (19.63) | 1332.90 (20.33) | 1419.00 (17.57) |
| Total Imports | 1223 | 1349 | 1409.00 | 2078.00 | 2008.00 | 1909.00 | 1582.00 | 1634.00 | 1825.00 | 1867.00 | 2955.00 | 4519.00 | 5265.00 |
| Increase in Imports Over Previous Year | (8.13) | (10.30) | (4.45) | (47.48) | (-3.37) | (-4.93) | (-17.13) | (3.29) | (11.69) | (2.30) | (58.28) | (52.93) | (16.51) |
| Customs Duties as a Percentage of Imports | (27.37) | (29.47) | (38.25) | (28.17) | (25.57) | (23.39) | (26.74) | (32.07) | (38.08) | (45.90) | (33.71) | (29.50) | (26.95) |
| Union Excise | 593.59 (32.15) | 674.17 (32.40) | 752.00 (32.41) | 802.87 (32.46) | 913.88 (35.79) | 1029.74 (37.31) | 1203.00 (39.23) | 1369.00 (40.95) | 1586.00 (39.37) | 1757.00 (36.93) | 1971.00 (38.85) | 2528.00 (38.55) | 2988.00 (37.00) |
| Other@ | 14.96 (0.81) | 17.37 (0.83) | 20.10 (0.87) | 25.03 (1.01) | 29.82 (1.17) | 37.33 (1.35) | 42.00 (1.37) | 47.00 (1.41) | 61.00 (1.51) | 77.00 (1.62) | 80.00 (1.58) | 94.70 (1.44) | 123.00 (1.52) |
| 2. Non Tax Revenue* | 471.81 (25.56) | 517.79 (24.89) | 535.77 (23.09) | 539.26 (21.80) | 616.97 (24.16) | 741.01 (26.85) | 865.60 (28.23) | 891.00 (26.65) | 1100.00 (27.31) | 1315.00 (27.64) | 1178.00 (23.22) | 1460.20 (22.27) | 2065.00 (25.57) |

(Contd...)

| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90\$ | 1990-91\$ | 1991-92\$ |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Revenue | 8738.90 (100.00) | 9792.10 (100.00) | 11239.90 (100.00) | 11339.50 (100.00) | 12829.00 (100.00) | 15574.20 (100.00) | 18091.40 (100.00) | 20492.60 (100.00) | 24383.70 (100.00) | 28910.00 (100.00) | 34768.00 (100.00) | 38992.00 (100.00) | 45740.00 (100.00) | 54616.00 (100.00) | 53178.64 (100.00) | 66549.24 (100.00) |
| 1. Tax Revenue | 6581.10 (75.31) | 7060.30 (72.10) | 8568.30 (76.23) | 8567.60 (75.56) | 9388.00 (73.18) | 11573.00 (74.31) | 13056.50 (72.17) | 15476.50 (75.52) | 17693.70 (72.56) | 21206.00 (73.35) | 24318.00 (69.64) | 28015.00 (71.85) | 33751.00 (73.79) | 37798.00 (69.21) | 43605.90 (82.00) | 50006.24 (75.14) |
| i) Tax on Income & Expenditure | 1597.70 (18.28) | 1663.20 (16.99) | 1746.80 (15.54) | 1867.30 (16.47) | 1905.00 (14.85) | 2661.80 (17.09) | 2888.10 (15.96) | 3198.10 (15.61) | 3423.10 (14.04) | 3612.00 (12.49) | 3878.00 (11.15) | 4046.00 (10.38) | 5940.00 (12.99) | 5899.00 (10.80) | 7152.14 (13.45) | 9627.16 (14.47) |
| Income Tax other than Corporate Tax | 542.20 (6.20) | 326.60 (3.34) | 470.80 (4.19) | 475.40 (4.19) | 504.00 (3.93) | 458.60 (2.94) | 437.90 (2.42) | 527.50 (2.57) | 696.30 (2.86) | 663.00 (2.29) | 717.00 (2.06) | 598.00 (1.53) | 1488.00 (3.25) | 1078.00 (1.97) | 727.14 (1.37) | 1682.16 (2.53) |
| Corporate Tax | 984.20 (11.26) | 1220.80 (12.47) | 1251.50 (11.13) | 1391.90 (12.27) | 1311.00 (10.22) | 1970.00 (12.65) | 2184.50 (12.07) | 2492.70 (12.16) | 2555.90 (10.48) | 2865.00 (9.91) | 3160.00 (9.09) | 3433.00 (8.80) | 4407.00 (9.63) | 4755.00 (8.71) | 6350.00 (11.94) | 7300.00 (10.97) |
| Other Income Tax^ | 71.30 (0.82) | 115.80 (1.18) | 24.50 (0.22) | nil (0.00) | 90.00 (0.70) | 233.20 (1.50) | 265.70 (1.47) | 177.90 (0.87) | 170.90 (0.70) | 84.00 (0.29) | 1.00 (0.00) | 15.00 (0.04) | 45.00 (0.10) | 66.00 (0.12) | 75.00 (0.14) | 645.00 (0.97) |
| ii) Tax on Property and Capital Transactions | 88.40 (1.01) | 78.50 (0.80) | 95.10 (0.85) | 82.60 (0.73) | 88.00 (0.69) | 101.60 (0.65) | 116.30 (0.64) | 127.10 (0.62) | 139.20 (0.57) | 168.00 (0.58) | 187.00 (0.54) | 111.00 (0.28) | 134.00 (0.29) | 173.00 (0.32) | 195.50 (0.37) | 267.00 (0.40) |
| Estate Duty | 2.20 (0.03) | 2.90 (0.03) | 2.40 (0.02) | 3.10 (0.03) | 4.00 (0.03) | 3.80 (0.02) | 4.40 (0.02) | 9.90 (0.05) | 4.20 (0.02) | 3.00 (0.01) | 4.00 (0.01) | 2.00 (0.01) | 5.00 (0.01) | 4.00 (0.01) | 3.50 (0.01) | 3.00 (0.00) |
| Wealth Tax | 60.40 (0.69) | 48.50 (0.50) | 55.40 (0.49) | 64.50 (0.57) | 67.00 (0.52) | 78.10 (0.50) | 90.40 (0.50) | 93.30 (0.46) | 107.60 (0.44) | 153.00 (0.53) | 174.00 (0.50) | 101.00 (0.26) | 122.00 (0.27) | 160.00 (0.29) | 190.00 (0.36) | 255.00 (0.38) |
| Other Tax! | 25.80 (0.30) | 27.10 (0.28) | 37.30 (0.33) | 15.00 (0.13) | 17.00 (0.13) | 19.70 (0.13) | 21.50 (0.12) | 23.90 (0.12) | 27.40 (0.11) | 12.00 (0.04) | 9.00 (0.03) | 8.00 (0.02) | 7.00 (0.02) | 9.00 (0.02) | 2.00 (0.00) | 9.00 (0.01) |
| iii) Tax on Cdys & Services | 4895.00 (56.01) | 5318.60 (54.32) | 6726.40 (59.84) | 6617.70 (58.36) | 7395.00 (57.64) | 8809.60 (56.57) | 10052.10 (55.56) | 12151.30 (59.30) | 14131.40 (57.95) | 17426.00 (60.28) | 20253.00 (58.25) | 23858.00 (61.19) | 27677.00 (60.51) | 31726.00 (58.09) | 36258.26 (68.18) | 40112.08 (60.27) |
| Total Customs Duties | 1553.70 (17.78) | 1824.10 (18.63) | 2423.50 (21.56) | 2924.20 (25.79) | 3410.00 (26.58) | 4300.40 (27.61) | 5119.40 (28.30) | 5583.40 (27.25) | 7040.50 (28.87) | 9526.00 (32.95) | 11475.00 (33.00) | 13702.00 (35.14) | 15805.00 (34.55) | 17877.00 (32.73) | 20800.00 (39.11) | 22895.00 (34.40) |

(Contd...)

| | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90\$ | 1990-91\$ | 1991-92\$ |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Imports | 5074.00 | 6020.00 | 6811.00 | 9143.00 | 12549.00 | 13608.00 | 14293.00 | 15831.00 | 17134.00 | 19658.00 | 20096.00 | 22244.00 | 28194.00 | 35412.00 | 43171.00 | 47812.35 |
| Increase in Imports Over Previous Year | (-3.63) | (18.64) | (13.14) | (34.24) | (37.25) | (8.44) | (5.03) | (10.76) | (8.23) | (14.73) | (2.23) | (10.69) | (26.75) | (25.60) | (21.91) | (10.75) |
| Customs Duties as a Percentage of Imports | (30.62) | (30.30) | (35.58) | (31.98) | (27.17) | (31.60) | (35.82) | (35.27) | (41.09) | (48.46) | (57.10) | (61.60) | (56.06) | (50.48) | (49.71) | (47.89) |
| Union Excise | 3193.50 (36.54) | 3334.70 (34.06) | 4127.70 (36.72) | 3480.90 (30.70) | 3723.00 (29.02) | 4180.50 (26.84) | 4566.90 (25.24) | 6164.40 (30.08) | 6625.50 (27.17) | 7330.00 (25.35) | 8164.00 (23.48) | 9423.00 (24.17) | 10922.00 (23.88) | 12793.00 (23.42) | 14086.00 (26.49) | 15603.22 (23.45) |
| Other@ | 147.80 (1.69) | 159.80 (1.63) | 175.20 (1.56) | 212.60 (1.87) | 262.00 (2.04) | 328.70 (2.11) | 365.80 (2.02) | 403.50 (1.97) | 465.40 (1.91) | 570.00 (1.97) | 614.00 (1.77) | 733.00 (1.88) | 950.00 (2.08) | 1056.00 (1.93) | 1372.26 (2.58) | 1613.86 (2.43) |
| 2. Non Tax Revenue* | 2157.80 (24.69) | 2731.80 (27.90) | 2671.60 (23.77) | 2771.90 (24.44) | 3441.00 (26.82) | 4001.20 (25.69) | 5034.90 (27.83) | 5016.10 (24.48) | 6690.00 (27.44) | 7704.00 (26.65) | 10450.00 (30.06) | 10977.00 (28.15) | 11989.00 (26.21) | 16818.00 (30.79) | 9572.74 (18.00) | 16543.00 (24.86) |

\$ Revised Estimates # Budgetary Estimates

^ Includes Hotel Receipts Tax, Foreign Travel Tax, Expenditure Tax, Interest Tax

! Includes Gift Tax, Stamp and Registration, Land Revenue

@ Includes Sales Tax, State Excise Tax, Taxes on Vehicles, Taxes on Goods and Passengers, Other taxes and Duties on Commodities and Services, Taxes on Union Territories

* Includes Interest receipts, Administrative Receipts, Net Contribution of PSUs and other non tax revenue