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Tax Performance of Centre and states: Tax Reform and Revenue Productivity

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1. Objective and Scope

Revenue of the Centre and the State governments is heavily weighed in favour of taxes. Taxes account for about 80 per cent of the revenue raised by the Centre and States. While the contribution of taxes to the revenue of the Centre has declined from above 80 percent in 1980-81 to a little less than 77 per cent in 2001-02, the contribution of taxes to the revenue of the states has risen from less than 81 per cent in 1980-81 to about 86 per cent in 2001-02 (Table 1). With such a degree of dependence on tax revenues, any laxity in tax performance can adversely affect finances of all tiers of the government and hence growth of the economy. In this context, it is important to analyse implications of recent tax reforms accompanied by major tax rate reductions, for revenue productivity, and identify the trade off, if any, between the tax reforms and revenue productivity. This study focuses on the implications of recent tax reforms on tax performance of the centre and the State governments.

In the combined tax revenue of the centre and states, indirect taxes account for a major share of total tax revenue in spite of the decline in the share of indirect taxes during the 1980s and the 1990s (Table 2). During 1980-81, the share of direct taxes was less than 17 per cent that gradually rose to about 24 per cent in 2001-02. On the other hand, the share of indirect taxes declined from above 83 per cent in 1980-81 to about 76 per cent in 2001-02, implying that indirect taxes continue to play a dominating role in the Indian economy.

The study focuses on major direct as well as indirect taxes as both types of taxes make significant contribution to the combined tax revenue of the centre and states. Among the direct taxes, the study focuses on corporate income tax and personal income tax (non-corporate income tax) as these taxes accounted for about 86 per cent of the revenue from direct taxes in 1980-81 and the dependence on these taxes has grown over time to about 94 per cent in 2001-02. Among the indirect taxes, the study focuses on customs duties, Union excise duties and general sales tax as these taxes account for a major share of indirect taxes that was about 84 per cent in 1980-81 and continues to be high in spite of gradual decline to about 80 per cent in 2001-02 (Table 3).

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The plan of the present study is as follows. Section 2 gives a brief description of the tax system in India. Section 3 presents an analysis of tax performance of the central and the state governments. Concluding remarks and recommendations are given in Section 4.

2. Tax system in India

In India, taxes are levied by all the three tiers of the government, namely, central, state and local. Some of the taxes levied by different tiers of the government fall on a common tax base. The major central taxes are corporate income tax, personal income tax (or non-corporate income tax), Union excise duties and customs duties. Other central taxes include wealth tax, gift tax, expenditure tax, service tax and interest tax. The major taxes levied by the states are sales tax, state excise duties[1] and stamp and registration fees. Other state taxes include entertainment tax, motor vehicles tax, goods and passenger tax, and profession tax.[2] Property tax and octroi[3], wherever levied, have been the major taxes of local governments.

2.1 Corporate income tax

Income of domestic companies is taxed at a flat rate of 35 per cent. Income of a foreign (other than a domestic) company is taxed at the rate of 40 per cent, however royalties and fees for rendering technical services are taxed at different rates depending on the period of approval of the contract. The tax rate is 50 per cent for contracts approved before April 1, 1976, 30 per cent for contracts approved after March 31, 1976 but before May 31, 1997, and 20 per cent for contracts approved after May 31, 1997. In addition, a company is to pay a surcharge at the rate of two and one-half per cent.

Corporation income tax has been substantially rationalised during the last two decades. This process of rationalisation began in real earnest in 1983-84, with removal of the step system of taxation of corporate income. Subsequently, corporate tax rates were lowered in steps and the tax rate for different categories of domestic closely held companies was made uniform like that for domestic widely held companies. By the year 1991-92, widely held and closely held companies were taxed at 45 and 50 per cent respectively. By the year 1994-95, all domestic companies (widely held as well as closely held) were taxed at 40 per cent, and the rate was further reduced to 35 per cent in 1997-98. The tax rate on foreign companies was lowered from 65 per cent to 55 per cent in 1994-95, to 48 per cent in 1997-98, and to 40 per cent in 2002-03.

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1. These are levied on alcoholic liquors for human consumption, Indian hemp and other narcotic drugs, narcotics and opium, but not including medical and toilet preparations containing alcoholic liquors. The commodities which are subject to State excise duties are exempt of Union excise duties
2. Profession tax falls on trade or on those who provide professional services such as legal practitioners and contractors.
3. *Octroi* is a tax on entry of goods into a local area. It is prevalent in some states.

2.2 Personal income tax

In India, five types of tax entities, namely, individuals, associations of persons and body of individuals, Hindu undivided families, firms (registered and unregistered) and co-operative societies fall under the purview of personal income tax. The tax entity `Hindu undivided family **(HUF)**' is peculiar to India. It is a joint Hindu family with at least two coparceners, one not lineally descended from the other. A `firm' can be a partnership or single proprietorship. The individuals constitute a major category of personal income tax payers. These account for more than 90 per cent of the income as well as tax liability of personal income tax payers.

In the past, personal income tax payers have witnessed very high marginal tax rates that could not be explained by any canon of taxation. The maximum marginal tax rate (inclusive of a surcharge) was 84 per cent in 1960-61 and 97.75 per cent in 1971-72. This was reduced subsequently in a phased manner, to 77 per cent in 1974-75, to 66 per cent in 1976-77, to 50 per cent in 1985-86, to 40 per cent in 1992-93, and to 30 per cent in 1997-98.

The structure of schemes designed to promote savings in specified assets has undergone a substantial change in the middle of 1980s. The system of income deduction was replaced by a system of tax credit. Similarly, the system of calculation of long-term capital gains based on income deductions was replaced by a system based on indexing the costs.

2.3 Union excise duties

During 1980s, the structure of Union excise duties was far from simple. It was loaded with the problems of multiplicity of tax rates, many exemptions and end use concessions. Following long term fiscal policy (**LTFP)** of India, the MODVAT scheme was introduced through the Union Budget 1986-87 with a view to reduce tax cascading and introducing transparency in commodity taxation. It allowed tax credit for the tax paid on inputs subject to certain restrictions. The scope of the **MODVAT** scheme was enlarged by subsequent Union Budgets. However, no tax credit was available for taxes paid on plant and machinery until the year 1993-94.

Currently, standard rate of Union excise duties is 16 per cent, however some commodities are taxed at 8 per cent. Further, a special excise duty of 8 per cent in addition to excise of 16 per cent is imposed on certain goods, though it is supposed to be phased out.

2.4 Customs duties

During 1980s, the structure of customs duties was as complex as that of Union excise duties. It also was loaded with multiplicity of tax rates varying from commodity to commodity, many exemptions and end use concessions. The duty rates were high with rate exceeding 300 per cent on some commodities. The duty rates prescribed were *ad valorem*, *specific* or *ad valorem plus specific*. The duty rates given in the budgets were basically the ceiling rates, as many end use exemptions and tax reductions were granted through numerous notifications issued throughout the year, by the Revenue Department.

Following the recommendations of Tax Reforms Committee (TRC), reform of customs duties has been aggressively pursued since 1990-91. The high peak rate of customs duties has been gradually lowered from above 300 per cent to 150 per cent in 1991-92, to 110 per cent in 1992-93, to 85 per cent in 1993-94, to 65 per cent in 1994-95, to 50 per cent in 1995-96, to 40 per cent in 1997-98, to 35 per cent in 2000-01, to 30 per cent in 2002-03, and to 25 per cent in 2003-04, though there are some exceptions.

Another notable feature of duties on imports is imposition of countervailing duty (CVD) and special additional duty (SAD), in addition to customs duties. The rate of CVD is the same as Union excise duties, and the rate of SAD is 4 per cent. However, some commodities are exempt of CVD and/or SAD.

2.5 General sales tax

States levy sales tax on all commodities except newspaper; and there are special taxes in the nature of sales tax on selective services such as electricity, transportation (road and inland water ways) and entertainment. Sales tax comprises of General sales tax (GST) and Central sales tax (CST). The former is levied on intra-state sales. The latter is legislated by the Centre, and applies to inter-state sales. It is collected and retained by the exporting states. The goods sent out of a state, on branch or consignment transfer are exempt of CST. In some of the states, GST on certain commodities such as sugarcane is levied as purchase tax because of convenience in collection of tax.[4]

Most states levy single point sales tax, mainly at the first point, i.e., at the time of import, manufacture or wholesale. Many states also impose `additional tax' in the form of surcharge (on sales tax) and/or turnover tax (based on the turnover of dealers).

With a view to mitigating the impact of input taxation, most states give tax relief on inputs used in production of taxable commodities. Nevertheless, input taxation accounts for a substantial part of the incidence of sales tax.[5]

During 1980s and 1990s, the rate structures of sales tax varied widely across states. There was no tax co-ordination among the states or between the centre and the states. The tax rates varied from commodity to commodity and with the end use of a given commodity. The tax bases tended to be low as each state allowed a large number of

4 . This advantage in tax collection has been possible because of a few major purchasers of such commodities as against many sellers (farmers).

5. At the sales tax rate structures of 1989-90, input taxation is found to account for more than 30 per cent of the final incidence of sales tax on most commodities (Aggarwal, 1998a).

exemptions and concessions. Most states exempted or taxed at concessional rates, food items, and allowed the new firms a deferral of tax or retention of sales tax as interest free loan for a specified period provided these were located in less developed areas or engaged in production of specified commodities. In general, necessities in comparison to luxuries were taxed at lower rates. In the year 1989-90, the number of tax rates varied from 7 in Orissa to 25 in Gujarat. General (or standard) rate of sales tax varied across the states from 4 to 12 per cent. For a given commodity, the rate widely varied across states, and within a state, the rate widely varied across commodities.

Recently, following a national consensus, all states have adopted uniform floor rates in respect of 205 major commodities. Currently, the number of rates varies from 5 in Delhi to 17 in Bihar. The variation in rates within a state ranges from 4-20 per cent in Assam, to 1-85 per cent in Kerala.

3. Tax performance of central and state governments

Gross domestic product (GDP) of an economy can be taken as a general indicator of tax potential of an economy. Therefore, tax performance of the central and state taxes is judged in terms of tax to GDP ratio. For this purpose, the new series of GDP at current market prices with base year 1993-94 is utilised. The tax to GDP ratios of combined tax revenue of the centre and states as well as of tax revenues of the centre and the states are given in Table 4. These ratios are worked out with gross collection of revenue by the centre (i.e., before transfers to the states), and states' own revenue (i.e., before transfers from the centre).

From Table 4, it may be noted that the tax to GDP ratio of combined tax revenue of the centre and states registered a rising trend during the 1980s, a declining trend during the 1990s and a reversal of the trend during the subsequent years (column 2). The ratio has risen from less than 14 per cent in 1980-81 to about 16 per cent by 1989-90 and gradually declined to less than 14 per cent by 1999-00 to rise again to about 16 per cent in 2001-02. This seems to suggest poor tax performance during the period of major tax reforms at the central level, and a substantial improvement in performance during recent years. This noticeable improvement in the tax ratio has occurred even though the reform process continues to be pursued aggressively. This seems to indicate that tax reforms not only resulted in rationalisation of the tax system, but also in augmentation of revenue in the long run. Later discussion will suggest that some of the tax reforms resulted in augmentation of revenue even in the short run. A remarkable feature of this rising trend in the ratio is that during the 1980s, the trend is attributable purely to the rising trend in the ratio for indirect taxes. The ratio in respect of direct taxes remained stagnant around 2.3 per cent while that for indirect taxes rose by about 2.2 percentage points (from 11.5 to 13.7 per cent). In the recent period since 2000-01, the rising trend in the ratio in respect of direct taxes as well as indirect taxes contributed to the trend of combined tax revenue. The ratios of direct and indirect taxes rose by about 0.8 percentage point and 1.2 percentage points respectively (columns 3 and 4). During the 1990s, the decline in the ratio of combined tax revenue occurred in spite of rise in the ratio of direct taxes implying that the decline is attributable purely to the decline in the ratio of indirect taxes.

During this period, the ratio of direct taxes increased by about one percentage point whereas the ratio of indirect taxes declined by about 2.6 percentage points (columns 3 and 4).

From Table 4, it may also be noted that central as well as state taxes contributed to the rising trend in the tax to GDP ratio of combined tax revenue during the 1980s as well as since 2000-01 (columns 2, 5 and 8). During the 1990s, the ratio registered a declining trend in spite of the ratio of state taxes remaining stagnant around 5.3 per cent. This implies that the decline in the ratio of combined tax revenue is attributable purely to the decline in the ratio of central taxes. The ratio of central taxes declined by about 1.7 percentage points (from 10.6 to 8.9 per cent) that occurred in spite of the rise in the ratio of direct taxes by about 1 percentage point, implying that the decline is attributable purely to the decline in the ratio of indirect taxes that declined by about 2.7 percentage points (columns 5 to 7). Buoyancy of direct and indirect Central taxes with respect to GDP is found to be 1.26 and 0.72 respectively, implying more than proportional growth in direct taxes and less than proportional growth in indirect taxes in response to the growth in GDP. Buoyancy of all central taxes is 0.86, implying less than proportional growth in central taxes in response to the growth in GDP. These buoyancy estimates collaborate the ratio analysis, and suggest that a greater scrutiny be carried out of the tax reforms introduced at the central level during the 1990s which gave opposite results regarding performance of direct and indirect taxes, though a common reform policy of liberalisation, rationalisation, and broader tax bases and lower rates has been followed.

3.1 Central taxes

Corporate income tax as well as personal income tax made major contribution to the improved performance of direct taxes since 1990-91. Both customs duties and Union excise duties contributed to improved performance of indirect taxes during the 1980s and since 2000-01. Dismal performance of indirect taxes during the 1990s is attributable largely to the poor performance of customs duties and Union excise duties during this period. Since this was the period of major tax reforms at the central level, an issue that needs to be addressed is the trade off, if any, between revenue productivity and reforms.

Taxes on income

Tax to GDP ratios of both corporate income tax and personal income tax remained stagnant around 1 per cent during the 1980s and significantly improved during 1990s to about 1.6 and 1.3 per cent respectively (columns 4 and 5 in Table 5). Subsequent improvement in tax performance raised these ratios to about 1.9 and 1.8 per cent respectively, by 2001-02. A significant improvement in the buoyancy of these taxes between 1980s and 1990s has been noted; buoyancy of corporate income tax improved from 0.94 to 1.30 and that of personal income tax from 1.09 to 1.22. Thus the tax reforms in respect of corporate income tax and personal income tax not only resulted in rationalisation of these taxes but also have been revenue productive. This occurred in spite of substantial reduction in the tax rates on corporate income as well as personal income, implying that rationalisation of taxes tends to improve compliance. Improvement in tax administration and mitigating corruption can further stimulate revenue realisation.

Union excise duties

Tax to GDP ratio of Union excise duties had marginally improved during the 1980s but substantially declined during the 1990s to rise again subsequently (column 9, Table 5). The ratio increased from 4.5 per cent in 1980-81 to 4.6 per cent in 1989-90 and then gradually declined to 3.2 per cent by 1999-2000. Between 1980s and 1990s, the buoyancy of Union excise duties declined from 1.03 to 0.70. Since 2000-01, a rising trend in the tax to GDP ratio has been noted; it increased to 3.6 per cent by 2001-02. This seems to suggest that continuing rationalisation of Union excise duties since the last two decades along with substantial reduction in the duty rates did affect revenue productivity though temporarily. Such short-term revenue shocks, if unavoidable, can be taken as cost of rationalisation of a tax, provided in the long run revenue productivity is maintained or improved. The rising trend in the ratio since 2000-01 can be further stimulated through restricting the scope of incentives given to small scale industry and improving tax administration.

Customs duties

A significant rise in the tax to GDP ratio of customs duties during the 1980s was followed by a sharp decline in the ratio during the 1990s that is the period of major tax reforms. Peak customs duty rate has been substantially lowered in this period. The decline in the ratio continued beyond 1999-2000 along with reduction in the peak duty rate. The ratio gradually declined from 3.7 per cent in 1989-90 to 2.5 per cent in 1999-2000 and subsequently to 2.4 per cent in 2001-02. Reform of customs duties seems to have had an adverse impact on revenue productivity with no sign of recovery. This raises an issue, is this sacrifice in revenue productivity of customs duties worth the benefits of such a reform? If the economy has to reap the benefits of global competition, then it has to bear with reduced revenue productivity of customs duties. Given that global competition not only allows import of goods and services at competitive prices but also induces efficient domestic production, this sacrifice in revenue productivity may be taken as cost of imparting efficiency to the economy, that will go a long way in improving welfare of consumers.

3.2 State taxes

During the 1980s as well as 1990s, the states have undertaken only marginal tax reforms. Sales tax to GDP ratio has also registered a marginal increase during the 1980s and 1990s. The ratio has risen from 2.7 per cent in 1980-81 to 3.1 per cent in 1989-90 and to 3.2 per cent in 1999-2000 (column 6, Table 6). The buoyancy of sales tax was 1.11 during 1980s and 1.01 during 1990s.

The major tax reform in respect of sales tax that is major state tax, is kept pending because of inadequate political support. Most of the states have made preparations of a varied degree to replace the prevailing cascading type of sales tax by a value added tax (VAT), in the near future. One of the impediments in this reform has been states' concern for revenue. In the process of preparation for introduction of VAT and elimination of unhealthy tax competition among the states, the number of rates has been reduced, floor rates have been adopted in respect of 205 major commodities, and variation in the tax rate across commodities has been lowered. These changes have been pro revenue. On adoption of floor rates in January 2000, in some states revenue from sales tax, in the first full year, grew by more than 25 per cent. Accordingly, sales tax to GDP ratio sharply increased from 3.2 per cent in 1999-2000 to 3.6 per cent in 2000-01 and to 3.8 per cent in 2001-02. If VAT was introduced along with these pro revenue measures, these would have absorbed the revenue shock that would have occurred due to the basic characteristic of VAT that is credit for tax paid on purchases made for use in production or for sale. Now pro revenue measures having already introduced, the revenue neutral rate of VAT would be relatively high, that poses threat to revenue and hence the delay in implementation of VAT.

VAT is known to be a revenue spinner. Therefore, reform of sales tax should be pushed through even at the cost of some revenue in the short run.

4. **Concluding remarks and recommendations**

At the state level, tax performance remained unchanged during the 1990s, and improved since 1999-2000 following certain pro revenue reforms. The major tax reforms at the state level have been kept pending for lack of political support. In the interest of industry, states and the country, reform of domestic trade tax at the state level (i.e., sales tax) must be pushed through at the earliest, even at the cost of some revenue in the short run.

At the central level, reform of direct taxes is found to be revenue productive, whereas reform of indirect taxes is found revenue productive only in the long run. Revenue productivity of indirect taxes suffered a setback during the 1990s, that now is on the path of recovery since 2000-01. Consequently, revenue productivity of central taxes suffered a setback because of the dominating impact of indirect taxes, that now is on the path of recovery since 2000-01. The process of tax reforms should be continued with adequate safeguard for revenue productivity of all taxes taken together. Reform process should be pursed even if an otherwise desirable tax reform would have an adverse impact on the revenue productivity of a tax, as long as it can be compensated at least in the long run by other taxes. Given the reform agenda, revenue productivity of customs duties is likely to decline further, so measures should be taken to compensate that through improved productivity of other central taxes.

In any exercise on forecasting tax revenues of the Centre and the states, likely tax reforms and their impact on revenue productivity should be taken into account. Some of the reform measures that may be worth considering are given below.

a. Removal of surcharge on income tax.
b. Reduction of corporate tax rate to 30 per cent.
c. Reduction in the rate of standard deduction under personal income tax.
d. Reduction in the interest deduction in respect of owner occupied houses.
e. Reduction in the peak rate of customs duties and fixation of minimum customs duty (say at 10 per cent).
f. Integration of taxation of services with taxation of goods under Union excise duties (also known as CENVAT).
g. Restricting the scope of excise concessions to small scale industry.
h. Replacement of cascading type of sales tax by VAT at the state level.
i. Revamping the tax administration at both tiers of the government to impart efficiency.

Table 1. Revenue Receipts of the Centre and the States												
												(Rs. Crore)
Year	Centre and states				Centre				States (Own revenue)			
	Tax & non-tax receipts	Tax	Non-tax	Tax as percentage of col.2	Tax & non-tax receipts	Tax before transfers to states	Non-tax	Tax as percentage of col.6	Tax & non-tax receipts	Tax	Non-tax	Tax as percentage of col.10
1	2	3	4	5	6	7	8	9	10	11	12	13
1980-81	24514	19844	4670	80.95	16273	13179	3094	80.99	8242	6665	1577	80.87
1981-82	29483	24142	5341	81.89	19411	15847	3564	81.64	10072	8295	1777	82.36
1982-83	33852	27242	6610	80.47	22144	17696	4448	79.91	11708	9546	2162	81.54
1983-84	38186	31525	6661	82.56	24960	20721	4239	83.02	13226	10804	2422	81.69
1984-85	44270	35814	8456	80.90	29324	23471	5853	80.04	14946	12343	2603	82.59
1985-86	53168	43268	9900	81.38	35531	28671	6860	80.69	17637	14597	3040	82.76
1986-87	61623	49538	12085	80.39	41416	32837	8579	79.29	20206	16701	3505	82.65
1987-88	69809	56977	12832	81.62	46623	37666	8957	80.79	23186	19311	3875	83.29
1988-89	80911	66926	13985	82.72	54251	44474	9777	81.98	26660	22452	4208	84.22
1989-90	96401	77693	18708	80.59	65324	51636	13688	79.05	31077	26057	5020	83.85
1990-91	105182	87722	17460	83.40	69525	57577	11948	82.81	35657	30145	5512	84.54
1991-92	128215	103198	25017	80.49	83227	67361	15866	80.94	44989	35837	9152	79.66
1992-93	143215	114166	29049	79.72	94637	74636	20001	78.87	48578	39530	9048	81.37
1993-94	155430	121961	33469	78.47	98024	75742	22282	77.27	57407	46219	11188	80.51
1994-95	188083	147849	40234	78.61	116160	92297	23863	79.46	71923	55552	16371	77.24
1995-96	221128	175259	45869	79.26	139269	111224	28045	79.86	81860	64035	17825	78.23
1996-97	249287	201056	48231	80.65	162218	129762	32456	79.99	87070	71294	15776	81.88
1997-98	267537	213065	54472	79.64	169501	131626	37875	77.65	98036	81439	16597	83.07
1998-99	295649	233020	62629	78.82	188586	143797	44789	76.25	107063	89223	17840	83.34
1999-00	358990	284594	74396	79.28	234754	181752	53002	77.42	124236	102842	21394	82.78
2000-01 (RE)	403493	319787	83706	79.25	260139	198321	61818	76.24	143354	121466	21888	84.73
2001-02 (BE)	463996	371382	92614	80.04	295858	226649	69209	76.61	168138	144733	23405	86.08

Note: Non-tax revenue does not include transfer of funds, adjustments etc.

Table 2: Share of Individual Taxes in Total Tax Receipts of the Centre and States (Per cent)										
Year	**Tax Revenue**	**Direct Taxes**				**Indirect Taxes**				
		Total	**Corporate income tax**	**Personal income tax**	**Others**	**Total**	**Customs duties**	**Union excise duties**	**General sales tax**	**Others**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
1980-81	100	16.47	6.61	7.59	2.27	83.53	17.18	32.76	20.46	13.13
1981-82	100	17.12	8.16	6.11	2.85	82.88	17.81	30.74	21.18	13.15
1982-83	100	16.49	8.02	5.76	2.71	83.51	18.79	29.58	21.02	14.12
1983-84	100	15.57	7.91	5.39	2.27	84.43	17.71	32.42	20.68	13.62
1984-85	100	14.88	7.14	5.38	2.36	85.12	19.66	31.14	20.62	13.71
1985-86	100	14.45	6.62	5.80	2.03	85.55	22.02	29.94	20.35	13.24
1986-87	100	13.91	6.38	5.81	1.72	86.09	23.16	29.21	20.27	13.45
1987-88	100	13.13	6.03	5.60	1.50	86.87	24.05	28.83	20.50	13.49
1988-89	100	14.58	6.59	6.40	1.59	85.42	23.62	28.15	20.51	13.15
1989-90	100	14.37	6.09	6.54	1.75	85.63	23.21	28.84	20.28	13.30
1990-91	100	13.98	6.08	6.13	1.76	86.02	23.53	27.95	20.88	13.67
1991-92	100	16.14	7.61	6.52	2.01	83.86	21.57	27.24	21.30	13.76
1992-93	100	16.98	7.79	6.92	2.27	83.02	20.83	27.01	21.15	14.04
1993-94	100	17.80	8.25	7.48	2.07	82.20	18.20	25.99	23.26	14.75
1994-95	100	19.53	9.35	8.14	2.05	80.47	18.12	25.26	22.50	14.59
1995-96	100	20.41	9.41	8.90	2.11	79.59	20.40	22.93	20.40	15.86
1996-97	100	20.52	9.28	9.11	2.13	79.48	21.42	22.50	22.12	13.44
1997-98	100	20.15	9.39	8.03	2.73	79.85	18.87	22.51	23.07	15.40
1998-99	100	21.08	10.53	8.69	1.86	78.92	17.45	22.85	22.94	15.68
1999-00	100	22.16	11.18	9.34	1.64	77.84	17.63	22.54	22.83	14.83
2000-01 (RE)	100	24.43	12.11	11.03	1.29	75.57	15.57	22.10	23.59	14.31
2001-02 (BE)	100	24.28	11.90	10.93	1.44	75.72	14.76	22.01	23.69	15.27
Source:	**Computed on the basis of data compiled from Government of India (2001-02), Indian Public Finance Statistics, Ministry of Finance, Department of Economic Affairs, Economic Division, Table 1.2, pp.4-5, and earlier years.**									

Table 3: Share of Individual Taxes in Receipts of the Centre and States from Direct and Indirect Taxes (Per cent)									
Year	**Direct Taxes**				**Indirect Taxes**				
	Total	**Corporate income tax**	**Personal income tax**	**Others**	**Total**	**Customs duties**	**Union excise duties**	**General sales tax**	**Others**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1980-81	100	40.11	46.09	13.80	100	20.57	39.21	24.50	15.72
1981-82	100	47.66	35.70	16.64	100	21.49	37.09	25.56	15.86
1982-83	100	48.63	34.95	16.42	100	22.50	35.42	25.17	16.90
1983-84	100	50.79	34.62	14.58	100	20.98	38.40	24.49	16.13
1984-85	100	47.96	36.17	15.87	100	23.10	36.58	24.22	16.10
1985-86	100	45.83	40.14	14.03	100	25.74	35.00	23.79	15.47
1986-87	100	45.87	41.79	12.34	100	26.91	33.93	23.55	15.62
1987-88	100	45.88	42.67	11.46	100	27.69	33.19	23.60	15.53
1988-89	100	45.17	43.90	10.93	100	27.65	32.96	24.01	15.39
1989-90	100	42.36	45.49	12.15	100	27.11	33.68	23.68	15.53
1990-91	100	43.52	43.86	12.62	100	27.36	32.49	24.27	15.89
1991-92	100	47.15	40.41	12.44	100	25.72	32.48	25.40	16.40
1992-93	100	45.90	40.73	13.37	100	25.09	32.53	25.48	16.91
1993-94	100	46.33	42.02	11.65	100	22.14	31.62	28.30	17.95
1994-95	100	47.87	41.66	10.48	100	22.52	31.39	27.96	18.13
1995-96	100	46.09	43.59	10.33	100	25.64	28.81	25.63	19.92
1996-97	100	45.23	44.42	10.36	100	26.95	28.31	27.83	16.91
1997-98	100	46.62	39.83	13.55	100	23.63	28.19	28.89	19.29
1998-99	100	49.95	41.21	8.84	100	22.11	28.95	29.07	19.86
1999-00	100	50.44	42.16	7.41	100	22.66	28.96	29.33	19.05
2000-01 (RE)	100	49.57	45.16	5.27	100	20.60	29.25	31.21	18.94
2001-02 (BE)	100	49.03	45.03	5.94	100	19.50	29.06	31.28	20.16
Source:	**Computed on the basis of data compiled from Government of India (2001-02), Indian Public Finance Statistics, Ministry of Finance, Department of Economic Affairs, Economic Division, Table 1.2, pp.4-5, and earlier years**								

Table 4: Tax Revenue of the Centre and the States as percentage of GDP at Current Market Prices: 1980-81 to 2001-02									
									(Per cent)
Year	**Total Tax Revenue of Centre and states (A+B)**			**Central taxes (gross) (A)**			**States' own taxes (B)**		
	Total	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1980-81	**13.80**	**2.27**	**11.53**	**9.17**	**2.09**	**7.08**	**4.64**	**0.19**	**4.45**
1981-82	14.32	2.45	11.87	9.40	2.25	7.15	4.92	0.21	4.71
1982-83	14.47	2.39	12.08	9.40	2.20	7.20	5.07	0.19	4.88
1983-84	14.36	2.24	12.13	9.44	2.05	7.39	4.92	0.19	4.74
1984-85	14.59	2.17	12.42	9.56	1.95	7.61	5.03	0.22	4.81
1985-86	15.56	2.25	13.32	10.31	2.02	8.29	5.25	0.23	5.02
1986-87	15.92	2.21	13.71	10.55	2.00	8.55	5.37	0.21	5.16
1987-88	16.08	2.11	13.97	10.63	1.91	8.72	5.45	0.21	5.24
1988-89	15.88	2.31	13.56	10.55	2.09	8.46	5.33	0.22	5.11
1989-90	**15.98**	**2.30**	**13.68**	**10.62**	**2.06**	**8.56**	**5.36**	**0.24**	**5.12**
1990-91	15.43	2.16	13.27	10.12	1.94	8.19	5.30	0.22	5.08
1991-92	15.80	2.55	13.25	10.31	2.35	7.96	5.49	0.20	5.29
1992-93	15.26	2.59	12.66	9.97	2.42	7.55	5.28	0.17	5.12
1993-94	14.19	2.53	11.67	8.82	2.36	6.45	5.38	0.16	5.21
1994-95	14.60	2.85	11.75	9.11	2.66	6.45	5.49	0.19	5.30
1995-96	14.75	3.01	11.74	9.36	2.83	6.54	5.39	0.19	5.20
1996-97	14.62	3.00	11.62	9.41	2.84	6.57	5.21	0.16	5.05
1997-98	13.99	2.82	11.17	8.65	2.67	5.97	5.35	0.15	5.20
1998-99	13.38	2.82	10.56	8.26	2.68	5.58	5.12	0.14	4.98
1999-00	**14.23**	**3.15**	**11.08**	**8.90**	**3.00**	**5.90**	**5.33**	**0.15**	**5.18**
2000-01(RE)	15.31	3.74	11.57	9.50	3.57	5.93	5.82	0.17	5.64
2001-02(BE)	16.21	3.93	12.27	9.89	3.72	6.17	6.32	0.21	6.10
Buoyancy w.r.t. GDP									
1980-90	1.13	0.96	1.16	1.14	0.94	1.20	1.11	1.16	1.11
1990-00	0.90	1.23	0.83	0.86	1.26	0.72	0.98	0.73	0.99
Source:	**Computed on the basis of data compiled from Government of India (2001-02), Indian Public Finance Statistics, Ministry of Finance, Department of Economic Affairs, Economic Division, Tables 4.1 and 4.3, pp.34-38**								

Table 5: Gross Tax Receipts of Central Taxes as Percentage of GDP at Current Market Prices									
Year	Tax revenue	Direct Taxes				Indirect Taxes			
		Total	Corporate income tax	Personal income tax	Others	Total	Customs duties	Union excise duties	Others
1	2	3	4	5	6	7	8	9	10
1980-81	**9.17**	**2.09**	**0.91**	**1.05**	**0.13**	**7.08**	**2.37**	**4.52**	**0.19**
1981-82	9.40	2.25	1.17	0.88	0.20	7.15	2.55	4.40	0.20
1982-83	9.40	2.20	1.16	0.83	0.20	7.20	2.72	4.28	0.20
1983-84	9.44	2.05	1.14	0.77	0.14	7.39	2.54	4.66	0.19
1984-85	9.56	1.95	1.04	0.79	0.13	7.61	2.87	4.54	0.20
1985-86	10.31	2.02	1.03	0.90	0.09	8.29	3.43	4.66	0.20
1986-87	10.55	2.00	1.02	0.93	0.06	8.55	3.69	4.65	0.21
1987-88	10.63	1.91	0.97	0.90	0.04	8.72	3.87	4.64	0.22
1988-89	10.55	2.09	1.05	1.01	0.04	8.46	3.75	4.47	0.24
1989-90	**10.62**	**2.06**	**0.97**	**1.03**	**0.06**	**8.56**	**3.71**	**4.61**	**0.24**
1990-91	10.12	1.94	0.94	0.95	0.06	8.19	3.63	4.31	0.24
1991-92	10.31	2.35	1.20	1.03	0.12	7.96	3.41	4.30	0.25
1992-93	9.97	2.42	1.19	1.06	0.18	7.55	3.18	4.12	0.25
1993-94	8.82	2.36	1.17	1.06	0.13	6.45	2.58	3.69	0.18
1994-95	9.11	2.66	1.36	1.19	0.11	6.45	2.65	3.69	0.12
1995-96	9.36	2.83	1.39	1.31	0.13	6.54	3.01	3.38	0.14
1996-97	9.41	2.84	1.36	1.33	0.15	6.57	3.13	3.29	0.15
1997-98	8.65	2.67	1.31	1.12	0.23	5.97	2.64	3.15	0.18
1998-99	8.26	2.68	1.41	1.16	0.11	5.58	2.34	3.06	0.19
1999-00	**8.90**	**3.00**	**1.59**	**1.33**	**0.08**	**5.90**	**2.51**	**3.21**	**0.18**
2000-01 (RE)	9.50	3.57	1.85	1.69	0.02	5.93	2.38	3.39	0.16
2001-02 (BE)	9.89	3.72	1.93	1.77	0.02	6.17	2.39	3.57	0.21
Buoyancy w.r.t. GDP									
1980-90	1.14	0.94	0.94	1.09	-0.33	1.20	1.44	1.03	1.20
1990-00	0.86	1.26	1.30	1.22	1.22	0.72	0.74	0.70	0.69

Notes:

1. **The category others under direct taxes includes estate duty, interest tax, wealth tax, gift tax, land revenue, agricultural tax, hotel receipts tax, and expenditure tax.**
2. **The category others under indirect taxes includes service tax, foreign travel tax, stamp & registration fees, taxes on vehicles, entertainment tax, taxes on goods and passengers, taxes and duty on electricity, taxes on purchase of sugarcane, inter-state transit duties, advertisement tax, education cess, tax on raw jute, and betting tax.**

Source: **Computed on the basis of data compiled from Government of India (2001-02), Indian Public Finance Statistics, Ministry of Finance, Department of Economic Affairs, Economic Division, Table 2.2, pp.16-17, and earlier years.**

Table 6: Revenue Receipts of States' Own Taxes as Percentage of GDP at Current Market Prices							
Year	Tax Revenue	Direct Taxes	Indirect Taxes				
			Total	State excise duties	General sales tax (GST)	Stamp & registration fees	Others
1	2	3	4	5	6	7	8
1980-81	**4.64**	**0.19**	**4.45**	**0.58**	**2.71**	**0.30**	**0.86**
1981-82	4.92	0.21	4.71	0.67	2.91	0.31	0.83
1982-83	5.07	0.19	4.88	0.72	2.92	0.31	0.93
1983-84	4.92	0.19	4.74	0.72	2.86	0.29	0.87
1984-85	5.03	0.22	4.81	0.76	2.89	0.29	0.88
1985-86	5.25	0.23	5.02	0.75	3.04	0.31	0.93
1986-87	5.37	0.21	5.16	0.78	3.10	0.33	0.96
1987-88	5.45	0.21	5.24	0.81	3.16	0.36	0.91
1988-89	5.33	0.22	5.11	0.73	3.12	0.35	0.90
1989-90	**5.36**	**0.24**	**5.12**	**0.80**	**3.10**	**0.38**	**0.84**
1990-91	5.30	0.22	5.08	0.84	3.09	0.37	0.79
1991-92	5.49	0.20	5.29	0.84	3.23	0.41	0.81
1992-93	5.28	0.17	5.12	0.84	3.09	0.39	0.80
1993-94	5.38	0.16	5.21	0.83	3.20	0.41	0.77
1994-95	5.49	0.19	5.30	0.77	3.27	0.49	0.77
1995-96	5.39	0.19	5.20	0.72	3.00	0.50	0.99
1996-97	5.21	0.16	5.05	0.65	3.22	0.46	0.73
1997-98	5.35	0.15	5.20	0.75	3.22	0.47	0.77
1998-99	5.12	0.14	4.98	0.77	3.06	0.43	0.72
1999-00	**5.33**	**0.15**	**5.18**	**0.78**	**3.24**	**0.44**	**0.71**
2000-01(RE)	5.82	0.17	5.64	0.78	3.60	0.49	0.78
2001-02(BE)	6.32	0.21	6.10	0.84	3.83	0.52	0.92
Buoyancy w.r.t. GDP							
1980-90	1.11	1.16	1.11	1.20	1.11	1.20	1.03
1990-00	0.98	0.73	0.99	0.88	1.01	1.15	0.93

Notes:

1. **The category direct taxes includes land revenue, agricultural tax, hotel receipts tax, and taxes on professions, trade, callings and employment, and non-urban immovable properties etc.**
2. **The category others under indirect taxes includes tax on vehicles, goods & passengers, tax and duty on electricity, entertainment tax, inter-state transit duties, advertisement tax, education cess, tax on raw jute, and betting tax.**
3. **GST is inclusive of tax on motor spirit, and purchase tax on sugarcane.**

Source: **Computed on the basis of data compiled from Government of India (2001-02), Indian Public Finance Statistics, Ministry of Finance, Department of Economic Affairs, Economic Division, Table 3.2, pp.28, and for earlier years.**

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