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Tax Reform in India

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The paper traces the development and structure of tax revenues in India since independence. An understanding of the background to India's current severe fiscal problems is crucial to the design of policy to overcome them. At an aggregate level to surges in deficits and debts took place in the 1950s and 1980s. These were decades both of faster growth and or more ambitious economic policies, although the direction of the policies was rather different in the two decades. The structure of taxation appears to have been influenced both by centre-state allocations and relations and by development policy. India has seen a number of valuable reports by government commissions on taxation, and the major ones are reviewed. The most recent report, by the Chelliah Committee, has been of particular comprehensiveness and value. Prominent amongst all the reports has been a recognition of the absence of progress in collecting the personal income tax. The paper concludes by specifying a number of topics for further research, emphasising political economy, income distribution, centre-state relations and allocations, and the integration of tax policy with changing views of the role of the state and towards trade and industrial policy.

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Summary

The paper traces the development and structure of tax revenues in India since independence. It describes the development of, and background to, the severe fiscal problems India now faces. An understanding of this background is a basic requirement for the design of measures and reforms to overcome these problems. At an aggregate level, the surges in deficits and debts took place in the 1950s and 1980s. These were decades both of faster growth and of more ambitious economic policies, although the direction of the policies was rather different in the two decades. Within the former there was a big push for heavy industry with economic planning playing a key role and a sharp expansion in the capital expenditure of the centre, whereas the latter saw some progress in liberalisation, a fall in capital expenditure and a substantial rise in revenue expenditure. The structure of taxation appears to have been influenced both by centre-state allocations and relations and by development policy. Those taxes which are not subject to revenue sharing, customs (for the centre) and sales (for the states) have shown strongest growth in revenues whereas those subject to sharing (excises and particularly the personal income tax) have performed less well in revenue terms. The role of customs has not, in the last two decades, shown the decline in importance typical of other regions. The behaviour of customs revenues may be linked over the last four decades with, at first, protectionist policies, and then later the start of a replacement of quotas by tariffs, together with developing revenue pressures and difficulties with

other tax instruments. Income taxes in particular have performed consistently badly, in terms of revenue, over the last four decades and there has been a shift within tax structure from direct to indirect taxes.

India has seen a number of valuable reports by government commissions on taxation, and the major ones are reviewed. Certain themes in the proposed reforms have remained constant. Prominent amongst these have been the recognition of absences both of progress in collecting personal income taxes (by the centre) and of serious attempts (by the states) to tax agricultural incomes. Some reform of indirect taxation, in terms of MODVAT, occurred in the mid 1980s in response to the Jha Committee, but much remains to be done. Concern with restricting evasion has steadily increased throughout the period, however few recommendations to prevent evasion have had much effect and a large proportion of income and of value-added remains outside the tax net. The most recent report, by the Chelliah Committee, has been of particular comprehensiveness and value.

The paper concludes by specifying a number of topics for further research, emphasising political economy, income distribution, centre-state relations and allocations, and the integration of tax policy with changing views of the role of the state and of trade and industrial policy. All such analyses should be seen in relation to the central importance of reducing the budget deficit.

\$1. Introduction

The total public revenues of the Indian government have grown from around 8% of GDP at independence to a proportion in the late 1980s of over 20% (see Table 1) . This current proportion does not compare unfavourably with other countries at similar levels of income (see Burgess and Stern, 1992a). Nevertheless India faces a severe macroeconomic fiscal challenge since expenditure has grown from 10% of GDP to just under 30% and total debt from around 30% of GDP to around 60% in a similar period (see Tables 1 and 6). The challenge has several further dimensions in addition to the macroeconomic problems reflected in these figures. These are: microeconomic; administrative; political; federal; and strategic. The microeconomic tax structure is in many respects unsatisfactory, leading to misallocations of resources and impediments to growth. Administratively and politically there are fundamental problems with widespread evasion and disrespect for the tax system, coupled with intrusiveness and fear of arbitrary enforcement. The balance between the centre and the states in India's federal structure is a delicate one, with significant political and constitutional stresses and constraints. Finally, any tax policy should be consistent with India's change to a more open and market-oriented development strategy.

The purpose of this paper is to examine the emergence of the current problems in relation to the dimensions described, paying particular attention to the series of discussions, analyses,

commissions and proposals which have accompanied their development. An understanding of the historical and structural background to India's severe fiscal problems should be a crucial ingredient in the design of policy to overcome them. We shall therefore be looking backwards rather than making proposals for reform. There is little doubt that substantial reform in India's tax system should come, and preferably sooner rather than later. This is well recognised, both by those with responsibility for economic policy in India and by many commentators on the Indian economy. Proposals for reform are high on the agenda. The establishment of and excellent work by the Chelliah Committee (Reports of 1991 and 1992) are of great significance here. The paper should be seen as part of a contribution to the current reform discussion in its intention to assist understanding of how the difficulties arose. There is also some attempt to identify some of the problems which may emerge in future reforms and to describe earlier discussions and views of committees charged with reviewing the system and making recommendations for change. In accompanying and future papers we intend to look more closely at possibilities for reform.

In some respects, the fundamentals of India's tax structure have changed little since the Government of India Act in 1935 set out the basic assignments of revenues and responsibilities to the centre and the states. The assignments were subsequently embodied in the Indian constitution of 1947. However, in terms of the relative importance of sources of revenue, there have been important changes. For example, land revenue has declined almost

to the point of insignificance and the salt tax has been abolished, whilst excises, sales taxes and customs duties have increased greatly. Income taxes have declined in importance and play a relatively small role in total revenue. In response to pressures on resources central governments have turned for revenue to excises and customs and state governments to sales taxation, with rates being raised and bases extended. In the process a somewhat 'ad hoc' structure has arisen with new goods being brought into the tax net and rates on certain goods being increased in response to the pressures of the day.

In the next section (§2) of the paper we shall describe how the revenues from the most important taxes have developed since independence, separating state and centre sources. In a number of important respects, India's pattern of revenue has evolved in ways different from those observed elsewhere. Excises play a relatively large role partly due to the nature of centre-state tax allocations. The role of customs declined as a proportion of total revenue, in accord with development patterns described, for example, by Hinrichs (1966), for around 20 years from the early 1950s, but they then rose during the next two decades. The relative contribution of income taxes has stubbornly refused to show an upward trend.

Some of the factors which influenced the historical evolution of the tax structure are described in §3. These include: growing government expenditure, particularly rising subsidies and defence expenditure; the centre's relationships

with and enhanced transfers to the states; emerging pressures of debt service; and development strategy. We shall argue, for example, that the growth of revenues is influenced by the incentives the collecting agent faces (centre or state) in terms of the share of taxes retained. We shall also see that the pattern of revenues is linked to the development strategies followed. The role for customs, for example, was limited by the degree of openness of the economy, which was partially restrained in the earlier stages by import-substitution strategies.

The fourth section (§4) of the paper is devoted to an account of the various previous reports and enquiries. There is a long tradition of distinguished Indian economists and public servants examining public policy matters, and taxation is no exception. It is striking that some themes such as the need to increase the role of the income tax have been constant, whilst others, for example, the desire to promote savings have declined, and others such as the problems of evasion have risen in importance. The final section contains concluding comments which look forward to problems of tax design and research on that design in relation to the historical experience reflected here.

§2. Level and Structure of Taxation in India

§2.1 Introduction

In this section we aim to provide a quantitative picture of the level and structure of taxation in India over the period

1950-1989. We look, in §2.2, at the level and structure of taxation for the country as a whole. Revenue performance in India is placed in international perspective through a brief comparison with the level and structure of taxation in other developing economies (see Burgess and Stern, 1992a). Comparison with expenditure trends in India over the 1950-1989 period also provides a rough measure of the adequacy of revenue generation.

The functioning of the tax system is complicated by the constitutional position of the federation whereby taxation and expenditure powers are divided between central and state governments. It is therefore appropriate to look at the public finances of these two entities separately. In §2.3 we examine central taxation and in §2.4, taxation by the states.

The bulk of data utilized in this section is extracted from various issues of the Government of India, Indian Economic Statistics (Public Finance) which cover the years 1950 to 1989. Aside from providing a lengthy time horizon, these statistics allow us to separate central and state public finances and provide relatively fine disaggregations of revenue headings at each of these levels. Data from this source are presented in tabular form in Tables 1-6 and in diagrammatic form in Figures 1 to 13, which are appended to the paper.

§2.2 Combined Centre and State Tax Revenue

As can be seen in Figure 1 and Table 1 the growth of tax

revenue in India has been quite impressive, rising from a meagre 6.7% of GDP in 1950-51 to 16.2% of GDP in 1988-89.³ This growth partly reflects an increase in the role of the government. Increasing the revenue potential of the Indian state was consistently high within policy priorities and represented an integral part of the planning process (see §3, §4, and Gupta, 1988). The average level of taxation in India for 1987 (17% of GDP) is below the average for developing countries⁴ as a whole for that year (18% of GDP), but is above the tax share exhibited by low-income developing economies⁵ in 1987 (14% of GDP). Overall tax revenue in India for 1987 was low compared to the high-income developing countries⁶ (19.8% of GDP) and the industrial nations⁷ (31.2% of GDP). International comparisons should not be confused with normative statements in this regard. Indeed, some countries attach great importance to keeping down or reducing tax ratios. India has, however, regarded it as appropriate for the state to take on major burdens and has had rising expenditure commitments as we shall see below.

³ The growth of non-tax revenue has been less marked, with most years between 1950 and 1988 recording a figure of between 2 and 3 per cent of GDP (see Table 1).

⁴ Defined as countries with 1987 GNP per capita below \$6000 (see Burgess and Stern, 1992a, Table 3.2).

⁵ Defined as countries with 1987 GNP per capita below \$360. For 1987, GNP per capita in India stood at \$311 (see Burgess and Stern, 1992a, Table 3.2).

⁶ Defined as countries with 1987 GNP per capita between \$1620 and \$6000 (see Burgess and Stern, 1992a, Table 3.2).

⁷ Defined as countries with 1987 GNP per capita above \$6000 (see Burgess and Stern, 1992a, Table 3.2).

Aside from increased tax effort by the government, several structural trends in the economy have combined to increase the level of taxation during the period 1950-89. First, there has been a decrease in the share of agriculture in GDP.⁸ The increase in the size of the non-agricultural sector has contributed to a rise in tax collections as this sector is easier to tax, and because the agricultural sector in India has remained largely untaxed (putting to one side questions of how government policy has influenced prices faced by the agricultural sector - see Ahmad and Stern, 1991). Second, the need to finance growing debt and deficits (see Figures 3 and 4) has generated calls to raise additional revenue through tax increases given the downward inflexibility of much of public expenditure (see §3.3). Third, a growing share of imports in GDP during the 1970s (see Figure 6) facilitated a higher overall tax ratio as imports provide a significant base for import duties as well as excises and sales taxes.⁹

An examination of revenue, however, cannot proceed sensibly without considering expenditure. As can be seen from Figure 3, the time series for total government expenditure (as a percentage of GDP) lies consistently above that for total government revenue for the period 1950-89. The rapid growth in expenditures

⁸ The share of agriculture in GDP has decreased from 48% in 1960-61 to 30% in 1985-86 (see Chandhok et al., 1990, Table 1.7(c)).

⁹ As Figure 6 and Table 7 demonstrate, the share of customs revenue in GDP has increased in the face of a falling share of imports in GDP in the 1980s. These revenue gains must be accounted for, both by an increase in customs rates and by a switch from quantitative to price/tariff controls (see §3.4).

reflected a number of desires and pressures including the establishment of a substantial government sector, problems of defence and a wish to subsidise certain sectors and activities. The overall deficit (expenditure less revenue) has been, on the whole, widening over this period, accelerating in the 1980s and accounting for roughly 10% of GDP in the late 1980s (see Figure 3 and Table 1). One consequence of these developments has been the accumulation of debt in the Indian economy. The share of debt in GDP has roughly doubled over the 1950-89 period from 30% in 1950 to over 60% in the late 1980s (see Figure 4, Table 6 and §3.2).

The implication then is that, although there has been a concerted attempt by various administrations to raise revenue in line with expenditure (see §4), such attempts have been broadly unsuccessful. There have been unwelcome consequences for macroeconomic variables such as debt and inflation, which accelerated towards the close of the 1980s.

We now examine the structure of combined government tax revenue, and how it has been changing, in relation to the position of other developing and industrial nations in 1987 (see Burgess and Stern, 1992a) and in relation to the principles of public finance. We shall focus on principles deriving from the basic criteria of efficiency, equity and simplicity. In the next section we shall see that the dominant forces shaping the movements of Indian tax structures have been factors other than the simple principles of public finance.

On average, developing countries obtain the bulk of their revenue from (i) domestic taxes on goods and services (5% of GDP and 30% of tax revenue - partly from taxes on sales and partly from excises), (ii) foreign trade taxes (5% of GDP - mainly import duties) and (iii) income taxes (6% of GDP - mainly on corporations). In contrast, the three big sources of government revenue in industrial countries are (i) income taxes (11% of GDP and 36% of tax revenue - mainly on individuals), (ii) domestic taxes on goods and services (9% of GDP and 28% of tax revenue - mainly on sales) and (iii) social security contributions (9% of GDP). It must be recognised that whilst these figures portray an average there is a great deal of variation across countries in both the level of tax and non-tax revenue and the balance within and between them.

As can be seen in Figures 1 and 2 and Table 1, the structure of taxation in India is in a number of respects not far from the average developing country position, but there are important qualifications. In 1987, the bulk of taxation was obtained from (i) domestic indirect taxes (11% of GDP and 63% of tax revenue - mainly from excises and sales tax), (ii) customs duties (4% of GDP and 23% of tax revenue) and (iii) income taxes (2% of GDP and 12% of tax revenue). Compared to both developing and industrial countries there is thus a much stronger contribution from excises (6% of GDP and 34% of tax revenue). This arises in part from the constitutional arrangement whereby state governments are assigned exclusive power to levy sales taxes while the central government has had to rely on excises as its major instrument of domestic

indirect taxation. As a consequence, excises became a major central tax instrument with a more extensive coverage than in most other countries. Taken together, excises and sales taxes account for more than half of total tax revenue in India. Earnings from customs are significant and are of a magnitude (measured as a fraction of GDP) in line with the 1987 average for the developing economies, though clearly much higher than the average for the industrial countries, where they represent an insignificant revenue source. The share of income taxes, in both GDP and tax revenue, in India is relatively small compared to both developing and industrial countries (see Burgess and Stern, 1992a, Table 3.2). In sum, taxation in India is heavily dominated by indirect taxation (15% of GDP and 86% of total tax revenue) as opposed to direct taxation (2% of GDP and 14% of tax revenue).

Also interesting in this cross-sectional comparison are the dynamics of tax structure in India during the 1950-89 period, as shown in Figure 2. Several trends are apparent here. First, there has been a definite decline in the relative share of direct taxation; between 1950 and 1989 this fell from 37% to 14% of total tax revenue.¹⁰ Over this period the share of direct taxation in GDP was roughly constant (see Figure 1).¹¹ Second, the relative share of (state) sales taxes showed a roughly

¹⁰ Stagnancy and decline in the role of direct taxes in India is thought to largely reflect the difficulties of administering direct taxes relative to other tax instruments.

¹¹ It is notable that all of the other major tax types showed a net increase in their share in GDP over the same period.

monotonic increase, rising from 9% of tax revenue in 1950-51 to 20% of tax revenue in 1988-89. Increases since 1970, however, have been marginal. Third, the relative shares of customs duties and union excises in total tax revenue show two distinct and opposing trends (see Figure 2). Between 1950 and 1970 the relative share of customs duties was falling (from 25% to 11% of tax revenue) whilst the share of union excises was rising (from 11% to 37% of total tax revenue). Between 1971 and 1988 both these trends were reversed: the relative share of customs duties rose (from 12% to 24%) while the relative share of union excises fell (from 37% to 28%).

If we confine our attention to the post-1970 period, and in particular to the 1980s (see Figure 2), recent developments in the tax structure in India are worrying as they run counter to the directions which would be suggested from basic public finance principles. Further, other developing countries have shown that tax reforms which do move in these directions can be carried through with some success. There are three groups of taxes which have been shown to be feasible in many contexts and which can be structured in a way which fits with the standard principles of public finance. This is not the place to work through these principles in detail (see, for example Ahmad and Stern, 1991, Stern, 1984, or Newbery and Stern, 1987) but generally speaking they point to the desirability of a mix of the personal income tax, domestic indirect taxes based on final consumption, and excise taxes directed to goods with external diseconomies. They indicate a minor role for corporation taxes (their justification

being mainly as taxes on monopoly rents or foreign incomes) and import tariffs (their justification in theory resting on the existence of learning-by-doing, the infant industry argument). Thus the movements one generally sees in the process of development, i.e. from indirect to direct overall, trade taxation to domestic indirect taxation within indirect taxes, and from corporate to personal within direct taxes, are in accord with what theory would indicate. Generally speaking, as administrative problems become less dominant, basic economic principles can assert themselves. It is largely administrative difficulties with other taxes that lead to the major role for import tariffs and corporate taxation in poor countries (and see §3 below).

The fall in the share of direct taxes in India is not in keeping, neither with these principles nor with historical trends observed elsewhere (see Burgess and Stern, 1992a). India has also seen a rising dependence on foreign trade taxes over the past two decades. What is particularly striking is that the role of foreign trade taxes did indeed decline in the 1950-70 period but was then reversed.

Increasing customs duties runs counter to the desire expressed in India's "New Economic Policy" of 1991 to become better integrated into the global trading system, and indeed was reversed in the budgets of 1991 and 1992. The rising role of customs in the 1970s and 1980s is further illustrated in Figure 6 and Table 7, which compare imports as a fraction of GDP with

customs revenue as a fraction of GDP. The post-1970 increase in the relative share of customs revenue as a fraction of GDP (see Figure 2) is partly explained by an increase in the share of imports in GDP. In the 1980s the fact that customs revenue increased in the face of a declining share of imports arises in part from a rise in customs rates and in part from a replacement of some quantitative restrictions (quotas) by tariff protection. It is not easy to disentangle the relative magnitude of these two effects.

§2.3 Central Taxation

In Figures 7 and 8 we examine the evolution of central taxes as a share of GDP and as shares of total central tax revenue by individual tax type (see Table 2 for original data). The main revenue generators over the entire period have been customs duties and union excises. One notable point is that the central taxes which are shared with the states, i.e. union excises and personal income taxes, exhibit lower revenue growth, than customs duties, which are not shared. This is particularly true of the 1970-90 period when pressures to generate additional revenue were most severe, as indicated by growing deficits and debt (Figures 3,4 and 5 and §3.3). Corporate income taxes which have not been shared since 1959, are an exception to this rule, and possible reasons for this downward trend are discussed below.

Within direct taxes the two major revenue heads are the personal income tax and the corporate income tax, other heads

such as land revenue have made only marginal contributions. The share of personal income taxes in total central tax revenues has declined from 33 percent in 1950-51 to 9 percent in 1988-89 (see Figure 8). This is no doubt in part due to the difficulties of implementing personal income taxes in low income developing economies - difficulties related to problems of income measurement, administrative capability, low literacy and poor accounting. Given the low importance and declining share of personal income taxes in India, it is somewhat difficult to perceive how this tax can act as a major instrument of redistribution, a role to which it is commonly assigned in the Indian tax literature.¹²

This reasoning cannot be so easily applied to the low importance of corporate tax revenues as a share of total tax revenue (see Figure 8).¹³ Corporations are, in principle, visible and easily taxable entities (at least relative to individuals) and, in low income countries where personal income taxation is highly problematic, they typically constitute the principal base of income taxation (see Burgess and Stern, 1992a). The trend shown in India is thus somewhat perverse and out of the ordinary and may be due to a number of factors. First, the limited presence of foreign companies in India, partly due to strict regulations on foreign investment and high rates of

¹² There is a growing realization worldwide that redistribution, if it is to take place, will have to come, in large part, through expenditures (see e.g. Atkinson, 1989).

¹³ These taxes exhibited a fairly constant share in total central tax revenues, standing at 10% in 1950 and in 1989.

corporate taxation on foreign companies (higher than those applicable to domestic corporations), may have restricted the size of the contribution of the multinational sector. Second, the presence of a large public industrial sector, protected by the operation of licensing and other measures which restrict the scope for domestic competition, limits the contribution of private sector enterprises. Third, it is likely that the political clout of the managers and owners of the large public and private sector corporations which dominate Indian industry, has been a factor in obtaining concessions from the government with regard to corporate income taxation.

From Figure 13 it is clear that the centre's tax revenue has risen faster than that of the states' (the latter series being flatter than the former). The expenditure series (as a percentage of GDP) for the centre and states shown in Figures 9 and 12, are of more similar slopes, though the centre series is steeper and both these expenditure series lie above the revenue series. The states have become increasingly dependent on transfers from the centre to meet their rapidly rising expenditures as is illustrated in Figure 12. This experience raises the question as to whether the weaker performance of the states in raising revenue and controlling expenditure is due to poor administration or lack of political will, perhaps associated with the belief that the centre will, ultimately, 'bail them out'.

§2.4 State Taxation

The basic evolution in state tax structure is illustrated using shares of GDP of various taxes as well as their share of total state tax revenue in Figures 10 and 11 respectively (see Table 4 for original data). The only two headings that exhibit monotonic growth, both as a proportion of GDP and tax revenue, are sales taxes and the 'share in central taxation'. Stamps, registration fees and other taxes, and state excise duties (mainly on alcohol) have contributed roughly constant shares of total tax revenue (see Figure 11).

Land revenue, which was the main state direct tax in 1950-51, contributing close to 20 percent of total state tax revenue, on the other hand declined rapidly in importance and by 1989-90 was contributing a meagre 2 percent. This development, which has been witnessed in many developing countries, seems to stem in large part from the political influence of landowners. Land taxation would also be an especially visible tax and as such likely to be particularly fiercely resisted.

The rise in the 'share of central taxes' in state revenue can be explained in terms of the centre acting as 'last resort' in the filling of the rising gap between state expenditures and state (tax and non-tax) revenues, as is illustrated in Figures 12 and 13. The centre-state revenue sharing theme is taken up in greater detail in §3.2.

§3. The Forces Shaping Taxation

§3.1 Introduction

Economic development changes the structure of the economy and the bases available for taxation. There is thus a dynamic relationship between development, base composition and tax policy. For a given set of available bases at a given time, the decision of where to direct tax effort will depend on such considerations as efficiency, equity, administrative capability, and political pressures. From this interaction a broad pattern of tax structure change during the development process emerges. Countries at early stages of development tend to depend on bases which are easy to tax, in particular, foreign trade (see Hinrichs, 1966). As development proceeds, administrative capability increases and the economy becomes more diverse; the 'handles' to which the revenue system may be attached become more numerous. There is, generally, a greater role for domestic indirect taxation and, in later stages, income and social security taxes (see Musgrave, 1959, 1969 and Burgess and Stern, 1992a). The development strategy pursued by a government will alter the pattern of evolution of the tax structure by influencing the growth of different bases and by favouring tax instruments whose effects are in line with other aspects of government policy. For example, in a state pursuing policies designed to promote infant industries, import tariffs may be used both to protect the domestic economy and to generate revenue. Whilst it is notable that, broadly speaking, tax structure change

worldwide has been in the direction of greater consistency with economic efficiency, there is a constant tension in tax policy between revenue requirements and efficiency (see Burgess and Stern, 1992a). Mounting debt and deficits can lead to pressure to resort to taxes which are disruptive or distortionary but which nonetheless generate significant revenue at low collection cost (e.g. export taxes, import duties, and, implicitly, the inflation tax).

In this section we would like to examine these influences in the context of India in order to provide a brief explanation of the patterns of changes in tax level and structure presented in §2. An embedded political-legal factor, namely the division of tax powers between the centre and states, has been a basic determinant of tax structure in India up to the present day. Certain features of centre-state relations as embodied in tax assignment and revenue sharing, which are discussed in §3.2, have introduced a number of disincentives and anomalies into the functioning of the tax system. In §3.3 we briefly examine how the inward looking development strategy pursued by successive Indian governments, in particular as regards trade and industrial policy, may have affected the dynamics of tax level and structure change. In §3.4 we examine the role of rising deficits and debt in weakening the system of public finances in India and in contributing to a sacrifice of efficiency for revenue potential in the selection of tax instruments.

§3.2 Centre-State Relations

Under the Government of India Act of 1935, the British Government provided for strong financial control by the federal government together with important elements of provincial autonomy. It allocated tax instrument and expenditure responsibilities between the centre and states and also provided for grants to the provinces (see Lizy, 1990). After independence and at the time of the drafting of the Indian Constitution, the Sarkar Committee was established to examine centre-state financial relations. It recommended that 60% of the entire income tax revenue (including corporation tax) and certain other federal revenues be given to the states. It also suggested setting up a "Finance Commission" to deal with matters relating to the division of resources between the union and the states. The Finance Commission would be appointed to settle these issues once every five years.

The Constitution of India, 1950, set out broad principles for the allocation of taxation and expenditure responsibilities and also of grants-in-aid. Taxes on the union list, assigned to the centre, include personal income tax, corporation tax, wealth tax, customs duties and excises. Taxes assigned to the states include land revenue, agricultural income tax, sales tax and excises on alcohol. Expenditure responsibilities are also divided between the centre and the states - a union list that includes defence, railways, posts and telegraph, foreign and inter-state trade, and certain important industries, and a state list that

includes public order, public health, education, agriculture and fisheries. A concurrent list, whose headings are under the jurisdiction of both the centre and states, includes industrial monopolies, social security and charities (see Lakdawala, 1967, Bhargava, 1982 and Lizy, 1990).

A problem of the Indian pattern of tax and expenditure assignment has been the inadequacy of the assigned tools, or of the willingness or ability of the states, to generate revenue relative to perceived expenditure needs. It is the task of the Finance Commission, meeting every five years, to recommend the transfer of resources from the centre to the states to bridge the expenditure-revenue gap. The Finance Commissions (the ninth of which reported in December, 1989) have two main responsibilities, they distribute the net proceeds of personal income and excise tax between the union and the states, and they establish the guidelines for the distribution of grants-in-aid of state revenues from the Consolidated Fund of India (see Bhargava, 1982).

It is clear from Figures 1,2,7,8,10 and 11 that the shares of different central and state taxes, with respect to tax revenue and GDP, have been variable, with customs, excises and sales taxes constituting the main tax revenue generators for the economy (see §2). The basic structure of the Indian tax system, in terms of the set of instruments employed, however, has changed little over the 1950-89 period and is, in essence, a legacy of the Indian Constitution and the Government of India Act of 1935.

This federal system of taxation has led to a number of difficulties, some of which are described below.

Examining Figures 1 and 2 and Table 1, it is notable that the taxes which have risen most strongly relative to GDP are those which are not shared, namely customs duties and sales tax. In looking at developments over time we should bear in mind a 'normal' pattern of relative growth in domestic tax revenues and decline in customs. The personal income tax, collected by the centre with the bulk (currently 85%) of revenue transferred to the states, has stayed in the region of 1% of GDP for the last 40 years, and below 1% for much of the 1980s, declining as a fraction of total tax revenue. Union excises, again collected by the centre with a large proportion (currently 45%) of revenues transferred to the states, have also declined as a proportion of tax revenue over the last twenty years. What these trends may imply is that, from the perspective of the central authorities, the fact that large proportions of excises and income tax are transferred to the states acts as a disincentive to the development of these revenue sources and tax collection. Discussions with the central tax reinforce this impression. These trends together with the discussions are strongly suggestive of the disincentive hypothesis i.e. lower shares in revenue for the centre for a source imply a lesser role for that source in revenue expansion and collection. These results are only suggestive - formal hypothesis testing would need a model of how taxes would have been set and collected under a different sharing regime. The construction of such a model in a convincing

manner would encounter a number of difficulties, including the specification of the determinants of government behaviour. It is a task which is not attempted here.

The pattern of tax assignment codified in the constitution meant that, for domestic indirect taxation, the central government had to rely on union excises. The growth of the domestic industrial base has been associated with an expansion both in the coverage and in the rates of union excises during the 1950-89 period. Most of that expansion, however, took place in the period to the mid 1970s after which there has been little or no expansion in revenue as a fraction of GDP (and a declining share in total tax revenue). Excises are levied at a variety of rates, and the system has evolved in an *ad hoc* manner to become both unwieldy and overly complex. Also as a result of excise expansion, the tax bases of union excises and state sales taxes have become similar, leading to problems of both double taxation and cascading. The administration of these two taxes is, on the whole, not coordinated. These factors suggest that simplification and reform to improve the coherence and efficiency of domestic indirect taxation is overdue (see Burgess and Stern, 1992b).

Problems of centre-state financial relations have led to serious weaknesses and problems with state-level taxation. We consider a number of these in turn (see also Rao, 1992). First, over the years, in response to revenue pressure, the state sales tax has become complicated and distorting. Increasing resort to taxing inputs has introduced a high degree of cascading. Second,

inter-state competition has led to state-wise schemes for sales tax incentives for industrialisation with a resultant structure with little apparent logic in overall locational efficiency. Third, the imposition of Central Sales Tax (CST) at 4% on inter-state trade, which is origin based and distinct from the state sales tax, has in part segregated the states' economies into different tariff zones and substantially reduced the potential gains accruing from a common market.¹⁴ There have also been problems of CST being evaded by the consignment method, whereby consignments between subsidiaries of the same company are not subject to CST. The introduction of the consignment tax to correct for this has been delayed, partly since the centre, with its obligation to facilitate flows between states, does not wish to see origin-based taxation reinforced in this way.

§3.3 Trade and Industrial Policy

The development strategies followed in India, as reflected, for example, in budget speeches or Government of India, Economic Surveys for the period 1950-1989, reveal interrelationships between tax structure and trade, industrial and macro policies. In this subsection we trace some aspects of the interplay between these factors and thus provide some partial explanation for the trends observed in §2.

¹⁴ This is against the spirit of the Indian constitution which endorsed free movement of goods between the different states

Trade policy for much of the 19th century was based on the principle of *laissez-faire*, and industrial policy was centred on increasing the growth of external trade with Britain. The emergence and growth of large industries whose output was destined for the domestic market took place in the latter half of the 19th century, in particular in the areas of cotton textiles and steel. The First World War provided further impetus for the development of Indian industry (see Bhagwati and Desai, 1970).

A break from the policy of free trade came during the interwar years following the convening of the First Fiscal Commission in the UK (1921), which reported in favour of protectionist policy. These recommendations were adopted in British India, and Tariff Boards granted protection to a large number of Indian enterprises thus initiating a lengthy period of protectionism.¹⁵ The share of tariffs in total tax revenue expanded significantly. Tariffs were tightened during the Second World War to conserve foreign exchange.

Following independence in 1947, there was a shift towards quantitative restrictions which was reflected in a drop in customs revenue (see Figures 1,2,7 and 8). A conscious and systematic effort was made from the mid 1950s to promote self-reliance and balanced growth, and there was an ambitious

¹⁵ In practice a domestic producer was granted protection whenever it could be shown that the domestic output displaced more imports than it required, directly or indirectly, for its production (Bhagwati and Desai, 1970).

programme of import-substitution-led industrialisation.¹⁶ The period from 1951 to 1966 was characterized by a gradual reduction in the role of trade taxes relative to taxes on (rising) domestic supply. Excises expanded rapidly whilst state sales tax capacity was gradually built up (see Figures 1,2 and Table 1).

This period came to an end in 1966 with the devaluation of the rupee in response to a growing balance-of-payments problem which had arisen, in part, as the result of growing food grain imports exacerbated by the severe droughts of the mid 1960s.¹⁷ In response to revenue shortfalls, there was an expansion in the coverage and rates of both customs duties and excises and a tightening of import licensing. At the same time, the late 1960s and early 1970s saw a rapid expansion of a new package of development programmes in the agricultural sector, associated with the so-called 'Green Revolution'. By the early 1970s dependence on large-scale food imports had vanished.

As can be seen from Figure 6 and Table 7, these measures and events were associated with a sharp drop in import share in GDP between 1960 and 1970. Expansion in the use and rates of customs duties in the first half of the 1960s had maintained revenue from

¹⁶ The protectionist element in this regime was reflected in the drop in imports as a share of GDP (see Figure 6 and Table 7).

¹⁷ Large imports of food grains had put the balance-of-payments position under considerable strain since independence. The maintenance of this strategy was made possible in the 1950s by the favourable climate of foreign aid that prevailed at that time.

this source (see Figures 1, 2 and 6), however a drop in the share of imports between 1965-70 was sufficient to cause a drop in the share of customs revenue in total tax revenue (Figure 2) and GDP (Figure 1). By the early 1970s, imports and customs earnings had picked up (Figure 6 and Table 7).

It was only in the seventies that Indian exports started to expand more rapidly than previously, stimulated by a combination of factors including: the extension of subsidies and concessions to exporters, the creation of a diversified industrial base; the depreciation of the rupee against the currencies of India's major export markets; and a shift in the direction of exports towards less developed and centrally planned economies.

Although the 1973 oil shock raised the cost of a major import, its aftermath saw a boost in India's foreign exchange earnings. Indian firms secured contracts to build roads, airports, and the like, in the oil-rich middle-eastern countries. Substantial foreign exchange came from the direct export of labour (in the form of remittances from abroad). Transfer payments to India on private account rose from an average annual flow of Rs. 49.9 crore during the Third Plan (1960-65) to Rs. 917.3 crore in 1977-78 partly as a result of an increase in remittances (see Datta Chaudhuri, 1990). The rise in the international price of gold also had a favourable impact through the reduction in the smuggling of gold into the country. Partly as a result of these factors, for the first time in two decades the current account of the balance-of-payments showed a surplus

showed a surplus (Rs. 1319.9 crore in 1977-78). The country also had stocks of 20 million tonnes of food grain (see Datta Chaudhuri, 1990). It looked as though two basic constraints on growth, foreign exchange and food supply, had been overcome. The economy, however, was not growing any faster.

In response to the favourable balance-of-payments position in 1977 direct import controls were relaxed on selected imports. This relaxation of trade policy was not accompanied by appropriate macroeconomic policy, and a continuously appreciating rupee, together with rising expenditure, led to a growing trade deficit. The macroeconomic position meant that India was much less well placed to ride out the second oil shock than the first. Further, the rapid expansion of agricultural output which had earlier provided a favourable background, could not be repeated and the earnings from the Middle East itself did not show a second surge of comparable magnitude. The balance-of-payments showed a deficit of Rs. 5967 crore in 1980-81. In order to bring the trade deficit under control and to meet rising public revenue requirements, tariff rates were increased, and quantity restrictions were replaced by tariffs. There was also a drive to step up import substitution in the field of crude oil and nitrogenous fertiliser. The policy was extended to non-ferrous metals, edible oils, heavy chemicals, iron and steel, and heavy electrical machinery. Thus the slow liberalisation of the trade regime that was attempted in the mid 70s (against the background of a more comfortable balance-of-payments and food grain situation) was temporarily halted in early 1982 (see Guha, 1990).

The period from 1977 to the end of the 1980s was one of rapidly accelerating deficit and debt levels (see Figures 3,4 and 5 and §3.4). During this period there was a decreasing contribution of both direct taxes and union excises in total tax revenue (see Figures 2 and 8) and an increasing share of customs duties.

§3.4 Deficits and Debt

As can be seen in Figure 3, total government expenditures have consistently outstripped total government revenues in the period 1950-89. Since the financial crisis of the late 1970s (see §3.3), this gap has been widening rapidly (see Figure 3). Given that non-tax revenue has essentially remained constant and small as a fraction of GDP over the 1950-89 period, these deficits are in large part a reflection of the inability of tax revenues to keep pace with rising expenditures. In addition to these underlying trends expenditures have been further strained by droughts and conflicts. If we examine Figure 3, for example, it is apparent that expenditures rose rapidly in the mid 1960s, associated with the combined effect of the Indo-Chinese conflict in 1962, a severe drought in 1964 and the Indo-Pakistan conflict in 1965. Though the budgets in these years did introduce measures such as new rates and a wider tax base for customs and duties, the response of revenue was nonetheless sluggish and clearly not commensurate with the expenditure jump, as reflected in the rise in the overall deficit during this period (see Figure 3). Similarly, the congruence of the 1979 oil shock and drought in

the early eighties was partly responsible for a rapid rise in the deficit in the 1980s (see Figure 3).

It would seem that rising deficits have had their impact on tax structure in that, under pressure, it has shifted towards 'easier options', as witnessed in the increasing reliance on import duties. These taxes, though distortionary, are capable of generating substantial revenue at short notice and with low administrative costs. By the close of the 1980s, there was also increasing reliance on the inflation tax as a means of deficit finance (see Buitter and Patel, 1992).

It is striking that deficits and debt increased most rapidly in the 1950s and 1980s, both of which, in their different ways, were somewhat ambitious in economic policy. The 1950s saw an emphasis on the rapid expansion of industry and, as can be seen from Table 3, capital expenditure by the centre rose in this decade by 3.5 percentage points of GDP whereas revenue expenditure by 1.7 percentage points. On the other hand the 1980s which brought some liberalisation saw a fall in the centre's capital expenditure and a sharp rise, of the order of 5 percentage points of GDP, in revenue expenditure.

An important consequence of the inability of tax revenues to finance rising deficits has been increasing resort to debt financing (see Chelliah, 1991, 1992 and Buitter and Patel, 1992). As shown in Figures 4 and 5, both the level and growth of debt in the Indian economy has been high. The debt of the Government

of India is mainly internal.¹⁸ In the 1980s debt accumulation accelerated, and a number of analyses have indicated the non-sustainability of the rates of growth in debt seen in the late 1980s (see, e.g. Buiters and Patel, 1992). These studies underline the fundamental role of tax and expenditure reform in stabilizing the Indian economy (see also McKinnon, 1991, and Aspe, 1992, on this issue in other contexts). The basic problem here is that unless debt-financed expenditures generate sufficient returns, interest payments on debt enlarge the fiscal deficit. Indeed it is notable that interest payments headed the list of revenue expenditures for 1989-90 with a share of 29.1 percent of the total (see Chelliah, 1992).

Chelliah (1991) sets out the problem as follows:

"The fiscal crisis and the attendant exponential growth of public debt has arisen, not merely because of revenue expenditures running ahead of current revenues, but also because capital expenditures financed by borrowing have not been productive of adequate returns."

The option of further debt finance by borrowing does not seem viable in the medium term, and monetary expansion has proved inflationary. Tax reform, to increase revenue and fill the gap left by the reduced role of foreign trade taxes, together with

¹⁸ Of the total public debt (centre and states), external debt accounted for about 10%. The proportion of central government deficit financed by net RBI credit rose from less than 16% in the early 1970s to nearly 1/3 during the latter half of the 1980s (Chelliah, 1991).

expenditure reform, to reduce unproductive outlays on certain subsidies and public-sector enterprises, appear as urgent priorities (see Chelliah, 1991, 1992 and Buiters and Patel, 1992).¹⁹

§4. Indian Tax Reform in Retrospect

§4.1 A Broad Picture

The 45 years since independence have seen total government (centre plus state) expenditure rise from around 9% of GDP (in 1950-51) to around 28%, whilst total revenue (tax plus non-tax) has risen from 8% to just under 19% over the same period. The gap between the two grew from 1% to 5% over the 1950s, stayed at around 5 to 6% over the next two decades, and then rapidly rose from close to 6% at the end of the 1970s to over 10% in 1987-88 (see Figure 3 and Table 1 for sources and details). Correspondingly, total debt (centre plus state) rose from 30% to over 40% of GDP in the 1950s and then from 40% in the mid 70s to 65% in 1987-88 (see Table 6 and Figure 4). The parlous state of India's public finance has been some time in the making and must be seen from a long-term perspective.

India's tax performance, in terms of both growth and share of GDP, does not compare badly with other developing countries (see Burgess and Stern, 1992a). The tax system itself, however,

¹⁹See Chelliah (1991, 1992) for some specific proposals to achieve debt and deficit reductions.

has seen little basic change since the Government of India Act of 1935, which established the federal system and provided the basic tax and expenditure assignments between the centre and states. These assignments were subsequently encoded in the Indian constitution of 1947. There have been occasional modifications, some arising from tax enquiry commissions, such as the introduction of the Central Sales Tax in the mid 1950s following the Mathai Committee²⁰ recommendation of 1953-54. But these have largely been attempts to deal with problems that arose within the existing system. A significant move came in 1986 when a modified value-added tax (MODVAT) was introduced. The Jha Committee²¹ had suggested a variant, but a more extensive version of such a tax (it was called MANVAT). The MODVAT provides a system of rebating central excise tax paid on inputs against central excise payments on output. The final Chelliah report (1992) also contains significant proposals to extend the domain of MODVAT. The basic structure of the tax system, however, has altered little and the recommendations of the 1988 Sarkaria Commission²² on centre-state relations, such as those relating to state expenditure and taxation powers, have had little impact.

²⁰ Government of India (1955), Report of the Taxation Enquiry Commission, 1953-54 (under the chairmanship of Dr John Mathai).

²¹ Government of India (1977, 1978), Report of the Indirect Taxation Enquiry Commission, 1977-1978 (under the chairmanship of L.K. Jha).

²² Government of India (1988), Report of the Commission on Centre-State Relations (under the chairmanship of R.S. Sarkaria).

The general picture is one where strong pressure from the expenditure side has put a great strain on the revenue system. The result has been growing deficits and debt on the macro front and a tax system which has generated substantial microeconomic distortions. Further, the tax system has become increasingly difficult to administer. Considerable evasion coupled with seemingly arbitrary enforcement procedures have reduced the credibility of the tax system in the eyes of many. The combination of the system's economic weaknesses, both macro and micro, and its unpopularity (even allowing for the fact that taxation is nowhere loved) may generate a consensus that will make real reform a political possibility. It is notable that in the global history of tax reform, political and economic crises have often served as the motivating force behind deep structural changes in tax systems (see Burgess and Stern, 1992a).

In this section we examine some of the main features of this history, concentrating on the post-independence enquiries into the tax system (§4.2) and discussing briefly the two most recent attempts at reform: that under the premiership of Rajiv Gandhi in the mid-1980s (§4.3) and that of the current prime minister, Narasimha Rao, over the last year (§4.4).

These post-independence developments should be seen in historical context. When the Taxation Enquiry Commission of 1925 reported, the Indian Princely States did not form a part of the structure of public finances of British India. They had separate budgets and sources of revenue, with maritime states, for

example, imposing their own customs duty. Within British India, the revenue of the British India Provinces was dominated by land revenue, with liquor taxation constituting the second most important source. For the central government, customs dominated, with the income tax and the salt tax playing important but subsidiary roles.

By independence, much had changed. The legal structure had been set by the Government of India Act of 1935,²³ which assigned taxation powers and expenditure responsibilities to the centre and states. Within the states of independent India, sales tax had assumed considerable importance whilst the relative importance of land revenue had declined. For the centre, the salt tax had been abolished, and with the growth of manufacturing, excises were acquiring importance. Partition, and the loss of major cotton and jute areas, reduced the potential for export duties. It was in this context that the work of the first major post-independence Taxation Enquiry Commission, under Dr. John Mathai, began.

§4.2 Enquiries, Committees and Commissions

The Mathai Commission (1953-54) was the first of a number of enquiries into taxation in India since independence. The scope of the Mathai Commission was comprehensive, and it examined the workings of the tax system as a whole. The Mathai Commission

²³ The Indian constitution was to closely follow the division set out in the Government of India Act of 1935 (see, Varma and Sinha, 1981).

sought a progressive tax structure but at the same time was concerned with promoting saving and investment. It took the view that the disincentive effects of high marginal rates of taxation on richer income groups were in general exaggerated and suggested a ceiling on net personal income after tax (not exceeding approximately 30 times the prevailing average income per family). A principal task was to provide investible resources for the public sector whilst holding down any decrease in private investment. It thus saw the restraint of consumption as a major concern. It advised against a wealth tax (on grounds of administration), against a capital gains tax (adverse effects on investment), against a reintroduction of the salt tax (regressive) and against a gift tax.

On grounds of equity a reduction in the exemption limit for the income tax was proposed (from Rs 4,200 to 3,000 per annum) with a maximum marginal rate of 85% on income above Rs 1.5 lakh (lakh = 100,000). On central indirect taxes the Commission saw little scope for increasing import duties but saw potential for increased rates and a broader base for excises. The Commission recommended a system of sales tax consisting of a low rate tax to be applied on the turnover of all small producers and retailers, and a higher rate tax to be levied at a single point for larger businesses²⁴. Though the former tax is cascading, the objective was to reach as much business activity as possible,

²⁴ All dealers having a turnover exceeding Rs.5,000 a year should be liable to the multi-point tax. For the single point tax, the turnover limit should be relatively high, e.g. Rs. 30,000 a year.

was to reach as much business activity as possible, particularly in small unregistered businesses which are difficult to monitor. It was argued that taxation of inter-state sales should be the responsibility of the centre. The Constitution (Sixth Amendment) Act of 1956 gave the centre the power to tax inter-state trade and established the Central Sales Tax (CST). This gives the central government some control over levels of taxation of inter-state trade although the revenue from the tax goes to the state levying it. The Commission recommended the introduction of an agricultural income tax (which should be eventually integrated with the taxation of non-agricultural income) but did not see it as replacing land revenue.

Nicholas Kaldor prepared a paper on Indian Tax Reform after spending the period January to March of 1956 in Delhi. It was published by the Department of Economic Affairs of the Ministry of Finance in June 1956. This was at the beginning of India's most significant five-year plan, the second, which envisaged great strides in establishing heavy industry, predominantly in the public sector. He saw direct taxation as playing a central role in a new structure, perceiving the old structure as inadequate for the task at hand (it raised only around 7% of national income as revenue and with apparently little buoyancy). He saw the existing direct tax system as inequitable since it had the 'wrong base' (income as opposed to expenditure) and was open to manipulation, particularly by the better off. It was further inequitable in that it was based on very little information, thus taking inadequate account of the circumstances of tax payers.

He argued in favour of wealth taxation, capital gains taxation, a gift tax and a personal expenditure tax. These were all introduced soon after (capital gains taxation in 1956, a personal expenditure tax in 1957-58, and wealth taxation and the gift tax in 1958-59). However, very little revenue accrued from them, and the personal expenditure tax was abolished in 1962. He argued against high marginal rates of personal taxation on the grounds that they could not be easily administered and suggested a maximum rate of 45% (as against the then current one of 92%).

Notwithstanding his espousal of broad bases and low rates on administrative (as well as incentive) grounds, Kaldor argued against those who saw his system as more "advanced" in character than that of even the most "developed" country. He argued that being an underdeveloped country did not imply a requirement for an underdeveloped tax structure. He argued further that the 1% of income earners who paid tax were on average just as capable of filing tax returns as the 70% of earners who paid income tax in the UK. Kaldor's confidence in the potential workability of his plans seems to have helped carry a number of them into the statute book although their effects in terms of revenue were nugatory.

A further major enquiry was that of the Wanchoo Committee²⁵ on direct taxes, which reported in December 1971. This reflected strongly a concern, which was increasingly

²⁵ Government of India (1971), Direct Taxes Enquiry Committee (Final Report), December 1971 (under the chairmanship of Justice Wanchoo).

expressed in the budget speeches of the late 1960s, with widespread evasion and the related problem of the creation of black money. These difficulties were attributed to a range of factors including: high rates of taxation, the proliferation of controls and licences, 'harsh' treatment of business expenses, and ineffective enforcement. The committee recommended in favour of tough search and seizure procedures. It was against voluntary disclosure/amnesty/bearer bond schemes on the grounds that they would offend and discourage the honest taxpayer. The committee also recommended the reduction of marginal rates (in the case of the top income tax rate, from 97.75 to 75%) and argued that the beneficial effects of extra compliance were likely to offset, in revenue terms, any fall in revenue from the lower rate.

It also recommended a committee to look into the utility of various controls, permits and licences. A further recommendation was for the taxation of agricultural income to be brought into line with other income not only on equity grounds but also because of the scope it generated for tax evasion. The Raj Committee on the Taxation of Agricultural Wealth and Income followed the Wanchoo Committee and reported in October 1972. The Dagli Committee on controls and subsidies was established rather later and reported in May 1979.

The Committee under K.N. Raj noted that, whilst the power to tax agricultural income rested with the states, there was no constitutional impediment to the taxation of agricultural, as well as non-agricultural, wealth by the centre. They argued that

it was inequitable that those deriving income and wealth from agriculture should make less than a 'fair contribution' relative to those deriving their income and wealth from other sectors, and further that the non-taxation of agricultural income created a loophole in the sense that non-agricultural income could be misleadingly attributed to agricultural sources. Both the Taxation Enquiry Committee reporting in 1925 and the Wanchoo Committee had pointed to the desirability of taxing agricultural income for the better-off farmers.

The argument about 'fair contributions' begs a number of questions. First, equity as a concept should be about the distribution of welfare or burdens between individuals, households or groups, rather than production sectors. Second, calculating tax burdens and expenditure/subsidy receipts is a non-trivial matter, and one cannot simply look at one tax in isolation (and one should consider exchange rates and trade policy too; see Lipton 1977, for a discussion of an alleged 'urban bias'). Third, any tax or subsidy system tends to get capitalised in asset values so that changes result in windfall gains or losses rather than through greater sectoral post-tax profitability. Making due allowance for these points, however, there remain serious questions about both revenue concealment and efficiency aspects of omitting to tax agricultural incomes. Further, if properly designed, the effects on asset prices of changes in the system designed to tax agricultural income would not be regressive.

The Raj Committee, reporting in October 1972, recommended against basing any reform on land revenue, since the principles and procedures for assessment varied considerably both across states and within states. It proposed instead an Agricultural Holdings Tax (AHT). The base for this tax would be calculated from output norms from the last 10 years and average prices over the last 3 years. In this sense it would be based on potential rather than actual income. Taxing potential rather than actual income reduces disincentive effects (which at small rates of tax might in any case be small) but does shift a further element of harvest (and other) risk towards the tax payer.

Some allowances against an estimated gross potential output (which would itself take some account of land quality) would be made for cultivation expenses and irrigation thus arriving at a rateable value. The committee suggested the AHT should replace land revenue for all operational holdings of rateable value Rs. 5,000 and above. In due course, and at the discretion of the states, it could be extended to holdings of rateable value above Rs. 2,500. It was suggested that the rate should rise as follows: AHT on X,000 rupees would be at X/2% (for example 2% on a rateable value of Rs. 4,000, 4% on Rs. 8,000 and so on). Revenue estimates by the Committee were of the order of Rs. 150-200 crore.

Nothing came of these proposals. The government of Mrs. Gandhi was facing an election in 1974/75 (although this was overtaken by the Emergency in 1975-77), and the Janata

government, which came to power in 1977, was quite strongly oriented towards agricultural groups. It is a moot point as to whether any Indian government in the foreseeable future would want to take the undoubted political risk of such a highly visible tax for the benefit of a few hundred crores. Most governments have shied away from land taxation in recent times, even though it has been historically of great importance, particularly in India²⁶ (see Burgess and Stern, 1992a, Ahmad and Stern, 1991, and Skinner, 1991, for further discussion). This is unfortunate given that the efficiency, equity and administrative (measuring land is easier than measuring income, for example) advantages are strong. Nevertheless political considerations seem to have mitigated in favour of different, and perhaps less visible, forms of taxation.

The Indirect Taxation Enquiry Committee under L. K. Jha presented the first part of its report in October 1977. It desired to "pave the way for an integrated indirect tax system in the country which is more efficient, more equitable and better oriented to further the objective of planned development". Major drawbacks of the existing system were identified as follows. First, it was a juxtaposition of existing systems, the cumulative effect of which was obscure. Its appraisal relative to basic criteria associated with equity and efficiency was very difficult and its performance relative to the criteria probably poor. Second, it suggested that the cascading of taxes, associated with

²⁶ Kumar (1992), Table 12.4 for example, shows that in 1958-59, land revenue exhibited a 50% share in total revenue.

the taxation of the same product several times, raised consumer prices by an amount greater than that which accrued by way of extra revenue. Third, the unwieldy system arising from the interaction of the different taxes caused administrative problems in pursuing economic policy, such as those associated with the calculation of duty drawbacks for export products. Fourth, the system of excises had appeared inelastic with respect to national income over the previous decade.

To deal with the problem of cascading in excise duties the Committee recommended an extension of the existing procedures for relief of input taxation, moving eventually to a VAT at the manufacturing stage (MANVAT). A rationalised structure of import duties should consist of a basic levy, set to give a level of protection deemed necessary to particular products. In addition to this there should be a levy (called a countervailing duty) designed as a revenue element, and a discriminatory duty designed as a surcharge for discouraging imports. Countervailing duties should eventually be given the same treatment as excise duties on domestic products. Sales taxes should be single-point at the last stage with sales of inputs to registered manufacturers free of taxation. The ceiling on inter-state sales tax (CST) should be lowered from 4% to 1%.

The long-term goal described was essentially that of a central VAT up to the manufacturing stage with a final point retail sales tax by the states. As we have argued elsewhere (see Burgess and Stern, 1992b), this is a form of taxation for India

which has a number of attractions as a long-term structure. This theme, with some modifications, was later taken up by the Chelliah Committee. In the meantime an advance in the direction of one aspect of its proposals occurred during the 1980s, namely the introduction of MODVAT in 1986. However, under revenue pressures customs grew rather than declined, and state sales taxation was little changed.

The Sarkaria Commission on centre-state relations, which reported in 1988, examined and reviewed many of the inefficiencies and anomalies associated with the functioning of the current system. Its recommendations on reforming financial relations between the centre and states through such measures as devolution, enlarging the states resources, enlarging the divisible pool, and reviewing the role of the Finance Commissions, however, have in large part not been adopted due to political objections by the centre and/or states.

The Chelliah Committee, established by the Rao government, delivered its interim report in December 1991 which served as input into the 1992 budget. The terms of reference for the Committee focussed on central taxes although it did make some suggestions for state taxes, particularly in the final report. With the rising problems of evasion and intrusiveness of the tax system, its emphasis was on acceptability, simplicity and administration. At the same time it showed strong command of the economic principles behind taxation, a feature which had not always been prominent in the work of earlier committees. Its

emphasis on compliance and administration did not, however, lead to sharply differing conclusions from a number of its predecessors.

Its principal focus was on direct taxes, where broad bases and moderate rates were espoused. It might be argued that the personal income tax exemption limit, recommended at Rs. 28,000, is rather high in relation to per capita income and would consequently narrow the tax base. The committee saw compensation for the high limit in terms of better compliance expected on account of a simplified rate structure. The aim was to take 20% of the income of the potential income tax paying class through direct taxes. It estimated that only 30-35% of legally taxable income was being disclosed, and it was hoped that through the recommended measures the figure would be raised to 50-60%. It suggested a maximum marginal rate of 40% under a 3 rate structure (20%, 27.5% and 40%), moving eventually to a 2-rate structure (27.5% and 40%). A substantial rationalisation and reduction of exemptions was suggested as these lost considerable revenue and largely benefited the rich. Increased usage of presumptive methods of taxation was recommended for 'hard-to-tax' groups.

On indirect taxes the Chelliah interim report recommended a move towards a VAT on a broad base to eventually replace central excise (apart from certain designated commodities). It suggested reductions in the general level of import tariffs, reduced spread of rates, a general simplification, and abolition of many concessions and exemptions.

In its latest budget, presented in February 1992, the government started to move in the direction of the report's recommendations. While direct tax changes saw a simplification of structure (in terms of both rates and slabs), there was a reduction in import tariffs over a whole range of items (the estimated revenue loss was significant).

In the final report of the Chelliah Committee, presented in August 1992, the themes of tax reform that were given shape in the interim report were elaborated upon. Regarding the corporation tax, which was not covered in the interim report, the committee favoured the retention of the existing "classical system" of taxation with a lowering of the tax rate for all domestic companies to 45% in 1993-94 and further to 40% in 1994-95. To attract foreign investment, the taxation of foreign companies should be made simple and transparent. In keeping with earlier Taxation Enquiry Commissions, the inclusion of agricultural income for determining income tax liability was favoured. In the field of excise taxation it was recommended that the coverage of VAT be extended beyond the manufacturing stage to the wholesale stage, but with the states retaining the revenue from the wholesale stage. In the case of the sales tax it was suggested that this tax be converted into a form of state VAT within the manufacturing sector, although its comments here were very brief since its remit was central taxes. The broad thrust was towards reducing the role of customs as a revenue source, gradually replacing it with a more simple and rational system of domestic indirect taxation than that which currently

applies. As regards direct taxes the aim was to improve compliance by reducing complexity and rates, differentiation, and removing concessions and loopholes.

India's tax committees and commissions have provided valuable advice since independence. It is interesting how some themes have been ever present, for example the need to raise the contribution of direct taxes, whereas others have shifted with experience and economic conditions. The growing problems of evasion brought a much greater emphasis on acceptability, compliance and administration in the most recent report. The sanguinity as regards disincentive effects of high marginal rates which was expressed in the Mathai report of 1954 (although not shared by Kaldor in 1956) has been replaced by an emphasis on a broad base and moderate rates (a view which Kaldor would have endorsed, although he did not seem to appreciate the virtues of simplicity). The early emphasis on the need to encourage saving (Mathai and Kaldor) is still present but has been much reduced, consistent with the rise in the savings rate²⁷ from around 10% of GDP in 1950-51 to about 21% in 1988-89²⁸.

What is striking is that the revenue system has generally moved away from, not only the patterns seen in other countries, but also from the patterns recommended by committees (which argued for an increased role for direct taxes and a reduced role

²⁷ Gross Domestic Savings (households, private corporate sector and public sector).

²⁸ See Government of India (1992), Economic Survey 1991-92, Part II, Sectoral Developments (New Delhi, Ministry of Finance).

for customs). The low share of direct taxes would seem to indicate that the comparatively affluent sections of the Indian population have succeeded in side-stepping income taxation. This has been in large part by evasion but presumably also through their influence on political decisions.

§4.3 The Rajiv Gandhi Reforms

Rajiv Gandhi came to power soon after the death of his mother in October 1984 and won a commanding majority in the elections of December 1984. The budget speech of his Finance Minister, V.P. Singh, in February 1985 declared a new economic policy to improve the environment for industrial growth, including delicensing of some industries. There was also to be a long-term fiscal policy, coterminous with the 7th five year plan (covering the period 1985-90), and a major tax reform.

The main taxation proposals included the following. For personal income tax the exemption limit was to be raised from Rs. 15,000 to Rs. 18,000 whilst the highest marginal rate was to be lowered from 61.9% to 50%. There was also to be an attack on evasion. Concessions on indirect taxes designed to encourage priority areas were proposed and export duties were abolished on a number of goods. V.P. Singh's second (and last in this Parliament) budget in February 1986 continued the theme and announced reforms in the excise tax system in the direction of MODVAT. Subsequent budgets of the Rajiv Gandhi government (in February 1987, 88, 89) were less innovative.

The early period of Rajiv Gandhi's government was notable, as we saw in §2, for its sharp rise in expenditure, rather than in tax revenue, and the widening of government deficits. In retrospect the period cannot be really characterised as one of significant change in the public finances. It continued, one might even say pursued vigorously, what had become a history of widening deficits with (centre and state) expenditure rising from around 26% of GDP to around 31% between 1983 and 1988, whilst tax revenue increased by only two percentage points and non-tax revenue remained stagnant (see Table 1). During this time the tax structure did not really change significantly, although the introduction of MODVAT was an important step.

What did change, however, was the attitude of the government towards the private sector, profits and entrepreneurial activity. This was accompanied by an increasing desire to loosen the restrictive influence of the bureaucracy. India's growth during the late 1980s exceeded that achieved in the early 1980s, which itself was a period of high growth by historical standards. During the late 1980s however, government debt as a fraction of GDP was increasing more rapidly than at any time in post-independence history, contributing significantly to the crises of 1990 and 1991 which formed the background of the Rao-Singh reforms (see §4.4).

The change in attitude associated with Rajiv Gandhi's government was subject to substantial attack from some economic-political commentators (see 1985 issues of the Economic and

Political Weekly for example) for abandoning the commitment to social justice and for promoting the interests of the better off. But probably both the protagonists and the critics of the reforms overestimated their effects relative to those of the deficits. The economy had been growing fairly rapidly in the early and mid-1980s and the increased budget deficits further boosted the economy into what was essentially demand-led growth, resulting eventually in serious inflation, as witnessed in the late 1980s and early 1990s. There is little that could be regarded as substantial reform of the public finances in the sequence of events that unfolded. An extended period of demand-led growth, however, has been unusual in India's economic history.

Many of the attacks echoed the opinion that increasing the share of direct taxation is the hallmark of progressivity (see e.g. Guhan, 1986, Rakshit, 1985, Lakadawala, 1985), and correspondingly that decreasing it constitutes a lack of concern for income distribution. The low compliance of tax payers (see the Chelliah report) and the low relative importance of direct tax revenues suggest that the effects of minor (or some non-minor) adjustments in direct taxation are unlikely to be of major significance in determining the overall progressivity of the tax and expenditure structures. The expenditure side is of much greater importance here. This is certainly true of public policy in the U.K. for example, where, notwithstanding major contributions from direct taxation it has for long been the expenditure side which makes the largest contributions towards reducing inequalities (see U.K. Government, 1991 and Atkinson,

1989).

Between 1984-85 and 1985-86 income tax collections went up by 24.3% and corporation tax receipts by 22% (Guhan 1986). It had been argued that greater compliance was a principal goal of the income tax reforms - reduction of rates, raising of exemptions and the like - and such an outcome might be seen as vindication of the strategy. However, as Guhan argues, it is quite likely that much of this increase was due to immunity-cum-tax raids in 1985-86 as opposed to changing rates and bases. Indeed during Mrs. Gandhi's Emergency there was increased fear of strict enforcement and income tax receipts went up by 39% in 1975-76 over the previous year while there was no change in rates (Guhan 1986).

§4.4 The Rao-Singh Reforms

P.V. Narasimha Rao was sworn in as Prime Minister on 21 June 1991, as leader of a minority government. The new government, with Manmohan Singh as finance minister, won a vote of confidence in the Lok Sabha on 15 July and presented its budget on 24 July. On the same day it unveiled a new industrial policy. The government took office in the midst of an economic crisis. For a combination of reasons including the expansionary fiscal policy of earlier governments, the levelling of remittances from workers abroad and caution from foreign investors and non-resident Indians, the balance of payments was under severe pressure. These problems were exacerbated by the Gulf Crisis of 1990. In

mid-January 1991, the country had enough foreign exchange reserves to finance only 10 days import requirements. The fiscal problems have been emphasised at several points in this paper.

In the first week of July the rupee was devalued by 18-20% in two steps. This was followed by extensive changes in trade and industrial policy. The import licensing regime was dismantled whilst industrial policy saw the removal of investment licensing and an increase in foreign equity limits in domestic industries.

A \$5.7 billion loan was negotiated with the IMF which included an understanding on the observance of fiscal deficit ceilings. In line with the IMF conditions, fertiliser subsidies were cut. Also the growth in defence expenditure was held to 4% in nominal terms, a substantial real cut given double-digit inflation. The budget included a set of revisions in customs duties that were designed to reduce their relative role in revenue raising, encourage trade and subject domestic industry to greater international competition. Reductions in ad-valorem rates of customs duty to a maximum of 150% were announced (with the exception of alcoholic beverages and passenger baggage). To encourage technological development the list of capital goods items attracting fiscal relief on imports was expanded.

On excises, the MODVAT scheme, which allowed for the rebate of excise taxes on inputs, was expanded to cover man-made fibres. The duty rates on consumer durables such as refrigerators, motor

cars and VCRs were increased. The special excise duty was increased from 5 to 10% with the exemption of some mass consumption goods such as tea and vegetable oil.

A primary objective was to increase the share of direct taxes, and the main route to this was to be via increased compliance. To this end there was to be an extension of withholding at source for interest income, a scheme for depositing undeclared wealth in the National Housing Bank (subject to 40% tax confiscation but without further penalty), and increased efforts on administration. At the same time some measures were announced to encourage investment in certain areas such as publishing, software and housing, and to encourage foreign investors' and non-resident Indians' investment in India. Broadly the strategy was to reduce and rationalise customs duties, increase excise duties (particularly on 'luxury goods') and raise direct taxes through better enforcement and compliance. In the autumn the Government of India established the Chelliah committee on tax reform which, as we have seen, produced its interim report remarkably rapidly (by the end of the year).

The Budget for the year 1992-93 was presented, as usual, at the end of February, and proposed a number of important changes including the partial convertibility of the rupee. On personal income taxes the reforms broadly followed the spirit of the Chelliah report in moving to just three tax rate slabs. The exemption limit was raised from Rs. 22,000 to Rs. 28,000. At the same time a number of tax deductions and exemptions were

abolished. Revenue generated in this manner was estimated to be sufficient to cover the revenue losses arising from a higher exemption limit. However a number of measures recommended in the Chelliah report on direct taxation were not yet implemented, including the taxation of fringe benefits and the wider application of presumptive tax methods for 'hard-to-tax' groups.

On indirect taxes the measures again followed the spirit of the Chelliah report with a gradual reduction of customs duties to the maximum rate of 110% (with the same exceptions as previously). These restructuring measures were expected to result in a revenue loss from customs duties of more than Rs. 2,000 crore. Excise duties would be moving to ad valorem rates wherever possible. Duties were raised on many items including watches, some plastics and metals, paints, cocoa and cigarettes. These measures were expected to raise in excess of Rs. 2,200 crore.

We see therefore that the Singh budgets have already involved substantial changes in taxation. Particularly noteworthy is the reduction of the role of customs revenue as part of a move towards greater involvement with, and competition from, foreign trade. The tax system itself has not been radically changed in that the basic sources of revenue and bases remain much the same. But the orientation of tax policy has been altered and further steps are being actively debated.

\$5. Concluding Comments

We have described in this paper the development of the tax structure in India and have linked this to features of the federal structure and development strategy. We saw that the wide deficits, which were central to the severe foreign exchange and inflation problems of the late 1980s and early 1990s, have been developing over a long period. The growth in debt and deficits, however, were particularly associated with the two 'ambitious' decades of the 1950s and the 1980s. The former saw the launch of Indian planning and heavy industrialisation, and the latter initiated the attempt to make India more competitive internationally and less bureaucratic in industrial policy. Both were decades of rapid economic growth relative to other periods in Indian history. It is striking, however that during the former decade capital expenditure by the centre rose sharply whereas in the latter it fell (as a percentage of GDP) with revenue expenditure rising rapidly.

The structure of Indian tax revenues appears to have been strongly influenced by the mechanics of India's federal arrangements. The two taxes which have not been shared (customs with the centre and sales with the states) have grown most strongly whereas the performance, in revenue terms, of those which have been shared (personal income taxes and excise duties) has been less satisfactory.

We have also examined the discussions and recommendations

of various committees, identifying those themes which have been ever present and those that have risen in importance. Substantial reform is now urgent; this is well recognised and important progress, particularly through the work of the Chelliah Committee, has been achieved. We hope this paper will contribute to the discussions which are taking, and will take, place by providing a summary description both of some of the forces at work in generating current difficulties and of earlier attempts to design solutions.

In the context of the history described there are a number of issues which require close attention in further work. We highlight seven of the central ones here in the broadest of terms and hope to give a number of them closer scrutiny in the future.²⁹ First, we have the political economy of the developments in the tax structure. Our focus in this paper has been on economic developments and some political and administrative responses to them at the official level. One must also investigate, however, the role of pressures and forces associated with different interest groups in the economic and political developments on the fiscal front. There are usually gainers and losers in any tax reform even if it is broadly positive in terms of efficiency and growth. There are those who have a vested interest in the *status quo*. If reform is to be successful it is necessary to be aware of who these gainers and losers are, and where the vested interests lie. That is not, of

²⁹ Tighter administration should be a crucial feature of any advance but it is not one on which we focus here.

course, to say that reforms must be designed so that none will lose and that all vested interests must be served. That would be to abandon the prospect of reform altogether and in that direction lies stagnation. Nevertheless the interests of stakeholders must be recognised if political and economic judgements are to be properly informed. Further, if support for reforms is to be mobilised, the gainers must understand, and be activated in favour of realising, their rewards. The potential losers usually recognise their position fairly rapidly and vociferously.

An analysis of those interests is closely related to a number of further topics in the following. Our second issue, in particular, concerns identification of the difficulties that have arisen in the current tax system in terms of the various devices and strategies that have arisen to circumvent it, either legitimately or otherwise. In other words, one should examine the particular problems which have arisen in the existing system which a reformed structure might encounter and which it might be designed to solve or avoid. Here, particularly, there is important work initiated by the Chelliah Committee on which to build.

Third, any reform proposals should be subject to an examination of their implications for income distribution. Of great help here would be an analysis of how reforms are likely to affect households in different circumstances using data on household expenditure and income patterns. Fourth, any reform

proposals must be scrutinised carefully in terms of their impact on, and likely acceptability to, different states. The states are likely to be very wary of any proposal which might be perceived as reducing their autonomy or revenue. Information on state-wise effects should be a crucial input into discussion and negotiation.

Fifth, reform proposals must have as a central element a move from trade to domestic taxation. The new Indian government is seeking a greater involvement in the world economy and in its first two budgets has made substantial strides in removing tariffs and other impediments to trade. It is this goal of economic policy, which essentially concerns efficiency and growth, which should have particular priority in tax design in contrast, for example, to the predominance given to savings in some earlier discussions (important as that objective may be). A central task is to build domestic revenue sources as trade taxation is reduced since macroeconomic fiscal problems preclude the abandonment of one source in advance of its replacement by others.

Sixth, the tax and expenditure systems as they emerge should be consistent with perceptions, as they may change, of the appropriate role for the state. A withdrawal from extensive state involvement in production activities may have to be accompanied by an advancement in others, concerning for example, the infrastructure, education and health, and social protection, which promote and enable the private sector to function well and

which protect the worst-off.

Finally, and above all, the reforms will have to meet the macroeconomic fiscal challenge. Without this the other objectives and concerns are likely to be overtaken by *forces majeures*.

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TABLE 1: REVENUES AND EXPENDITURES OF THE CENTRE, STATES AND UNION TERRITORIES

Year	50-51	55-56	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69
(Rs. Crore)											
A. Total Expenditure (i + ii)	899.76	1437.19	2673.40	2883.91	3518.15	4243.77	4839	5464.45	6185.48	6261.23	6428.36
i) Revenue Expenditure	730.67	1029.81	1697.66	1923.14	2306.4	2707.8	3011.94	3416	3857.14	4261.43	4712.95
ii) Capital Expenditure	169.09	407.38	975.74	960.77	1211.75	1535.97	1827.06	2046.45	2328.34	1999.8	1715.41
B. Total Revenue (i + ii + iii)	786.48	1026.65	1772.71	2002.47	2442.78	2978.92	3342.66	3703.68	4033.06	4364.28	4813.9
i) Tax Revenue (I+II)	626.67	767.56	1350.41	1542.98	1865.07	2324.55	2598.8	2921.59	3261.19	3455.51	3758.73
I. Direct	230.56	259.07	402.07	449.19	560.06	692.53	742.32	734.14	766.83	780.12	839.6
Corporation Tax	39.33	36.52	109.7	156.46	221.5	274.59	314.05	304.84	328.9	310.51	299.77
Personal Income Tax	133.89	132.02	168.73	155.39	185.96	258.6	266.55	271.8	308.69	325.89	378.47
Land Revenue	51.57	78.89	97.75	100.38	124.42	130.5	128.48	120.18	95.1	107.85	125.72
Agricultural Income Tax	3.59	7.68	5.71	9.44	9.6	9.42	10.79	9.91	10.34	12.09	9.94
Others I	2.18	3.96	16.15	17.82	18.58	19.52	22.45	27.41	23.8	23.78	25.7
II. Indirect	395.66	508.49	948.34	1093.99	1305.01	1631.92	1856.48	2187.45	2494.36	2675.39	2919.13
Customs	157.16	166.7	170.03	212.25	245.96	334.75	397.5	538.97	585.37	513.35	446.5
Union Excise	67.54	145.25	416.35	489.31	598.83	729.58	801.51	897.92	1033.78	1148.25	1320.67
State Excise	47.79	45.09	53.08	58.59	62.82	73.53	86.06	78.5	111.66	134.5	163.59
Sales Tax	58.2	81.59	163.92	187.42	216.91	277.8	330.02	381.54	460.44	530.29	598.31
Others II	64.97	69.86	144.96	146.42	180.49	216.26	241.39	270.52	303.11	349	390.06
ii) Non Tax Revenue III	155.37	240.86	374.37	404.74	459.63	543.79	590.52	687.59	748.59	893.08	1042.12
iii) Others IV	4.44	18.23	47.93	54.75	118.08	110.58	153.34	94.5	23.28	15.69	13.05
Overall Deficit (A - B)	113.28	410.54	900.69	881.44	1075.37	1264.85	1496.34	1760.77	2152.42	1896.95	1614.46
SHARE IN TOTAL TAX REVENUE											
Tax Revenue (I+II)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
I. Direct	0.37	0.34	0.30	0.29	0.30	0.30	0.29	0.25	0.24	0.23	0.22
Corporation Tax	0.06	0.05	0.08	0.10	0.12	0.12	0.12	0.10	0.10	0.09	0.08
Personal Income Tax	0.21	0.17	0.12	0.11	0.10	0.11	0.10	0.09	0.09	0.09	0.10
Land Revenue	0.08	0.10	0.07	0.06	0.07	0.06	0.05	0.04	0.03	0.03	0.03
Agricultural Income Tax	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
II. Indirect	0.63	0.66	0.70	0.71	0.70	0.70	0.71	0.75	0.76	0.77	0.78
Customs	0.25	0.22	0.13	0.14	0.13	0.14	0.15	0.18	0.18	0.15	0.12
Union Excise	0.11	0.19	0.31	0.32	0.32	0.31	0.31	0.31	0.32	0.33	0.35
State Excise	0.06	0.06	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.04	0.04
Sales Tax	0.09	0.11	0.12	0.12	0.12	0.12	0.13	0.13	0.14	0.15	0.16
Others	0.10	0.09	0.11	0.09	0.10	0.08	0.09	0.09	0.09	0.10	0.10
AS A % OF GDP											
GDP at current market prices	9366	10258	16201	17177	18476	21237	24765	26145	29571	34611	36674
A. Total Expenditure (i + ii)	9.61	14.01	16.50	16.79	19.04	19.48	19.54	20.90	20.92	18.09	17.53
i) Revenue Expenditure	7.80	10.04	10.48	11.20	12.48	12.75	12.16	13.07	13.04	12.31	12.85
ii) Capital Expenditure	1.81	3.97	6.02	5.59	6.56	7.23	7.38	7.83	7.87	5.78	4.68
B. Total Revenue (i + ii + iii)	8.40	10.01	10.94	11.66	13.22	14.03	13.50	14.17	13.64	12.61	13.13
i) Tax Revenue (I-II)	6.69	7.48	8.34	8.98	10.09	10.55	10.49	11.17	11.03	9.98	10.25
I. Direct	2.46	2.53	2.48	2.62	3.03	3.25	3.00	2.81	2.59	2.25	2.29
Corporation Tax	0.42	0.36	0.68	0.91	1.20	1.29	1.27	1.17	1.11	0.90	0.82
Personal Income Tax	1.43	1.29	1.04	0.96	1.01	1.22	1.08	1.04	1.04	0.94	1.03
Land Revenue	0.55	0.77	0.60	0.58	0.67	0.61	0.52	0.46	0.32	0.31	0.34
Agricultural Income Tax	0.04	0.07	0.06	0.05	0.05	0.04	0.04	0.04	0.03	0.03	0.03
Others	0.02	0.04	0.10	0.10	0.10	0.08	0.09	0.10	0.08	0.07	0.07
II. Indirect	4.22	4.96	5.85	6.37	7.06	7.55	7.50	8.37	8.44	7.73	7.96
Customs	1.68	1.63	1.05	1.24	1.33	1.58	1.61	2.06	1.98	1.48	1.22
Union Excise	0.72	1.42	2.57	2.85	3.24	3.44	3.24	3.43	3.50	3.32	3.60
State Excise	0.51	0.44	0.33	0.34	0.34	0.35	0.35	0.38	0.38	0.39	0.45
Sales Tax	0.62	0.80	1.01	1.09	1.17	1.31	1.33	1.46	1.56	1.53	1.63
Others	0.69	0.68	0.89	0.85	0.98	1.02	0.97	1.03	1.03	1.01	1.06
ii) Non Tax Revenue	1.66	2.35	2.31	2.36	2.49	2.56	2.38	2.63	2.53	2.58	2.84
iii) Others	0.05	0.18	0.30	0.32	0.64	0.52	0.62	0.36	0.08	0.05	0.04
Overall Deficit (A - B)	1.21	4.00	5.56	5.13	5.82	5.45	6.04	6.73	7.28	5.48	4.40

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Year	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)											
A. Total Expenditure (i + ii)	6867.42	7644.92	9363.38	10435.29	11473.29	14033.54	17289.74	19760.11	21120.9	24748.93	28614.7
i) Revenue Expenditure	5271.73	5717.14	6991.43	7848.44	8669.84	9881.74	11846.95	13863.43	14986.34	17347.72	20356.49
ii) Capital Expenditure	1595.69	2127.78	2371.95	2586.85	2803.45	4151.8	5442.79	5896.68	6134.56	7401.21	8258.21
B. Total Revenue (i + ii + iii)	5330.98	5862.83	6900.56	7796.58	8789.01	11047.94	13686.72	15258.49	16475.28	18775.4	21210.67
i) Tax Revenue (I+II)	4200.01	4752.41	5575.18	6435.77	7388.58	9223.06	11181.73	12331.74	13537.18	15527.76	17683.08
I. Direct	963.04	1009.07	1170.95	1346.09	1552.13	1833.87	2492.55	2584.54	2680.2	2650.71	3095.85
Corporation Tax	353.4	370.52	472.07	557.86	582.6	709.48	861.7	984.23	1220.77	1251.47	1391.9
Personal Income Tax	448.45	473.17	536.74	625.47	741.37	874.41	1214.36	1194.38	1002.02	1177.39	1340.31
Land Revenue	116.09	120.82	102.21	94.6	159.53	162.36	234.1	187.49	178.54	201.37	164.86
Agricultural Income Tax	14.09	10.53	12.9	12.26	11.82	13.89	28.48	34.55	61.96	80.36	58.36
Others I	31.01	34.03	47.03	55.9	56.81	73.73	153.91	183.89	216.91	140.1	140.42
II. Indirect	3236.97	3743.34	4404.23	5089.68	5836.45	7389.19	8689.18	9747.2	10556.98	12676.99	14587.23
Customs	423.31	524.02	695.67	856.64	996.43	1332.9	1419.4	1553.7	1824.1	2423.51	2924.16
Union Excise	1524.31	1758.55	2061.1	2324.25	2602.13	3230.51	3844.78	4221.45	4447.51	5367.17	6011.09
State Excise	178.24	196.13	236.93	282.66	358.41	393.1	441.72	510.75	577.44	592.1	705.49
Sales Tax	683.95	786.4	860.43	989.31	1179.04	1582.49	1982.47	2323.17	2476.37	2852.32	3302.26
Others II	427.16	478.24	550.1	636.82	700.44	850.19	1000.81	1138.13	1231.56	1441.89	1644.23
ii) Non Tax Revenue III	1122.85	1105.67	1310.24	1354.44	1396.27	1780.55	2348.32	2759.58	3033.3	3157.26	3471.23
iii) Others IV	8.12	4.75	15.14	6.37	4.16	44.33	156.67	167.17	164.8	90.38	56.36
Overall Deficit (A - B)	1536.44	1982.09	2462.82	2638.71	2684.28	2985.6	3603.02	4501.62	4685.62	5973.53	7404.03

SHARE IN TOTAL TAX REVENUE

Tax Revenue (I+II)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
I. Direct	0.23	0.21	0.21	0.21	0.21	0.20	0.22	0.21	0.20	0.18	0.18
Corporation Tax	0.08	0.08	0.08	0.09	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Personal Income Tax	0.11	0.10	0.10	0.10	0.10	0.09	0.11	0.10	0.08	0.08	0.08
Land Revenue	0.03	0.03	0.02	0.01	0.02	0.02	0.02	0.02	0.01	0.01	0.01
Agricultural Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Others	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01	0.01
II. Indirect	0.77	0.79	0.79	0.79	0.79	0.80	0.78	0.79	0.80	0.82	0.82
Customs	0.10	0.11	0.12	0.13	0.13	0.14	0.13	0.13	0.14	0.16	0.17
Union Excise	0.36	0.37	0.37	0.36	0.35	0.35	0.34	0.34	0.34	0.35	0.34
State Excise	0.04	0.04	0.04	0.04	0.05	0.04	0.04	0.04	0.04	0.04	0.04
Sales Tax	0.16	0.17	0.15	0.15	0.16	0.17	0.18	0.19	0.19	0.18	0.19
Others	0.10	0.10	0.10	0.10	0.09	0.09	0.09	0.09	0.09	0.09	0.09

AS A % OF GDP

GDP at current market prices	40387	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
A. Total Expenditure (i + ii)	17.00	18.18	20.24	20.46	18.50	19.16	21.95	23.28	21.99	23.75	25.02
i) Revenue Expenditure	13.05	13.25	15.11	15.39	13.98	13.49	15.04	16.33	15.60	18.65	17.80
ii) Capital Expenditure	3.95	4.93	5.13	5.07	4.52	5.67	6.91	6.95	6.39	7.10	7.22
B. Total Revenue (i + ii + iii)	13.20	13.58	14.92	15.29	14.17	15.09	17.38	17.97	17.11	18.02	18.55
i) Tax Revenue (I+II)	10.40	11.01	12.05	12.62	11.92	12.59	14.20	14.53	13.78	14.90	15.46
I. Direct	2.38	2.34	2.53	2.64	2.50	2.50	3.16	3.04	2.79	2.74	2.71
Corporation Tax	0.88	0.86	1.02	1.09	0.94	0.97	1.09	1.16	1.27	1.20	1.22
Personal Income Tax	1.11	1.10	1.16	1.23	1.20	1.19	1.54	1.41	1.04	1.13	1.17
Land Revenue	0.29	0.28	0.22	0.19	0.26	0.22	0.30	0.22	0.19	0.19	0.14
Agricultural Income Tax	0.03	0.02	0.03	0.02	0.02	0.02	0.04	0.04	0.06	0.08	0.05
Others	0.08	0.08	0.10	0.11	0.09	0.10	0.20	0.22	0.23	0.13	0.12
II. Indirect	8.01	8.67	9.52	9.98	9.41	10.09	11.03	11.48	10.99	12.17	12.76
Customs	1.05	1.21	1.50	1.68	1.61	1.82	1.80	1.83	1.90	2.33	2.56
Union Excise	3.77	4.07	4.46	4.56	4.20	4.41	4.88	4.97	4.63	5.15	5.26
State Excise	0.44	0.45	0.51	0.55	0.58	0.54	0.56	0.60	0.60	0.57	0.62
Sales Tax	1.69	1.82	1.86	1.94	1.90	2.16	2.52	2.74	2.58	2.74	2.89
Others	1.06	1.11	1.19	1.25	1.13	1.16	1.27	1.34	1.28	1.38	1.44
ii) Non Tax Revenue	2.78	2.56	2.83	2.66	2.25	2.43	2.98	3.25	3.16	3.03	3.03
iii) Others	0.02	0.01	0.03	0.01	0.01	0.06	0.20	0.20	0.17	0.09	0.05
Overall Deficit (A - B)	3.80	4.59	5.32	5.17	4.33	4.08	4.57	5.30	4.88	5.73	6.47

Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
A. Total Expenditure (i + ii)	34845.04	39641.5	46098.4	53855.69	65303.88	75458.68	90292.04	101495.9	111441
i) Revenue Expenditure	23711.28	27863.62	33451.27	39138.68	47329.09	56030.97	66188.96	77474.35	85695.67
ii) Capital Expenditure	11133.76	11777.88	12647.13	14717.01	17974.79	19427.71	24103.08	24021.51	25745.36
B. Total Revenue (i + ii + iii)	23834.9	28880.61	33085.7	36958.77	42933.21	51010.72	58354.4	67349.19	74781.19
i) Tax Revenue (I+II)	19843.75	24142.41	27241.57	31525.45	35813.42	43266.71	49539.22	56949.62	64146.81
I. Direct	3268.28	4133.19	4491.96	4907.57	5329.49	6252.03	6889.32	7852.87	8804.25
Corporation Tax	1310.79	1969.97	2184.51	2492.73	2555.9	2865.07	3159.96	3650	4099
Personal Income Tax	1506.39	1475.5	1569.72	1699.14	1927.76	2509.61	2878.97	3350	3659.94
Land Revenue	156.85	228.11	226.21	255.31	318.72	353.32	374.46	414.92	520.69
Agricultural Income Tax	46.4	38.25	30.22	44.02	91.33	126.92	103.76	70.9	99.45
Others I	247.85	421.36	481.3	416.37	435.78	397.11	372.17	367.05	425.17
II. Indirect	16575.47	20009.22	22749.61	26617.88	30483.93	37014.68	42649.9	49096.84	55342.56
Customs	3409.28	4300.36	5119.41	5583.44	7040.52	9525.78	11475.03	13500	15626.31
Union Excise	6500.02	7420.74	8058.5	10221.75	11150.84	12955.72	14470.18	16573.12	18172
State Excise	838.33	1128.54	1355.66	1582.81	1857.36	2071.14	2426.66	2611.16	2851.62
Sales Tax	4017.86	5063.08	5666.82	6507.09	7326.02	8742.18	9975.34	11502.2	13018.93
Others II	1809.98	2096.5	2549.22	2722.79	3109.19	3719.86	4302.69	4891.54	5673.7
ii) Non Tax Revenue III	3781.42	4432.46	5580.35	5396.32	6840.08	8027.77	9330.73	10510.68	11490.45
iii) Others IV	209.73	305.74	263.78	37	279.71	-283.76	-435.55	-111.11	-856.07
Overall Deficit (A - B)	11010.14	10760.89	13012.7	16896.92	22370.67	24447.96	31857.64	34146.67	36659.84

SHARE IN TOTAL TAX REVENUE

Tax Revenue (I+II)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
I. Direct	0.16	0.17	0.16	0.16	0.15	0.14	0.14	0.14	0.14
Corporation Tax	0.07	0.08	0.08	0.08	0.07	0.07	0.06	0.06	0.06
Personal Income Tax	0.08	0.06	0.06	0.05	0.05	0.06	0.06	0.06	0.06
Land Revenue	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Agricultural Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
II. Indirect	0.84	0.83	0.84	0.84	0.85	0.85	0.86	0.86	0.86
Customs	0.17	0.18	0.19	0.18	0.20	0.22	0.23	0.24	0.24
Union Excise	0.33	0.31	0.30	0.32	0.31	0.32	0.29	0.29	0.28
State Excise	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.04
Sales Tax	0.20	0.21	0.21	0.21	0.20	0.21	0.20	0.20	0.20
Others	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09

AS A % OF GDP

GDP at current market prices	136013	159760	178132	207589	231387	261927	291174	332616	394992
A. Total Expenditure (i + ii)	25.62	24.81	25.88	25.94	28.22	28.81	31.32	30.51	28.21
i) Revenue Expenditure	17.43	17.44	18.78	18.85	20.45	21.34	22.67	23.29	21.70
ii) Capital Expenditure	8.19	7.37	7.10	7.09	7.77	7.47	8.65	7.22	6.52
B. Total Revenue (i + ii + iii)	17.52	18.08	18.57	17.80	18.55	19.48	20.31	20.25	18.93
i) Tax Revenue (I+II)	14.59	15.11	15.29	15.19	15.48	16.52	16.87	17.12	16.24
I. Direct	2.40	2.59	2.52	2.36	2.30	2.39	2.36	2.36	2.23
Corporation Tax	0.96	1.23	1.23	1.20	1.10	1.09	1.08	1.10	1.04
Personal Income Tax	1.11	0.92	0.88	0.82	0.83	0.87	0.89	1.01	0.93
Land Revenue	0.12	0.14	0.13	0.12	0.14	0.13	0.13	0.12	0.13
Agricultural Income Tax	0.03	0.02	0.02	0.02	0.04	0.05	0.04	0.02	0.03
Others	0.18	0.26	0.27	0.20	0.19	0.15	0.13	0.11	0.11
II. Indirect	12.19	12.52	12.77	12.82	13.17	14.13	14.51	14.76	14.01
Customs	2.51	2.69	2.87	2.69	3.04	3.64	3.87	4.06	3.96
Union Excise	4.78	4.64	4.52	4.92	4.82	4.95	4.86	4.98	4.60
State Excise	0.62	0.71	0.76	0.76	0.80	0.77	0.83	0.79	0.72
Sales Tax	2.95	3.17	3.18	3.13	3.17	3.34	3.42	3.46	3.30
Others	1.33	1.31	1.43	1.31	1.34	1.42	1.47	1.47	1.44
ii) Non Tax Revenue	2.78	2.77	3.13	2.60	2.96	3.06	3.20	3.16	2.91
iii) Others	0.15	0.19	0.15	0.02	0.12	-0.11	-0.15	-0.03	-0.22
Overall Deficit (A - B)	8.09	6.74	7.31	8.14	9.67	9.33	10.91	10.27	9.28

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NOTES TO TABLE 1:

Source: Government of India (various issues): Indian Economic Statistics (Public Finance). Ministry of Finance.

GDP figures from Government of India (Central Statistical Organisation): National Accounts Statistics-New Series, 1989. Ministry of Planning.

- 11 Includes: Estate duties, interest tax, wealth tax, gift tax, hotel receipts tax, tax on professions, expenditure tax, callings and employment and urban immovable property tax.
- 12 Includes: Stamp duty, registration fees, taxes on vehicles, taxes on passengers and goods carried by road, electricity duties, cess on sugarcane etc.
- 13 Includes: Profits of RBI, net contribution of public undertakings, railways, post and telegraph etc.
- 14 Self balancing items and transfers from Funds.

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TABLE 2: REVENUE RECEIPTS OF THE CENTRE

Year	50-51	55-56	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69
(Rs. Crore)											
I. Direct Taxes (Gross)= a+b+c+d	175.23	171.16	292.06	336.72	422.69	549.61	599.34	598.30	656.43	654.91	697.88
a) Corporation Tax	39.33	36.52	109.70	156.46	221.50	274.59	314.05	304.84	328.90	310.51	299.77
b) Personal Income Tax ¹	133.89	132.02	168.73	165.39	185.96	258.60	266.55	271.80	308.69	325.89	378.47
c) Land Revenue	2.01	0.88	0.59	0.56	0.58	0.31	0.15	0.26	0.18	0.14	0.28
d) Others ²	-0.00	1.74	13.04	14.31	14.65	16.11	18.59	21.40	18.66	18.37	19.36
Less State share in Personal Income Tax	47.52	55.28	87.37	93.84	95.27	119.29	123.77	123.34	137.10	174.52	194.51
Less State share in Estate Duties		1.86	2.91	3.88	3.88	4.22	6.78	6.79	4.54	6.58	5.54
Less State share in Hotel Receipts											
Direct Taxes (Net)	127.71	114.02	201.78	239.00	323.54	426.10	468.79	468.17	514.79	473.81	497.83
II. Indirect Taxes (Gross) = a+b+c	229.31	313.97	603.45	717.02	862.35	1084.24	1221.35	1462.37	1650.08	1697.76	1811.97
a) Customs	157.16	166.70	170.03	212.25	245.96	334.75	397.50	538.97	585.37	513.35	446.50
b) Union Excise Duties	67.54	145.25	416.35	489.31	598.83	729.58	801.51	897.92	1033.78	1148.25	1320.67
c) Others ³	4.61	2.02	17.07	15.46	17.56	19.91	22.34	25.48	30.93	36.16	44.80
Less State share in Union Excise Duties		16.57	75.10	80.65	124.91	135.99	127.34	145.92	230.91	234.64	290.93
Indirect Taxes (Net)	229.31	297.40	528.35	636.37	737.44	948.25	1094.01	1316.45	1419.17	1463.12	1521.04
Direct + Indirect Tax Revenue (Gross) = I+II	404.54	485.13	895.51	1053.74	1285.04	1633.85	1820.69	2060.67	2306.51	2352.67	2509.85
Direct + Indirect Tax Revenue (Net)	357.02	411.42	730.13	875.37	1060.98	1374.35	1562.80	1784.62	1933.96	1936.93	2018.87
Non-Tax Revenue ⁴	82.18	113.4	230.77	268.6	293.13	386.15	408.88	470.49	547.54	639.82	756
SHARE OF INDIVIDUAL TAXES IN TOTAL (GROSS) TAX REVENUE											
I. Direct Taxes (Gross)= a+b+c+d	0.43	0.35	0.33	0.32	0.33	0.34	0.33	0.29	0.28	0.28	0.28
a) Corporation Tax	0.10	0.08	0.12	0.15	0.17	0.17	0.17	0.15	0.14	0.13	0.12
b) Personal Income Tax	0.33	0.27	0.19	0.16	0.14	0.16	0.15	0.13	0.13	0.14	0.15
(c)+(d) Land Revenue & Others	0.00	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
II. Indirect Taxes (Gross) = a+b+c	0.57	0.65	0.67	0.68	0.67	0.66	0.67	0.71	0.72	0.72	0.72
a) Customs	0.39	0.34	0.19	0.20	0.19	0.23	0.22	0.26	0.25	0.22	0.18
b) Union Excise Duties	0.17	0.30	0.46	0.46	0.47	0.45	0.44	0.44	0.45	0.49	0.53
c) Others	0.01	0.00	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
Direct + Indirect Tax Revenue (Gross) I+II	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REVENUE AS A % OF GDP											
GDP at current market prices	9366	10258	16201	17177	18476	21237	24765	26145	29571	34611	36674
I. Direct Taxes (Gross)= a+b+c+d	1.87	1.67	1.80	1.96	2.29	2.56	2.42	2.29	2.22	1.89	1.90
a) Corporation Tax	0.42	0.36	0.68	0.91	1.20	1.25	1.27	1.17	1.11	0.90	0.82
b) Personal Income Tax	1.43	1.29	1.04	0.96	1.01	1.22	1.08	1.04	1.04	0.94	1.03
(c)+(d) Land Revenue & Others	0.02	0.03	0.08	0.09	0.08	0.05	0.08	0.08	0.06	0.05	0.05
II. Indirect Taxes (Gross) = a+b+c	2.45	3.06	3.72	4.17	4.67	5.11	4.93	5.59	5.58	4.91	4.94
a) Customs	1.68	1.63	1.05	1.24	1.33	1.58	1.61	2.06	1.98	1.48	1.22
b) Union Excise Duties	0.72	1.42	2.57	2.85	3.24	3.44	3.24	3.43	3.50	3.32	3.60
c) Others	0.05	0.02	0.11	0.09	0.10	0.09	0.09	0.10	0.10	0.10	0.12
Direct + Indirect Tax Revenue (Gross) = I+II	4.32	4.73	5.53	6.13	6.96	7.67	7.35	7.88	7.80	6.80	6.84
Share of State in Tax Revenue	0.51	0.72	1.02	1.04	1.21	1.22	1.04	1.06	1.26	1.20	1.34
Direct + Indirect Tax Revenue (Net)	3.81	4.01	4.51	5.10	5.74	6.47	6.31	6.83	6.54	5.60	5.50
Non-Tax Revenue	0.88	1.11	1.42	1.56	1.59	1.82	1.65	1.86	1.85	1.85	2.06

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Year	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)											
I. Direct Taxes (Gross) = a+b+c+d	826.59	869.52	1046.77	1233.34	1375.38	1649.99	2205.27	2328.15	2405.83	2528.04	2817.82
a) Corporation Tax	353.40	370.52	472.07	557.86	582.60	709.48	861.70	984.23	1220.77	1251.47	1391.90
b) Personal Income Tax ¹	448.45	473.17	536.74	625.47	741.37	874.41	1214.36	1194.38	1002.02	1177.39	1340.31
c) Land Revenue	0.16	0.22	0.28	0.28	0.31	0.36	0.34	0.32	0.40	0.31	0.25
d) Others ²	24.58	25.61	37.68	49.73	51.10	65.74	128.87	149.22	182.64	98.87	85.36
Less State share in Personal Income Tax	293.18	359.09	462.21	487.92	527.85	512.32	734.10	652.22	675.44	706.62	864.88
Less State share in Estate Duties	6.98	6.30	7.64	7.19	11.20	9.55	8.21	9.63	9.85	10.70	10.94
Less State share in Hotel Receipts											
Direct Taxes (Net)	526.43	504.13	576.92	738.23	836.33	1128.12	1462.96	1666.30	1720.54	1810.72	1942.00
II. Indirect Taxes (Gross) = a+b+c	1996.48	2337.27	2825.66	3271.57	3694.18	4671.76	5403.52	5942.80	6452.55	7997.03	9155.83
a) Customs	423.31	524.02	695.67	856.64	996.43	1332.90	1419.40	1553.70	1824.10	2423.51	2924.16
b) Union Excise Duties	1524.31	1758.55	2061.10	2324.25	2602.13	3230.51	3844.78	4221.45	4447.51	5367.17	6011.09
c) Others ³	48.86	54.70	68.89	90.68	95.62	108.35	139.34	167.65	180.94	206.35	220.58
Less State share in Union Excise Duties	321.51	390.05	474.62	566.74	630.70	702.54	856.71	1027.98	1112.81	1239.50	2530.20
Indirect Taxes (Net)	1674.97	1947.22	2351.04	2704.83	3063.48	3969.22	4546.81	4914.82	5339.74	6757.53	6625.63
Direct + Indirect Tax Revenue (Gross) = I+II	2823.07	3206.79	3872.43	4504.91	5069.56	6321.75	7608.79	8270.95	8858.38	10525.07	11973.65
Direct - Indirect Tax Revenue (Net)	2201.40	2451.35	2927.96	3443.06	3899.81	5097.34	6009.77	6581.12	7060.28	8568.25	8567.63
Non-Tax Revenue ⁴	844.36	862.61	1051.79	1098.97	1128.32	1376.96	1838.87	1967.55	2448.9	2423.1	2475.04
SHARE OF INDIVIDUAL TAXES IN TOTAL											
I. Direct Taxes (Gross) = a+b+c+d	0.29	0.27	0.27	0.27	0.27	0.26	0.29	0.28	0.27	0.24	0.24
a) Corporation Tax	0.13	0.12	0.12	0.12	0.11	0.11	0.11	0.12	0.14	0.12	0.12
b) Personal Income Tax	0.16	0.15	0.14	0.14	0.15	0.14	0.16	0.14	0.11	0.11	0.11
(c)+(d) Land Revenue & Others	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.01	0.01
II. Indirect Taxes (Gross) = a+b+c	0.71	0.73	0.73	0.73	0.73	0.74	0.71	0.72	0.73	0.76	0.76
a) Customs	0.15	0.16	0.18	0.19	0.20	0.21	0.19	0.19	0.21	0.23	0.24
b) Union Excise Duties	0.54	0.55	0.53	0.52	0.51	0.51	0.51	0.51	0.50	0.51	0.50
c) Others	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Direct + Indirect Tax Revenue (Gross) (I+II)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REVENUE AS A % OF GDP											
GDP at current market prices	40387	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
I. Direct Taxes (Gross) = a+b+c+d	2.05	2.01	2.26	2.42	2.22	2.25	2.80	2.74	2.50	2.43	2.46
a) Corporation Tax	0.88	0.86	1.02	1.09	0.94	0.97	1.09	1.16	1.27	1.20	1.22
b) Personal Income Tax	1.11	1.10	1.16	1.23	1.20	1.19	1.54	1.41	1.04	1.13	1.17
(c)+(d) Land Revenue & Others	0.06	0.06	0.08	0.10	0.08	0.09	0.16	0.18	0.19	0.10	0.07
II. Indirect Taxes (Gross) = a+b+c	4.94	5.41	6.11	6.41	5.96	6.36	6.66	7.00	6.72	7.68	8.01
a) Customs	1.05	1.21	1.50	1.68	1.61	1.82	1.80	1.83	1.90	2.33	2.56
b) Union Excise Duties	3.77	4.07	4.46	4.56	4.20	4.41	4.88	4.97	4.63	5.15	5.26
c) Others	0.12	0.13	0.15	0.18	0.15	0.15	0.18	0.20	0.19	0.20	0.19
Direct + Indirect Tax Revenue (Gross) = I+II	6.99	7.43	8.37	8.83	8.18	8.63	9.66	9.74	9.22	10.10	10.47
Share of State in Tax Revenue	1.54	1.75	2.04	2.08	1.89	1.67	2.03	1.99	1.87	1.88	2.98
Direct + Indirect Tax Revenue (Net)	5.45	5.68	6.33	6.75	6.29	6.96	7.63	7.75	7.35	8.22	7.49
Non-Tax Revenue	2.09	2.00	2.30	2.15	1.82	1.88	2.33	2.32	2.55	2.33	2.16

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Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
I. Direct Taxes (Gross) = a+b+c+d	2997.64	3786.03	4138.62	4498.65	4797.67	5620.35	6236.53	7159.28	7952.35
a) Corporation Tax	1310.79	1969.97	2184.51	2492.73	2555.90	2865.07	3159.96	3650.00	4099.00
b) Personal Income Tax \forall	1506.39	1475.50	1569.72	1699.14	1927.76	2509.61	2878.97	3350.00	3659.94
c) Land Revenue	0.31	0.40	0.38	0.26	0.31	0.20	0.07	0.28	0.16
d) Others \forall	180.15	340.16	384.01	306.52	313.70	245.47	197.53	159.00	193.25
Less State share in Personal Income Tax	1001.97	1016.88	1131.77	1171.64	1231.47	1846.38	2159.84	2589.24	2773.00
Less State share in Estate Duties	12.38	16.50	15.98	16.57	20.20	18.80	10.33	6.20	0.18
Less State share in Hotel Receipts	0.40	0.82							
Direct Taxes (Net)	1982.89	2751.83	2990.87	3310.44	3546.00	3755.17	4066.36	4563.84	5179.17
II. Indirect Taxes (Gross) = a+b+c	10181.94	12061.47	13557.05	15223.38	18672.92	23049.84	26601.92	30829.17	34647.65
a) Customs	509.28	4300.36	5119.41	5583.44	7040.52	9525.78	11475.03	13500.00	15626.31
b) Union Excise Duties	6500.02	7420.74	8058.50	10221.75	11150.84	12955.72	14470.18	16580.12	18172.00
c) Others \forall	272.64	340.37	379.14	418.19	481.56	568.34	656.71	749.05	849.34
Less State share in Union Excise Duties	2777.04	3240.28	3491.57	4057.39	4525.25	5625.47	6305.74	7002.37	7889.00
Indirect Taxes (Net)	7404.90	8821.19	10065.48	12165.99	14147.67	17424.37	20295.18	23826.80	26758.65
Direct + Indirect Tax Revenue (Gross) = I+II	13179.58	15847.50	17695.67	20722.03	23470.59	28670.19	32838.45	37988.45	42600.00
Direct + Indirect Tax Revenue (Net)	9387.79	11573.02	13056.35	15476.43	17693.67	21179.54	24362.54	28390.64	31937.82
Non-Tax Revenue \forall	3093.6	3564	4447.94	4238.59	5852.97	6859.88	8579.45	9910.24	11061.53
SHARE OF INDIVIDUAL TAXES IN TOTAL									
I. Direct Taxes (Gross) = a+b+c+d	0.23	0.24	0.23	0.22	0.20	0.20	0.19	0.19	0.19
a) Corporation Tax	0.10	0.12	0.12	0.12	0.11	0.10	0.10	0.10	0.10
b) Personal Income Tax	0.11	0.09	0.09	0.08	0.08	0.09	0.09	0.09	0.09
(c)+(d) Land Revenue & Others	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.00
II. Indirect Taxes (Gross) = a+b+c	0.77	0.76	0.77	0.78	0.80	0.80	0.81	0.81	0.81
a) Customs	0.26	0.27	0.29	0.27	0.30	0.33	0.35	0.36	0.37
b) Union Excise Duties	0.49	0.47	0.46	0.49	0.48	0.45	0.44	0.44	0.43
c) Others	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Direct + Indirect Tax Revenue (Gross) = I+II	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REVENUE AS A % OF GDP									
GDP at current market prices	136013	159760	178132	207589	231387	261221	291974	332616	394992
I. Direct Taxes (Gross) = a+b+c+d	2.20	2.37	2.32	2.17	2.07	2.15	2.14	2.15	2.01
a) Corporation Tax	0.96	1.23	1.23	1.20	1.10	1.08	1.08	1.10	1.04
b) Personal Income Tax	1.11	0.92	0.88	0.82	0.83	0.95	0.99	1.01	0.93
(c)+(d) Land Revenue & Others	0.13	0.21	0.22	0.15	0.14	0.12	0.07	0.05	0.05
II. Indirect Taxes (Gross) = a+b+c	7.49	7.55	7.61	7.82	8.07	8.51	9.11	9.27	8.77
a) Customs	2.51	2.69	2.87	2.69	3.04	3.84	3.93	4.06	3.96
b) Union Excise Duties	4.78	4.64	4.52	4.92	4.82	4.45	4.96	4.98	4.60
c) Others	0.20	0.21	0.21	0.20	0.21	0.22	0.22	0.23	0.22
Direct + Indirect Tax Revenue (Gross) = I+II	9.69	9.92	9.93	9.98	10.14	10.66	11.25	11.42	10.79
Share of State in Tax Revenue	2.79	2.68	2.60	2.53	2.50	2.55	2.90	2.84	2.70
Direct + Indirect Tax Revenue (Net)	6.90	7.24	7.33	7.46	7.65	8.09	8.34	8.54	8.09
Non-Tax Revenue	2.27	2.23	2.50	2.04	2.53	2.62	2.94	2.98	2.80

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NOTES TO TABLE 2:

Source: Government of India (various issues): Indian Economic Statistics (Public Finance), Ministry of Finance.

GDP figures from Government of India (Central Statistical Organisation): National Accounts Statistics-New Series, 1989, Ministry of Planning.

- 1 Taxes on income other than corporate and agricultural.
- 2 Includes: estate duty, wealth tax, expenditure tax, gift tax, interest tax and hotel receipts.
- 3 Includes: state excise duties, stamp duties, registration fees, taxes on motor vehicles and motor spirit, proceeds of entertainment, betting and terminal taxes in Delhi and of entertainment, electricity duty, passengers and goods and profession taxes in Chandigarh.
- 4 Includes interest receipts from States and Union Territories (must be netted out to arrive at "combined non tax revenue").

TABLE 3: EXPENDITURE OF THE CENTRE

Year	50-51	55-56	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69
(Rs. Crore)											
REVENUE EXPENDITURE A+B+C	385.43	495.35	953.04	1061.99	1341.60	1672.86	1836.77	2018.85	2266.41	2479.31	2699.91
A. Non-Development Expenditure	333.54	371.41	596.44	680.84	860.21	1181.85	1228.68	1387.9	1590.96	1746.44	1918.21
1) Interest Payments	70.51	96.04	193.46	214.44	245.43	278.35	316.41	370.62	463.45	501.43	528.02
2) Defence (net)	164.13	172.23	247.55	289.54	425.3	704.15	692.85	762.18	797.8	862.21	929.05
3) Subsidy to Food Corporation of India											12.1
3) Others \1	98.90	103.14	155.43	176.86	189.48	199.35	219.42	255.1	329.71	382.8	461.14
B. Development Expenditure	36.31	92.01	240.34	266.05	305.08	316.86	393.1	471.2	504.97	557.95	618.97
1) Social and Community Services	"	"	"	"	"	"	"	"	"	"	"
2) General Economic Services	"	"	"	"	"	"	"	"	"	"	"
3) Agriculture and Allied Activities	"	"	"	"	"	"	"	"	"	"	"
4) Fertilisers	"	"	"	"	"	"	"	"	"	"	"
5) Others \2	"	"	"	"	"	"	"	"	"	"	"
C. Others \3	15.58	31.93	116.26	115.10	176.31	174.15	214.99	159.75	170.48	174.92	162.73
CAPITAL EXPENDITURE A+B+C	124.51	381.79	777.58	837.76	1106.06	1406.65	1618.73	1661.67	2289.11	1696.82	1183.44
A. Non-Development Expenditure	15.87	37.01	63.78	64.88	105.42	176.57	156.97	157.83	445.13	234.46	124.22
B. Development Expenditure	50.97	89.79	276.36	312.59	424.31	572.32	617.86	537.91	500.82	432.14	303.69
C. Loans and Advances	57.67	254.99	437.44	460.29	576.33	657.76	843.9	965.93	1343.16	1030.22	755.53
TOTAL EXPENDITURE	509.94	877.14	1730.62	1899.75	2447.66	3079.51	3455.5	3680.52	4555.52	4176.13	3883.35
AS A % OF GDP											
GDP at Current Market Prices	9366	10258	16201	17177	18476	21237	24765	26145	29571	34611	36674
REVENUE EXPENDITURE A+B+C	4.12	4.83	5.88	6.18	7.26	7.88	7.42	7.72	7.65	7.16	7.36
A. Non-Development Expenditure	3.56	3.62	3.68	3.96	4.66	5.57	4.96	5.31	5.38	5.05	5.23
1) Interest Payments	0.75	0.94	1.19	1.25	1.33	1.31	1.28	1.42	1.57	1.45	1.44
2) Defence (net)	1.75	1.68	1.53	1.69	2.30	3.32	2.80	2.92	2.70	2.49	2.53
3) Subsidy to Food Corporation of India	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3) Others	1.06	1.01	0.96	1.03	1.03	0.94	0.89	0.98	1.11	1.11	1.26
B. Development Expenditure	0.39	0.90	1.48	1.55	1.65	1.49	1.59	1.80	1.71	1.61	1.60
1) Social and Community Services	"	"	"	"	"	"	"	"	"	"	"
2) General Economic Services	"	"	"	"	"	"	"	"	"	"	"
3) Agriculture and Allied Activities	"	"	"	"	"	"	"	"	"	"	"
4) Fertilisers	"	"	"	"	"	"	"	"	"	"	"
5) Others	"	"	"	"	"	"	"	"	"	"	"
C. Others	0.17	0.31	0.72	0.67	0.95	0.82	0.87	0.61	0.58	0.51	0.44
CAPITAL EXPENDITURE A+B+C	1.33	3.72	4.80	4.88	5.90	6.62	6.54	6.36	7.74	4.90	3.23
A. Non-Development Expenditure	0.17	0.36	0.39	0.38	0.57	0.83	0.63	0.60	1.51	0.68	0.34
B. Development Expenditure	0.54	0.88	1.71	1.82	2.30	2.69	2.49	2.06	1.69	1.25	0.83
C. Loans and Advances	0.62	2.49	2.70	2.68	3.12	3.10	3.41	3.69	4.54	2.98	2.06
TOTAL EXPENDITURE (REV + CAP)	5.44	8.55	10.68	11.06	13.25	14.50	13.95	14.08	15.41	12.07	10.59
TOTAL REVENUE (TAX + NON TAX) \4	5.20	5.83	6.95	7.70	8.54	9.51	9.00	9.68	9.65	8.65	8.91
OVERALL DEFICIT	0.25	2.72	3.73	3.36	4.71	4.99	4.95	4.40	5.75	3.42	1.68

Year	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)											
REVENUE EXPENDITURE A+B+C	2925.05	3153.20	4096.36	4527.66	4795.50	5713.76	7071.14	8319.98	9161.79	10711.07	11755.40
A. Non-Development Expenditure	2031.29	2178.83	2927.83	3102.37	3398.71	3935	4686.98	5402.15	5530.13	6287.31	7293.64
1) Interest Payments	564.87	605.54	670.11	772.44	881.64	1000.76	1228.16	1374.44	1521.35	1828.97	2209.86
2) Defence (net)	965.64	1051.46	1346.83	1439.36	1480.97	1920.21	2251.14	2347.2	2385.94	2613.9	3093.61
3) Subsidy to Food Corporation of India	30.69	17.98	49.69	117	251	295	250	506	480	570	600
3) Others \1	500.78	521.83	910.89	890.57	1036.1	1014.03	1207.68	1680.51	1622.84	1844.44	1990.17
B. Development Expenditure	720.13	814.03	1001.31	1260	1245	1340.85	1888.1	2331.38	2949.99	3726.43	4168.96
1) Social and Community Services	..	..	..	..	..	461.7	658.83	757.05	775.17	878.91	912.06
2) General Economic Services	..	..	..	..	..	96.8	169.88	307.32	369.3	445.99	404.81
3) Agriculture and Allied Activities	..	..	..	..	..	128.52	160.52	171.31	255.42	347.71	322.44
4) Fertilisers	..	..	..	..	..	..	..	59.79	107.33	173.17	320.78
5) Others \2	..	..	..	..	..	653.83	898.87	1035.93	1442.77	1880.65	2208.87
C. Others \3	173.63	160.34	167.22	165.29	151.79	437.91	496.06	586.45	681.67	697.33	292.80
CAPITAL EXPENDITURE A+B+C	1201.45	1571.66	1626.64	2122.17	2057.36	3067.95	3916.28	4080.32	4109.29	5446.23	5696.31
A. Non-Development Expenditure	156.05	349.54	269.5	161.78	234.87	218.92	464.95	303.23	261.85	515.07	289.59
B. Development Expenditure	492.39	592.04	847.15	771.35	773.99	1411.28	1785.48	1546.89	1980.7	1902.55	2149.83
C. Loans and Advances	553.01	630.08	509.99	1189.04	1048.5	1437.75	1665.05	2230.2	1866.74	3028.61	3258.89
TOTAL EXPENDITURE	4126.5	4724.86	5723	6649.83	6852.86	8781.71	10987.42	12400.3	13271.08	16157.3	17453.71
AS A % OF GDP											
GDP at Current Market Prices	40387	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
REVENUE EXPENDITURE A+B+C	7.24	7.31	8.86	8.88	7.73	7.80	8.98	9.80	9.54	10.28	10.28
A. Non-Development Expenditure	5.03	5.05	6.33	6.08	5.48	5.37	5.95	6.36	5.76	6.03	6.38
1) Interest Payments	1.40	1.40	1.45	1.51	1.42	1.37	1.56	1.62	1.58	1.76	1.93
2) Defence (net)	2.39	2.44	2.91	2.82	2.39	2.62	2.86	2.76	2.48	2.51	2.71
3) Subsidy to Food Corporation of India	0.08	0.04	0.11	0.23	0.40	0.40	0.32	0.60	0.50	0.55	0.52
3) Others	1.24	1.21	1.97	1.75	1.67	1.38	1.53	1.98	1.69	1.77	1.74
B. Development Expenditure	1.78	1.89	2.16	2.47	2.01	1.83	2.40	2.75	3.07	3.58	3.65
1) Social and Community Services	..	..	..	..	..	0.63	0.84	0.89	0.81	0.84	0.80
2) General Economic Services	..	..	..	..	..	0.13	0.22	0.36	0.38	0.43	0.35
3) Agriculture and Allied Activities	..	..	..	..	..	0.18	0.20	0.20	0.27	0.33	0.28
4) Fertilisers	..	..	..	..	..	0.00	0.00	0.07	0.11	0.17	0.28
5) Others	..	..	..	..	..	0.89	1.14	1.22	1.50	1.81	1.93
C. Others	0.43	0.37	0.36	0.32	0.24	0.60	0.63	0.69	0.71	0.67	0.26
CAPITAL EXPENDITURE A+B+C	2.97	3.64	3.52	4.16	3.32	4.19	4.97	4.81	4.28	5.23	4.98
A. Non-Development Expenditure	0.39	0.81	0.58	0.32	0.38	0.30	0.59	0.36	0.27	0.49	0.25
B. Development Expenditure	1.22	1.37	1.83	1.51	1.25	1.93	2.27	1.82	2.06	1.83	1.88
C. Loans and Advances	1.37	1.46	1.10	2.33	1.69	1.96	2.12	2.63	1.94	2.91	2.85
TOTAL EXPENDITURE (REV + CAP)	10.22	10.95	12.37	13.04	11.05	11.99	13.95	14.61	13.81	15.51	15.26
TOTAL REVENUE (TAX + NON TAX) \4	9.08	9.43	10.67	10.99	10.00	10.51	12.00	12.06	11.77	12.43	12.63
OVERALL DEFICIT	1.14	1.52	1.70	2.05	1.06	1.48	1.95	2.55	2.04	3.08	2.63

Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
REVENUE EXPENDITURE A+B+C	13260.75	15433.12	18761.12	22114.69	27046.98	33608.39	40725.85	46504.38	52850.80
A. Non-Development Expenditure	8423.94	9847.24	11766.54	13894.95	16675.24	20802.45	25686.41	28490.67	32418.45
1) Interest Payments	2604.3	3194.68	3937.61	4795.46	5974.5	7503.46	9245.94	11450	14100
2) Defence (net)	3540.38	4167.23	4881.73	5666.7	6399.25	7552.01	9668	10106.42	10227.78
3) Subsidy to Food Corporation of India	650	700	710	835	1100	1650	2000	2200	2300
3) Others ¹	2279.26	2485.33	2947.2	3432.79	4301.49	5746.98	6572.47	6934.25	8090.67
B. Development Expenditure	4499	5229.54	6548.72	7756.6	9828.47	11731.31	14067.46	16999.68	19061.71
1) Social and Community Services	1001.4	1254.04	1585.58	1835.16	2262.06	2728.05	3270.02	4122.68	4921.94
2) General Economic Services	455.74	536.96	547.4	593.31	627.98	689.64	912.65	1092.88	1237.96
3) Agriculture and Allied Activities	326.62	409.83	522.76	614.91	749.01	767	1049.95	1269.21	1545.31
4) Fertilisers	170	275	550	900	1200	1600	1897.12	2210	3000
5) Others ²	2545.24	2753.71	3342.98	3813.22	4989.42	5946.62	6937.72	8304.91	8356.5
C. Others ³	337.81	356.34	445.86	463.14	543.27	1074.63	971.98	1314.03	1370.64
CAPITAL EXPENDITURE A+B+C	8110.01	8373.89	9511.69	11135.53	14288.63	16811.47	19699.62	19587.45	20437
A. Non-Development Expenditure	922.93	492.8	724.97	1371.2	1225.43	1621.25	2574.42	4350.58	4335.32
B. Development Expenditure	3059.78	3806.01	4133.5	4904.84	6619.31	6876.22	7819.76	6182.6	6553.54
C. Loans and Advances	4127.3	4075.08	4653.22	4859.49	6443.89	8314	9305.42	9054.27	9548.14
TOTAL EXPENDITURE	21370.76	23807.01	28272.81	33250.22	41335.61	50419.86	60425.47	66391.83	73287.8
AS A % OF GDP									
GDP at Current Market Prices	136013	159760	178132	207589	231387	261920	291974	332616	394992
REVENUE EXPENDITURE A+B+C	9.75	9.66	10.53	10.65	11.69	12.83	13.95	14.07	13.38
A. Non-Development Expenditure	6.19	6.16	6.61	6.69	7.21	7.94	8.80	8.57	8.21
1) Interest Payments	1.91	2.00	2.21	2.31	2.58	2.86	3.17	3.44	3.57
2) Defence (net)	2.60	2.61	2.74	2.73	2.77	2.88	3.38	3.04	2.59
3) Subsidy to Food Corporation of India	0.48	0.44	0.40	0.40	0.48	0.63	0.68	0.66	0.58
3) Others	1.68	1.56	1.65	1.65	1.86	2.19	2.25	2.08	2.05
B. Development Expenditure	3.31	3.27	3.68	3.74	4.25	4.48	4.82	5.11	4.83
1) Social and Community Services	0.74	0.78	0.89	0.88	0.98	1.04	1.12	1.24	1.25
2) General Economic Services	0.34	0.34	0.31	0.29	0.27	0.26	0.31	0.33	0.31
3) Agriculture and Allied Activities	0.24	0.26	0.29	0.30	0.32	0.29	0.38	0.38	0.39
4) Fertilisers	0.12	0.17	0.31	0.43	0.52	0.61	0.65	0.66	0.76
5) Others	1.87	1.72	1.88	1.84	2.16	2.27	2.38	2.50	2.12
C. Others	0.25	0.22	0.25	0.22	0.23	0.41	0.33	0.40	0.35
CAPITAL EXPENDITURE A+B+C	5.96	5.24	5.34	5.36	6.18	6.42	6.75	5.89	5.17
A. Non-Development Expenditure	0.68	0.31	0.41	0.66	0.53	0.62	0.88	1.31	1.10
B. Development Expenditure	2.25	2.38	2.32	2.36	2.86	2.63	2.68	1.86	1.66
C. Loans and Advances	3.03	2.55	2.61	2.34	2.78	3.17	3.19	2.72	2.42
TOTAL EXPENDITURE (REV + CAP)	15.71	14.90	15.87	16.02	17.86	19.25	20.70	19.96	18.55
TOTAL REVENUE (TAX + NON TAX) ⁴	11.96	12.15	12.43	12.02	12.67	13.57	14.19	14.40	13.59
OVERALL DEFICIT	3.75	2.75	3.44	3.99	5.19	5.68	6.51	5.56	4.97

NOTES TO TABLE 3:

Source: Government of India (various issues): Indian Economic Statistics (Public Finance). Ministry of Finance.

GDP figures from Government of India (Central Statistical Organisation), National Accounts Statistics-New Series, 1989. Ministry of Planning.

- \1 Includes: Tax collection charges, administrative services, stationary and printing, grants to states for natural calamities, grants to Union Territories (non-plan) etc.
- \2 Includes plan grants to States and U.T.s and other grants.
- \3 Includes statutory grants to States.
- \4 Gross i.e. before sharing.

TABLE 4: REVENUE RECEIPTS OF THE STATES & UNION TERRITORIES

Year	50-51	55-56	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69
(Rs. Crore)											
I. Direct Taxes (before sharing)=a+b+c	55.33	87.91	110.01	112.47	137.37	143.02	142.98	135.84	110.40	125.21	141.72
(a) Land Revenue	49.56	78.01	97.19	99.52	123.84	130.19	128.33	119.92	94.92	107.71	125.44
(b) Agricultural Income Tax	3.59	7.68	9.71	9.44	9.60	9.42	10.79	9.91	10.34	12.09	9.94
(c) Others 11	2.18	2.22	3.11	3.51	3.93	3.41	3.86	6.01	5.14	5.41	6.34
Plus (d) Share in Central Taxes	47.52	57.14	90.28	97.72	99.15	123.51	130.55	130.13	141.64	181.10	200.05
Direct Taxes (after sharing)	102.85	145.05	200.29	210.19	236.52	266.53	273.53	265.97	252.04	306.31	341.77
II. Indirect Taxes = a+b+c+d	166.35	194.52	344.89	376.97	442.66	547.68	635.13	725.08	844.28	977.63	1107.16
(a) State Excise Duties	47.79	45.09	53.08	58.59	62.82	73.53	86.06	98.50	111.66	134.50	163.59
(b) Stamps and Registration Fees	25.98	29.08	43.54	47.70	58.46	62.54	70.46	80.17	87.88	106.84	108.70
(c) General Sales Tax	55.37	79.90	142.44	163.14	188.91	245.89	295.20	341.44	410.96	480.78	540.25
(d) Others 12	37.21	40.45	105.83	107.54	132.47	165.72	183.41	204.97	233.78	255.51	294.62
Plus (e) Share of Union Excise Duties	..	16.57	75.10	80.65	124.92	136.04	127.35	145.90	230.90	230.73	287.15
Indirect Taxes (after sharing)	166.35	211.09	419.99	457.62	567.58	683.72	762.48	870.98	1075.18	1208.36	1394.31
Direct + Indirect Taxes (before sharing)	221.68	282.43	454.90	489.44	580.03	690.7	778.11	860.92	954.68	1102.84	1248.88
Direct + Indirect Taxes (after sharing)	269.20	356.14	620.28	667.81	804.1	950.25	1036.01	1136.95	1327.22	1514.67	1736.08
Non Tax Revenue 13	75.72	134.28	168.1	197.64	225.55	267.78	282.62	334.78	360.78	413.63	497.04
Grants from the Centre	26.6	72.69	224.06	216.64	222.19	252.7	322.83	384.45	467.62	530.22	572.68
SHARE OF INDIVIDUAL TAXES IN TOTAL (AFTER SHARING) TAX REVENUE											
I. Direct Taxes (before sharing) = a+b+c	0.21	0.25	0.18	0.17	0.17	0.15	0.14	0.12	0.08	0.08	0.08
(a) Land Revenue	0.18	0.22	0.16	0.15	0.15	0.14	0.12	0.11	0.07	0.07	0.07
(b)+(c) Agricultural Income Tax & Others	0.02	0.03	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
II. Indirect Taxes (before sharing) = a+b+c+d	0.62	0.55	0.56	0.56	0.55	0.58	0.61	0.64	0.64	0.65	0.64
(a) State Excise Duties	0.18	0.13	0.09	0.09	0.08	0.08	0.08	0.09	0.08	0.09	0.09
(c) General Sales Tax	0.21	0.22	0.23	0.24	0.23	0.26	0.28	0.30	0.31	0.32	0.31
(b)+(d) Stamps, Registration Fees & Others	0.23	0.20	0.24	0.23	0.24	0.24	0.25	0.25	0.24	0.24	0.23
Share in Central Taxes	0.18	0.21	0.27	0.27	0.25	0.27	0.25	0.24	0.28	0.27	0.28
Direct + Indirect Tax (after sharing)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REVENUE AS A % OF GDP											
GDP at current market prices	9366	10258	16201	17177	18476	21237	24765	26145	29571	34611	36674
I. Direct Taxes (before sharing) = a+b+c	0.59	0.86	0.68	0.65	0.74	0.67	0.58	0.52	0.37	0.36	0.39
(a) Land Revenue	0.53	0.76	0.60	0.58	0.67	0.61	0.52	0.46	0.32	0.31	0.34
(b)+(c) Agricultural Income Tax & Others	0.06	0.10	0.08	0.08	0.07	0.06	0.06	0.06	0.05	0.05	0.04
II. Indirect Taxes (before sharing) = a+b+c+d	1.78	1.90	2.13	2.19	2.40	2.58	2.56	2.77	2.86	2.82	3.02
(a) State Excise Duties	0.51	0.44	0.33	0.34	0.34	0.35	0.35	0.38	0.38	0.39	0.45
(c) General Sales Tax	0.59	0.78	0.88	0.95	1.02	1.16	1.19	1.31	1.39	1.39	1.47
(b)+(d) Stamps, Registration Fees & Others	0.67	0.68	0.92	0.90	1.03	1.07	1.03	1.09	1.09	1.05	1.10
Direct + Indirect Taxes (before sharing)	2.37	2.75	2.81	2.85	3.14	3.25	3.14	3.29	3.23	3.19	3.41
Share in Central Taxes	0.51	0.72	1.02	1.04	1.21	1.22	1.04	1.06	1.26	1.19	1.33
Direct + Indirect Tax (after sharing)	2.87	3.47	3.83	3.89	4.35	4.47	4.18	4.35	4.49	4.38	4.73
Non Tax Revenue	0.81	1.31	1.16	1.15	1.22	1.26	1.14	1.28	1.22	1.20	1.36
Grants from the Centre	0.28	0.71	1.38	1.26	1.20	1.19	1.30	1.47	1.58	1.53	1.56

Year	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)											
I. Direct Taxes (before sharing) = a+b+c	136.45	139.55	124.18	112.75	176.75	183.88	287.28	256.39	274.37	322.57	278.03
(a) Land Revenue	115.93	120.60	101.93	94.32	159.22	162.00	233.76	187.17	178.14	201.06	164.61
(b) Agricultural Income Tax	14.09	10.53	12.90	12.26	11.82	13.89	28.48	34.55	61.96	80.38	58.36
(c) Others ¹	6.43	8.42	9.35	6.17	5.71	7.99	25.04	34.67	34.27	41.23	55.06
Plus (d) Share in Central Taxes	300.16	365.39	469.85	495.11	539.05	521.87	742.31	661.85	685.29	717.32	875.82
Direct Taxes (after sharing)	436.61	504.94	594.03	607.86	715.80	705.75	1029.59	918.24	959.66	1039.99	1153.85
II. Indirect Taxes = a+b+c+d	1240.49	1406.07	1578.57	1818.11	2142.27	2717.43	3285.66	3804.40	4104.43	4679.96	5431.40
(a) State Excise Duties	178.24	196.13	236.93	282.66	358.41	393.10	441.72	510.75	577.44	592.10	705.49
(b) Stamps and Registration Fees	113.85	127.57	137.48	145.05	172.55	205.75	217.73	232.74	287.68	334.81	369.34
(c) General Sales Tax	620.96	711.67	781.37	911.24	1067.24	1437.97	1820.89	2121.44	2261.58	2606.87	3028.58
(d) Others ²	327.44	370.70	422.79	479.16	544.07	680.61	805.32	939.47	977.73	1146.18	1327.99
Plus (e) Share of Union Excise Duties	325.21	390.27	474.61	566.14	628.40	702.58	856.71	1019.99	1119.84	1242.10	2534.02
Indirect Taxes (after sharing)	625.37	755.66	944.46	1061.25	1167.45	1224.45	1599.02	1681.84	1805.13	1959.42	3409.84
Indirect Taxes (after sharing)	1565.70	1796.34	2053.18	2384.25	2770.67	3420.01	4142.37	4824.39	5224.27	5922.06	7965.42
Direct + Indirect Taxes (before sharing)	1376.94	1545.62	1702.75	1930.86	2319.02	2901.31	3572.94	4060.79	4378.8	5002.63	5709.43
Direct + Indirect Taxes (after sharing)	2002.31	2301.28	2647.21	2992.11	3486.47	4125.76	5171.96	5742.63	6183.93	6962.05	9119.27
Non Tax Revenue ³	541.81	535.27	572.45	648.26	708.24	777.57	966.25	1181.91	1180.61	1335.51	1495.55
Grants from the Centre	606.29	583.37	873.15	947.7	969.6	1058.86	1284.85	1584.72	1907.45	2568.2	2200
SHARE OF INDIVIDUAL TAXES IN TOTAL											
I. Direct Taxes (before sharing) = a+b+c	0.07	0.06	0.05	0.04	0.05	0.04	0.06	0.04	0.04	0.05	0.03
(a) Land Revenue	0.06	0.05	0.04	0.03	0.05	0.04	0.05	0.03	0.03	0.03	0.02
(b)+(c) Agricultural Income Tax & Others	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01
II. Indirect Taxes (before sharing) = a+b+c+d	0.62	0.61	0.60	0.61	0.61	0.66	0.64	0.66	0.66	0.67	0.60
(a) State Excise Duties	0.09	0.09	0.09	0.09	0.10	0.10	0.09	0.09	0.09	0.09	0.08
(c) General Sales Tax	0.31	0.31	0.30	0.30	0.31	0.35	0.35	0.37	0.37	0.37	0.33
(b)+(d) Stamps, Registration Fees & Others	0.22	0.22	0.21	0.21	0.21	0.21	0.20	0.20	0.20	0.21	0.19
Share in Central Taxes	0.31	0.33	0.36	0.35	0.33	0.30	0.31	0.29	0.29	0.28	0.37
Direct + Indirect Tax (after sharing)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REVENUE AS A % OF GDP											
GDP at current market prices	40387	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
I. Direct Taxes (before sharing) = a+b+c	0.34	0.32	0.27	0.22	0.29	0.25	0.36	0.30	0.29	0.31	0.24
(a) Land Revenue	0.29	0.28	0.22	0.18	0.26	0.22	0.30	0.22	0.19	0.19	0.14
(b)+(c) Agricultural Income Tax & Others	0.05	0.04	0.05	0.04	0.03	0.03	0.07	0.08	0.10	0.12	0.10
II. Indirect Taxes (before sharing) = a+b+c+d	3.07	3.26	3.41	3.56	3.45	3.71	4.17	4.48	4.27	4.49	4.75
(a) State Excise Duties	0.44	0.45	0.51	0.55	0.58	0.54	0.56	0.60	0.60	0.57	0.62
(c) General Sales Tax	1.54	1.65	1.69	1.79	1.72	1.96	2.31	2.50	2.35	2.50	2.65
(b)+(d) Stamps, Registration Fees & Others	1.09	1.15	1.21	1.22	1.16	1.21	1.30	1.38	1.32	1.42	1.48
Direct + Indirect Taxes (before sharing)	3.41	3.58	3.68	3.79	3.74	3.96	4.54	4.78	4.56	4.80	4.99
Share in Central Taxes	1.55	1.75	2.04	2.08	1.88	1.67	2.03	1.98	1.88	1.88	2.98
Direct + Indirect Tax (after sharing)	4.96	5.33	5.72	5.87	5.62	5.63	6.57	6.76	6.44	6.68	7.97
Non Tax Revenue	1.34	1.24	1.24	1.27	1.14	1.06	1.23	1.39	1.23	1.28	1.31
Grants from the Centre	1.50	1.35	1.89	1.86	1.56	1.45	1.63	1.87	1.99	2.40	1.92

Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
I. Direct Taxes (before sharing)=a+b+c	270.64	347.16	353.34	408.92	531.82	631.68	652.79	693.59	851.90
(a) Land Revenue	156.54	227.71	225.83	255.05	318.41	353.12	374.39	414.64	520.53
(b) Agricultural Income Tax	46.40	38.25	30.22	44.02	91.33	126.92	103.76	70.90	99.45
(c) Others ¹	67.70	81.20	97.29	109.85	122.08	151.64	174.64	208.05	231.92
Plus (d) Share in Central Taxes	1014.75	1034.20	1147.75	1188.21	1251.67	1865.18	2170.17	2595.44	2773.18
Direct Taxes (after sharing)	1285.39	1381.36	1501.09	1597.13	1783.49	2496.86	2822.96	3289.03	3625.08
II. Indirect Taxes = a+b+c+d	6393.53	7947.75	9192.56	10394.50	11811.01	13964.84	16047.98	18267.67	20694.91
(a) State Excise Duties	838.33	1128.54	1355.66	1582.81	1857.36	2071.14	2426.66	2623.16	2851.62
(b) Stamps and Registration Fees	426.91	517.11	592.25	634.03	705.76	856.64	1011.68	1149.08	1249.09
(c) General Sales Tax	3697.65	4662.63	5257.06	6010.71	6756.38	8071.43	9204.61	10613.59	11998.83
(d) Others ²	1430.64	1639.47	1987.59	2166.95	2491.51	2965.63	3405.03	3881.84	4595.37
Plus (e) Share of Union Excise Duties	2774.25	3220.44	3484.43	3823.28	4570.21	5477.52	6215.65	7020.48	7704.45
Indirect Taxes (after sharing)	9167.78	11168.19	12676.99	14217.78	16381.22	19442.36	22263.63	25288.15	28399.36
Direct + Indirect Taxes (before sharing)	6664.17	8294.91	9545.9	10803.42	12342.83	14596.52	16700.77	18961.26	21546.81
Direct + Indirect Taxes (after sharing)	10453.17	12549.55	14178.08	15814.91	18164.71	21939.22	25086.59	28577.18	32024.44
Non Tax Revenue ³	1576.88	1776.50	2161.63	2422.07	2602.67	3040.17	3505.36	3812.44	4295.92
Grants from the Centre	2756.45	2840.08	3583.99	4292.44	5053.02	6555.1	7041.13	8576.7	8740.28
SHARE OF INDIVIDUAL TAXES IN TOTAL									
I. Direct Taxes (before sharing) = a+b+c	0.03	0.03	0.02	0.03	0.03	0.03	0.03	0.02	0.03
(a) Land Revenue	0.01	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.02
(b)+(c) Agricultural Income Tax & Others	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
II. Indirect Taxes (before sharing) = a+b+c+d	0.61	0.63	0.65	0.66	0.65	0.64	0.64	0.64	0.65
(a) State Excise Duties	0.08	0.09	0.10	0.10	0.10	0.09	0.10	0.09	0.09
(c) General Sales Tax	0.35	0.37	0.37	0.38	0.37	0.37	0.37	0.37	0.37
(b)+(d) Stamps, Registration Fees & Others	0.18	0.17	0.18	0.18	0.18	0.17	0.18	0.18	0.18
Share in Central Taxes	0.36	0.34	0.33	0.32	0.32	0.33	0.33	0.34	0.33
Direct + Indirect Tax (after sharing)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REVENUE AS A % OF GDP									
GDP at current market prices	136013	159760	178132	207589	231387	261920	291974	332616	394992
I. Direct Taxes (before sharing) = a+b+c	0.20	0.22	0.20	0.20	0.23	0.24	0.22	0.21	0.22
(a) Land Revenue	0.12	0.14	0.13	0.12	0.14	0.13	0.13	0.12	0.13
(b)+(c) Agricultural Income Tax & Others	0.08	0.07	0.07	0.07	0.09	0.11	0.10	0.08	0.08
II. Indirect Taxes (before sharing) = a+b+c+d	4.70	4.97	5.16	5.01	5.10	5.33	5.50	5.49	5.24
(a) State Excise Duties	0.62	0.71	0.76	0.76	0.80	0.79	0.83	0.79	0.72
(c) General Sales Tax	2.72	2.92	2.95	2.90	2.92	3.08	3.15	3.19	3.04
(b)+(d) Stamps, Registration Fees & Others	1.36	1.35	1.45	1.35	1.38	1.46	1.51	1.51	1.48
Direct + Indirect Taxes (before sharing)	4.90	5.19	5.36	5.20	5.33	5.57	5.72	5.70	5.45
Share in Central Taxes	2.79	2.66	2.60	2.41	2.52	2.80	2.87	2.89	2.65
Direct + Indirect Tax (after sharing)	7.69	7.86	7.96	7.62	7.85	8.38	8.59	8.59	8.11
Non Tax Revenue	1.16	1.11	1.21	1.17	1.12	1.16	1.20	1.15	1.09
Grants from the Centre	2.03	1.78	2.01	2.07	2.18	2.50	2.41	2.58	2.21

NOTES TO TABLE 4:

Source: Government of India (various issues): Indian Economic Statistics (Public Finance), Ministry of Finance.

GDP figures from Government of India (Central Statistical Organisation): National Accounts Statistics-New Series, 1989, Ministry of Planning.

- ✓1 Includes: taxes on professions, callings and employment and urban immovable property tax and expenditure tax.
- ✓2 Includes: taxes on vehicles, motor spirit sales tax, entertainment tax, cess on sugarcane, tax on passengers and goods, electricity duties, tobacco duties, inter-state transit duties, newspaper and advertisement tax, education cess, taxes on raw jute, betting etc.
- ✓3 Does not include grants from the Centre.

Revenue Receipts = A + B + C + D

A. Tax Revenue (i+ii)

i) Direct Taxes

ii) Indirect Taxes

B. Non-Tax Revenue

C. Grants from the Centre

D. Transfer from Funds (famine relief fund, revenue reserve fund etc.)

TABLE 5: EXPENDITURE OF STATES & UNION TERRITORIES

Year	50-51	55-56	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69
(Rs. Crore)											
REVENUE EXPENDITURE A+B+C	373.79	613.97	1016.15	1140.04	1246.02	1396.52	1598.93	1901.23	2218.26	2468.56	2792.82
A. Non-Development Expenditure	186.29	275.76	438.61	470.53	513.28	597.78	660.51	796.73	977.13	1073.3	1213.29
1) Interest Payments	9.04	32.98	86.73	103.26	114.86	148.71	157.24	208.31	251.32	274.35	320.11
2) Defence											
3) Administrative Services											
3) Others 1)	179.25	242.78	351.88	367.27	398.42	449.07	503.27	588.42	725.81	798.95	893.18
B. Development Expenditure	182.32	328.81	565.68	649.17	715.44	781.07	907.49	1084.85	1204.75	1357.76	1542.4
1) Social and Community Services	..	..	..	..	..	..	..	..	..	..	..
2) General Economic Services	..	..	..	..	..	..	..	..	..	..	..
3) Agriculture and Allied Activities	..	..	..	..	..	..	..	..	..	..	..
4) Others 2)	..	..	..	..	..	..	..	..	..	..	..
C. Others 3)	3.18	9.40	11.86	20.34	17.3	17.67	30.93	19.65	36.38	37.5	37.13
CAPITAL EXPENDITURE A+B+C	99.22	269.21	452.01	452.51	499.08	602.61	710.48	982.46	714.06	831.15	859.74
A. Non-Development Expenditure	10.23	4.80	17.22	19.05	17.65	27.82	13.3	6.38	15.48	11.93	28.59
B. Development Expenditure	68.15	193.98	303.79	305.58	342.47	345.73	408.13	548.69	365.83	505.09	559.08
C. Loans and Advances (net)	20.84	70.23	131.00	127.88	138.96	229.06	289.05	427.39	332.75	314.13	272.07
TOTAL EXPENDITURE	473.01	882.98	1468.16	1592.55	1745.10	1999.13	2309.41	2883.69	2932.32	3299.71	3652.56
AS A % OF GDP											
GDP at Current Market Prices	9366	10258	16201	17177	18476	21237	24765	26145	29571	34611	36674
REVENUE EXPENDITURE A+B+C	3.99	5.99	6.27	6.64	6.74	6.58	6.46	7.27	7.50	7.13	7.62
A. Non-Development Expenditure	2.01	2.69	2.71	2.74	2.78	2.81	2.67	3.05	3.30	3.10	3.31
1) Interest Payments	0.10	0.32	0.54	0.60	0.62	0.70	0.63	0.80	0.85	0.79	0.87
2) Defence											
3) Administrative Services											
3) Others	1.91	2.37	2.17	2.14	2.16	2.11	2.03	2.25	2.45	2.31	2.44
B. Development Expenditure	1.95	3.21	3.49	3.78	3.87	3.68	3.66	4.15	4.07	3.92	4.21
1) Social and Community Services	..	..	..	..	..	..	..	..	..	..	..
2) General Economic Services	..	..	..	..	..	..	..	..	..	..	..
3) Agriculture and Allied Activities	..	..	..	..	..	..	..	..	..	..	..
5) Others	..	..	..	..	..	..	..	..	..	..	..
C. Others	0.03	0.09	0.07	0.12	0.09	0.08	0.12	0.08	0.12	0.11	0.13
CAPITAL EXPENDITURE A+B+C	1.06	2.62	2.79	2.63	2.70	2.84	2.87	3.76	2.41	2.40	2.34
A. Non-Development Expenditure	0.11	0.05	0.11	0.11	0.10	0.13	0.05	0.02	0.05	0.03	0.08
B. Development Expenditure	0.73	1.89	1.88	1.78	1.85	1.63	1.65	2.10	1.24	1.46	1.52
C. Loans and Advances	0.22	0.68	0.81	0.74	0.75	1.08	1.17	1.63	1.13	0.91	0.72
TOTAL EXPENDITURE (REV + CAP)	5.05	8.61	9.06	9.27	9.45	9.41	9.33	11.03	9.92	9.53	9.96
TOTAL REVENUE (TAX + NON TAX) W	3.18	4.06	3.97	4.00	4.36	4.51	4.26	4.57	4.45	4.38	4.78
TRANSFERS FROM THE CENTRE	0.79	1.43	2.40	2.30	2.42	2.41	2.34	2.53	2.84	2.72	2.80
Grants	0.28	0.71	1.38	1.26	1.20	1.19	1.30	1.47	1.58	1.53	1.58
Tax Transfers	0.51	0.72	1.02	1.04	1.21	1.22	1.04	1.06	1.26	1.19	1.22

Year	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)											
REVENUE EXPENDITURE A+B+C	3219.97	3439.7	4089.85	4660.82	5276.91	5601.86	6521.81	7555.12	8381.46	9872.49	11511.66
A. Non-Development Expenditure	1451.18	1526.86	1827.89	2037.05	2351.7	2155.71	2518.66	2738.79	2946.07	3303.24	3802
1) Interest Payments	375.69	399.98	458	472.85	539.88	541.72	689.49	763.96	816.3	962.25	954.35
2) Defence											
3) Administrative Services						687.09	777.14	861.16	916.88	1024.64	1182.66
3) Others 11	1075.49	1126.88	1369.89	1564.2	1811.82	926.9	1052.03	1113.67	1212.89	1316.35	1664.99
B. Development Expenditure	1717.63	1886.79	2231.9	2595.15	2925.21	3368.17	3919.41	4632.75	5217.38	6358.05	7400.79
1) Social and Community Services	..	..	..	..	..	2200.26	2574.98	2912.31	3289.17	3841.95	4372.78
2) General Economic Services	..	..	..	..	..	51.72	73.15	160.55	185.44	230.38	252.91
3) Agriculture and Allied Activities	..	..	..	..	..	664.36	797.77	952.49	1105.91	1399.85	1730.31
4) Others 12	..	..	..	..	..	451.83	473.51	607.4	636.86	885.87	1044.79
C. Others 13	51.16	26.05	30.06	28.62	0.00	77.98	83.74	183.58	218.01	211.2	308.87
CAPITAL EXPENDITURE A+B+C	800.48	905.57	1077.41	1327.44	1353.03	1669.43	2075.75	2641.43	3100.14	3832.67	4477.72
A. Non-Development Expenditure	26.41	-9.25	-19.09	-12.4	-10.44	9.52	-1.45	1.61	-0.82	-0.92	-0.33
B. Development Expenditure	517.89	588.62	704.89	868.85	993.3	1130.29	1405.98	1680.44	1893.64	2336.98	2728.33
C. Loans and Advances (net)	256.18	326.2	391.61	470.99	376.17	529.62	671.22	959.38	1207.32	1496.61	1749.72
TOTAL EXPENDITURE	4020.45	4345.27	5167.26	5988.26	6629.94	7271.29	8597.56	10196.55	11481.60	13705.16	15989.38
AS A % OF GDP											
GDP at Current Market Prices	40387	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
REVENUE EXPENDITURE A+B+C	7.97	7.97	8.84	9.14	8.51	7.65	8.28	8.90	8.72	9.43	10.07
A. Non-Development Expenditure	3.59	3.54	3.95	3.99	3.79	2.94	3.20	3.23	3.07	3.17	3.32
1) Interest Payments	0.93	0.93	0.99	0.93	0.87	0.74	0.88	0.90	0.85	0.92	0.83
2) Defence											
3) Administrative Services											
3) Others	2.66	2.61	2.96	3.07	2.92	1.27	1.34	1.31	1.26	1.26	1.46
B. Development Expenditure	4.25	4.37	4.82	5.09	4.72	4.60	4.98	5.46	5.43	6.10	6.47
1) Social and Community Services	..	..	..	..	..	3.00	3.27	3.43	3.42	3.69	3.62
2) General Economic Services	..	..	..	..	..	0.07	0.09	0.19	0.19	0.22	0.22
3) Agriculture and Allied Activities	..	..	..	..	..	0.91	1.01	1.12	1.15	1.34	1.51
5) Others	..	..	..	..	..	0.62	0.60	0.72	0.66	0.65	0.91
C. Others	0.13	0.06	0.06	0.06	0.00	0.11	0.11	0.22	0.23	0.20	0.27
CAPITAL EXPENDITURE A+B+C	1.98	2.10	2.33	2.60	2.16	2.28	2.64	3.11	3.23	3.68	3.92
A. Non-Development Expenditure	0.07	-0.02	-0.04	-0.02	-0.02	0.01	-0.00	0.00	-0.00	-0.00	-0.00
B. Development Expenditure	1.28	1.36	1.52	1.70	1.60	1.54	1.79	1.96	1.97	2.24	2.39
C. Loans and Advances	0.63	0.76	0.85	0.92	0.60	0.72	0.85	1.13	1.26	1.44	1.53
TOTAL EXPENDITURE (REV + CAP)	9.95	10.07	11.17	11.74	10.69	9.93	10.92	12.01	11.95	13.15	13.98
TOTAL REVENUE (TAX + NON TAX) 14	4.75	4.82	4.92	5.06	4.88	5.02	5.76	6.18	5.79	6.08	6.30
TRANSFERS FROM THE CENTRE	3.05	3.10	3.93	3.94	3.45	3.12	3.66	3.85	3.86	4.35	4.91
Grants	1.50	1.35	1.89	1.86	1.56	1.45	1.63	1.87	1.99	2.46	1.92
Tax Transfers	1.55	1.75	2.04	2.08	1.88	1.67	2.03	1.98	1.88	1.88	2.98

Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
REVENUE EXPENDITURE A+B+C	14135.83	16193.39	19353.87	22690.66	27117.97	31361.93	35959.96	43012.02	46621.88
A. Non-Development Expenditure	4699.28	5464.08	6807.63	7917.74	9320.77	11254.21	12818.07	15395.65	17391.78
1) Interest Payments	1241.35	1458.44	1728.25	1992.62	2503.83	2975	4096.74	4960.97	5875.64
2) Defence									
3) Administrative Services	1470.69	1724.98	1993.41	2297.55	2632.68	3096.75	3411.84	4045.62	4735.26
3) Others U	1987.24	2280.66	3085.97	3627.57	4184.26	5182.46	5307.49	6389.06	6780.88
B. Development Expenditure	9088.09	10347.14	12104.36	14324.64	17321.15	19570.8	22549.98	26860.53	28423.48
1) Social and Community Services	5363.24	6246.89	7415.69	8704.44	10233.76	11640.9	13625.48	16018.54	17090.01
2) General Economic Services	272.49	277.07	303.44	381.83	424.64	466.97	512.93	611.66	708.43
3) Agriculture and Allied Activities	2085.54	2367.71	2812.85	3446.05	4501.1	5131.88	5777.93	6852.86	6618.47
4) Others V	1366.82	1455.47	1572.38	1792.31	2161.65	2331.05	2633.64	3397.47	4006.57
C. Others U	348.46	382.17	441.88	448.28	476.05	536.92	591.91	737.84	806.62
CAPITAL EXPENDITURE A+B+C	5253.14	5599.52	5989.41	6699.82	7409.52	8350.07	9390.15	10575.99	11083.97
A. Non-Development Expenditure	1.63	5.83	3.45	6.42	6.52	5.12	10.56	20.08	40.24
B. Development Expenditure	3251.14	3666.17	3822.66	4382.73	5030.94	5580.83	6225.17	6880.75	7464.18
C. Loans and Advances (net)	2000.37	1927.52	2163.3	2310.67	2372.06	2764.12	3154.42	3675.16	3579.55
TOTAL EXPENDITURE	19388.97	21792.91	25343.28	29390.48	34527.49	39712.00	45350.11	53588.01	57705.85
AS A % OF GDP									
GDP at Current Market Prices	136013	159760	178132	207589	231387	261920	291974	332616	394992
REVENUE EXPENDITURE A+B+C	10.39	10.14	10.86	10.93	11.72	11.97	12.32	12.93	11.80
A. Non-Development Expenditure	3.46	3.42	3.82	3.81	4.03	4.30	4.39	4.63	4.40
1) Interest Payments	0.91	0.91	0.97	0.95	1.08	1.14	1.40	1.49	1.49
2) Defence									
3) Administrative Services									
3) Others	1.46	1.43	1.73	1.75	1.81	1.98	1.82	1.92	1.72
B. Development Expenditure	6.68	6.48	6.80	6.90	7.49	7.47	7.72	8.08	7.20
1) Social and Community Services	3.94	3.91	4.16	4.19	4.42	4.44	4.67	4.82	4.33
2) General Economic Services	0.20	0.17	0.17	0.18	0.18	0.18	0.18	0.18	0.18
3) Agriculture and Allied Activities	1.53	1.48	1.58	1.66	1.95	1.96	1.98	2.06	1.68
5) Others	1.00	0.91	0.88	0.86	0.93	0.89	0.90	1.02	1.01
C. Others	0.26	0.24	0.25	0.22	0.21	0.20	0.20	0.22	0.20
CAPITAL EXPENDITURE A+B+C	3.86	3.50	3.36	3.23	3.20	3.19	3.22	3.18	2.81
A. Non-Development Expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
B. Development Expenditure	2.39	2.29	2.15	2.11	2.17	2.13	2.13	2.07	1.89
C. Loans and Advances	1.47	1.21	1.21	1.11	1.03	1.06	1.08	1.10	0.91
TOTAL EXPENDITURE (REV + CAP)	14.26	13.64	14.23	14.16	14.92	15.16	15.53	16.11	14.61
TOTAL REVENUE (TAX + NON TAX)	6.06	6.30	6.57	6.37	6.46	6.73	6.92	6.85	6.54
TRANSFERS FROM THE CENTRE	4.81	4.44	4.61	4.48	4.70	5.31	5.28	5.47	4.87
Grants	2.03	1.78	2.01	2.07	2.18	2.50	2.41	2.58	2.21
Tax Transfers	2.79	2.66	2.60	2.41	2.52	2.80	2.87	2.89	2.65

NOTES TO TABLE 5:

Source: Government of India (various issues): Indian Economic Statistics (Public Finance), Ministry of Finance.

GDP figures from Government of India (Central Statistical Organisation): National Accounts Statistics-New series, 1989, Ministry of Planning.

- \1 Includes: Administration of justice, elections, tax collection charges, food subsidy, relief on account of natural calamities (non-plan) etc.
- \2 Includes: Industry and minerals, water and power development, transport and communications, public works etc.
- \3 Transfer to funds.
- \4 Excluding tax transfers and grants.

TABLE 6: DEBT POSITION OF CENTRAL AND STATE GOVERNMENTS

Year	50-51	55-56	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69
(Rs. Crore)											
A. Centre	2865	3511	6544	6974	7683	8707	10124	11329	14355	15859	16849
I. Internal Debt	2022	2330	3978	4171	4530	4980	4992	5419	6217	6559	6803
II. External Debt	32	113	1001	1111	1379	1809	2633	3152	5182	6053	6520
III. Other Liabilities	811	1068	1565	1692	1774	1918	2499	2758	2956	3247	3526
B. States	191	354	725	824	896	966	1087	1409	1421	1577	1856
C. Loans to States from Central Govt.	155	943	2014	..	..	..	..	4110	4703	5190	5584
TOTAL (A+B)	3056	3865	7269	7798	8579	9673	11211	12738	15776	17436	18705
AS A % OF GDP											
GDP at current market prices	9366	10258	16201	17177	18476	21237	24765	26145	29571	34611	36674
A. Centre	30.59	34.23	40.39	40.60	41.58	41.00	40.88	43.33	48.54	45.82	45.94
I. Internal Debt	21.59	22.71	24.55	24.28	24.52	23.45	20.16	20.73	21.02	18.95	18.55
II. External Debt	0.34	1.10	6.18	6.47	7.46	8.52	10.63	12.06	17.52	17.49	17.78
III. Other Liabilities	8.66	10.41	9.66	9.85	9.60	9.03	10.09	10.55	10.00	9.38	9.61
B. States	2.04	3.45	4.48	4.80	4.85	4.55	4.39	5.39	4.81	4.56	5.06
C. Loans to States from Central Govt.	1.65	9.19	12.43				..	15.72	15.90	15.00	15.23
TOTAL (A+B)	32.63	37.68	44.87	45.40	46.43	45.55	45.27	48.72	53.35	50.38	51.00

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Year	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)											
A. Centre	17845	18836	21440	23924	24267	23822	27393	30777	40173	43482	50215
I. Internal Debt	7237	7466	8334	10197	11107	12370	13899	14458	18996	19855	24319
II. External Debt	6794	7224	7476	7751	5824	6421	7489	8610	8985	9373	9964
III. Other Liabilities	3814	4146	5630	5976	7336	5031	6005	7705	12192	14254	15932
B. States	1995	2365	2838	2585	3001	3397	4035	4424	4958	5297	5919
C. Loans to States from Central Govt.	5987	6365	6732	7992	8579	9148	9682	10469	11530	13890	15739
TOTAL (A+B)	19840	21201	24278	26509	27268	27219	31428	35201	45131	48779	56134
AS A % OF GDP											
GDP at current market prices	40387	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
A. Centre	44.19	43.64	46.35	46.91	39.14	32.53	34.78	36.25	41.82	41.73	43.91
I. Internal Debt	17.92	17.30	18.02	19.99	17.91	16.89	17.65	17.03	19.77	19.06	21.27
II. External Debt	16.82	16.74	16.16	15.20	9.39	8.77	9.51	10.14	9.35	9.00	8.71
III. Other Liabilities	9.44	9.61	12.17	11.72	11.83	6.87	7.62	9.08	12.69	13.68	13.93
B. States	4.94	5.48	6.14	5.07	4.84	4.64	5.12	5.21	5.16	5.08	5.18
C. Loans to States from Central Govt.	14.82	14.75	14.55	15.67	13.84	12.49	12.29	12.26	12.00	13.33	13.76
TOTAL (A+B)	49.12	49.12	52.49	51.97	43.98	37.17	39.90	41.46	46.98	46.82	49.09

Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
A. Centre	59749	68186	84872	94904	113441	137614	166546	193651	224180
I. Internal Debt	30864	35653	46939	50263	58537	71039	86313	99520	114405
II. External Debt	11298	12328	13682	15120	16637	18153	20299	22518	25539
III. Other Liabilities	17587	20205	24251	29521	38267	48422	59934	71613	84236
B. States	6906	8649	8965	10863	13478	14439	16876	19786	
C. Loans to States from Central Govt.	17071	19080	23558	26990	30432	37842	42758	48055	
TOTAL (A+B)	66655	76835	93837	105767	126919	152053	183422	213437	224180
AS A % OF GDP									
GDP at current market prices	136013	159760	178132	207589	231387	261920	291974	332616	394992
A. Centre	43.93	42.68	47.65	45.72	49.03	52.54	57.04	58.22	56.76
I. Internal Debt	22.69	22.32	26.35	24.21	25.30	27.12	29.56	29.92	28.96
II. External Debt	8.31	7.72	7.68	7.28	7.15	6.93	6.95	6.77	6.47
III. Other Liabilities	12.93	12.65	13.61	14.22	16.54	18.49	20.53	21.53	21.33
B. States	5.08	5.41	5.03	5.23	5.82	5.51	5.78	5.95	0.00
C. Loans to States from Central Govt.	12.55	11.94	13.23	13.00	13.15	14.45	14.64	14.45	0.00
TOTAL (A+B)	49.01	48.09	52.68	50.95	54.85	58.05	62.82	64.17	56.76

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TABLE 7: IMPORTS AND CUSTOMS REVENUE

Year	60-61	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70
(Rs. Crore)										
Imports	1122	1092	1131	1223	1340	1409	2078	2008	1909	1589
Customs Revenue	170.03	212.25	245.96	334.75	397.53	538.97	585.37	513.35	446.53	423.31
GDP (at Current Market Prices)	16201	17177	18476	21237	24765	26145	29571	34611	36674	40387
Imports (% of GDP)	6.93	6.36	6.12	5.76	5.45	5.39	7.03	5.80	5.21	3.93
Customs Revenue (% of GDP)	1.05	1.24	1.33	1.58	1.61	2.06	1.98	1.48	1.22	1.05
Customs Revenue (% of Imports)	15.15	19.44	21.75	27.37	29.47	38.25	28.17	25.57	23.39	26.64

Year	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
(Rs. Crore)										
Imports	1634	1825	1867	2955	4519	5265	5074	6020	6811	9142
Customs Revenue	524.02	695.67	856.64	996.43	1332.90	1419.40	1553.70	1824.10	2423.51	2924.16
GDP (at Current Market Prices)	43163	46257	51005	62007	73235	78761	84894	96067	104190	114356
Imports (% of GDP)	3.79	3.95	3.66	4.77	6.17	6.68	5.98	6.27	6.54	8.00
Customs Revenue (% of GDP)	1.21	1.50	1.68	1.61	1.82	1.80	1.83	1.90	2.33	2.56
Customs Revenue (% of Imports)	32.07	38.12	45.88	33.72	29.50	26.96	30.62	30.30	35.58	31.98

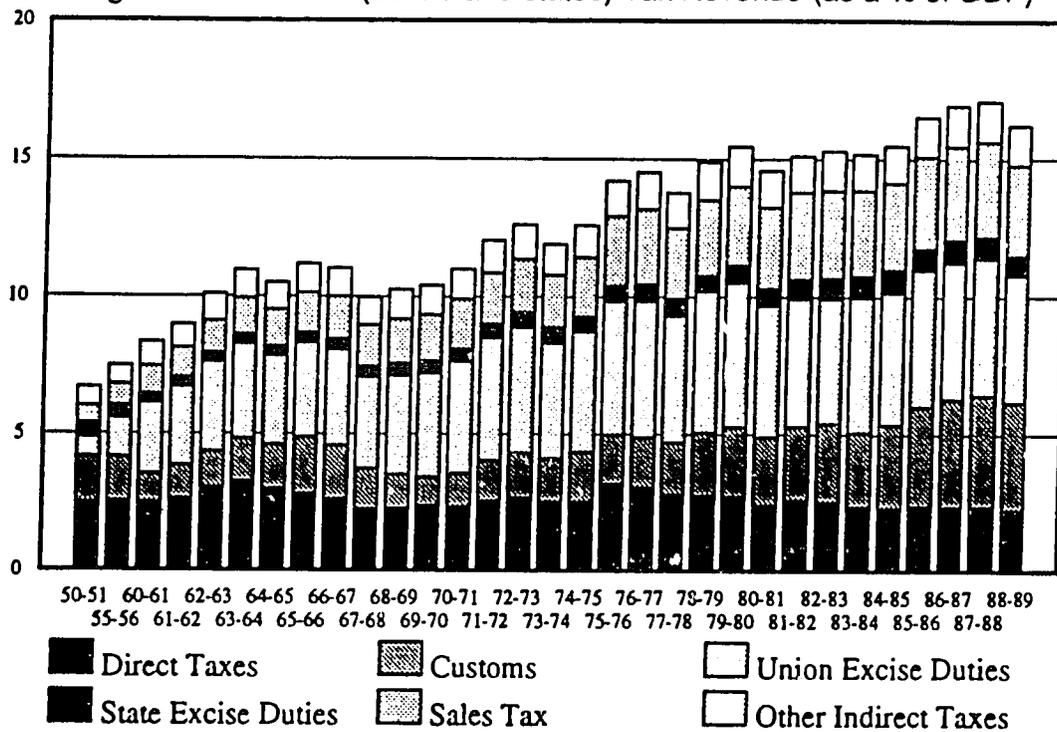
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Year	80-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89
(Rs. Crore)									
Imports	12549	13608	14293	15831	17134	19656	20201	22349	..
Customs Revenue	3409.28	4300.36	5119.41	5583.44	7040.52	9525.78	11475.03	13500.00	15626.31
GDP (at Current Market Prices)	136013	159760	178132	207589	231387	261920	291974	332616	394992
Imports (% of GDP)	9.23	8.52	8.02	7.63	7.40	7.51	6.92	6.73	0.00
Customs Revenue (% of GDP)	2.51	2.69	2.87	2.69	3.04	3.64	3.93	4.06	3.96
Customs Revenue (% of Imports)	27.17	31.60	35.82	35.27	41.09	48.46	56.80	60.27	..

Source:

- (i) Foreign Trade Statistics Vol I & II, Ministry of Commerce, Govt. of India.
- (ii) Report on Currency and Finance, Reserve Bank of India.
- (iii) Statistical Abstract of India (annual), Central Statistical Organisation, Ministry of Planning, Govt.
- (iv) Indian Economic Statistics (Public Finance), Government of India.

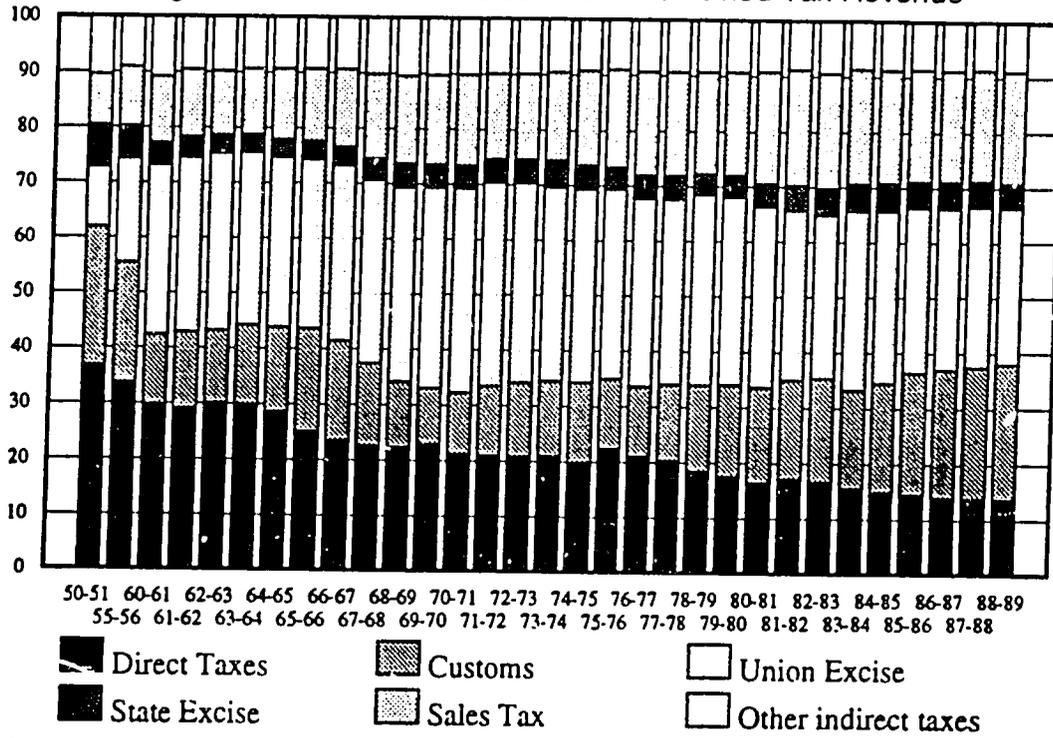
Figure 1: Combined (centre and states) Tax Revenue (as a % of GDP)



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table I for notes on data.

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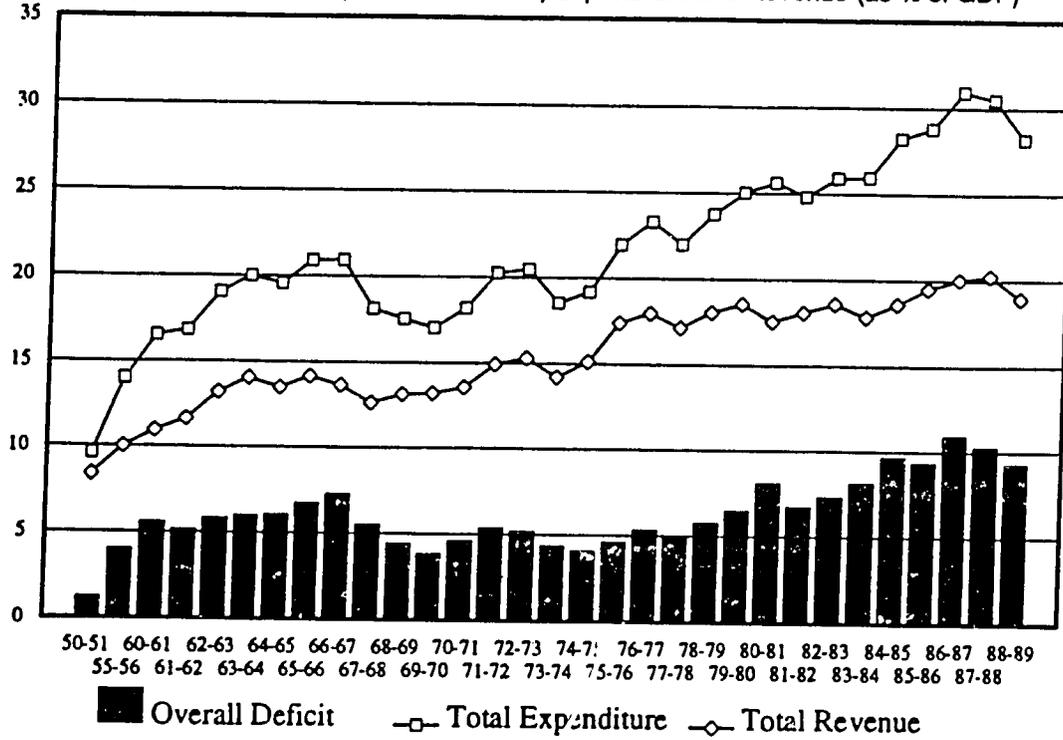
Figure 2: Individual Taxes as a % of Combined Tax Revenue



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 1 for notes on data.

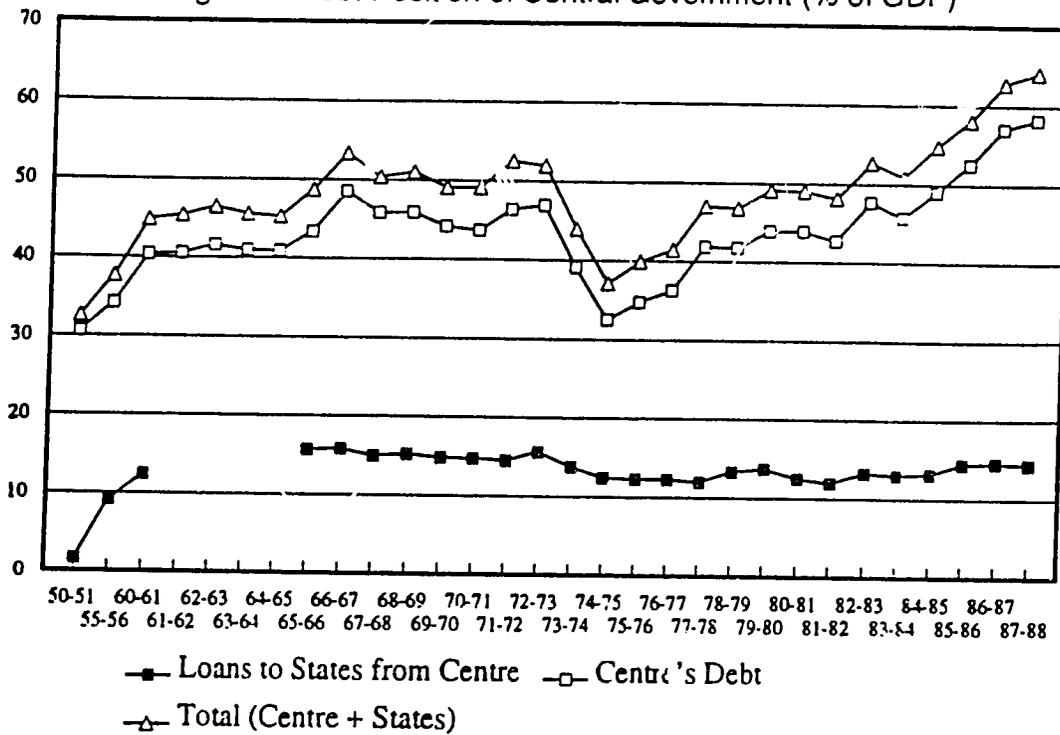
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Figure 3: Combined (Centre and State) Expenditure and Revenue (as % of GDP)



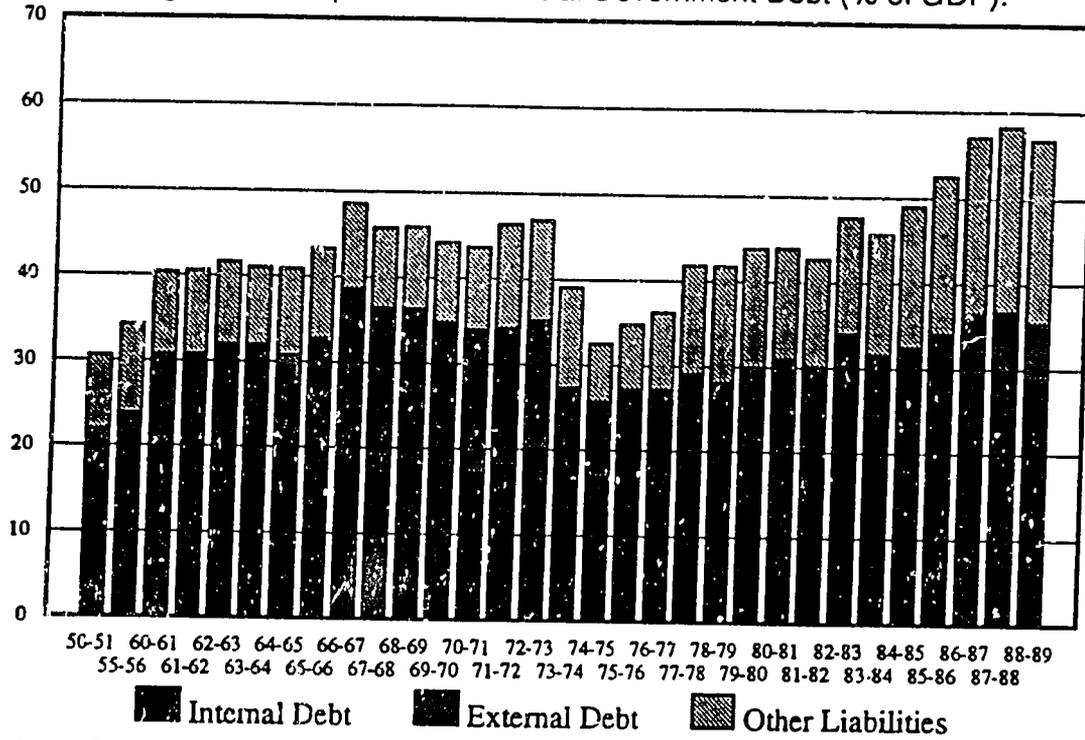
Source: Government of India (various issues); Indian Economic Statistics (Public Finance).
 Note: See Table 1 for notes on data.

Figure 4: Debt Position of Central Government (% of GDP)



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 6 for notes on data.

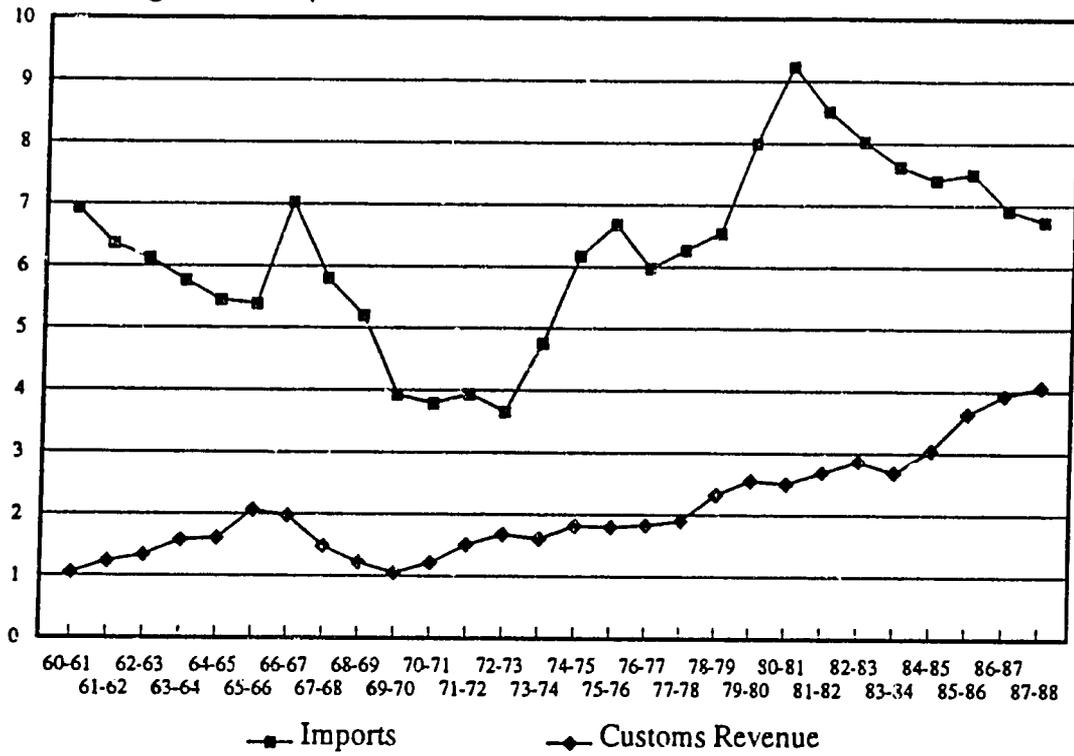
Figure 5: Composition of Central Government Debt (% of GDP).



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 6 for notes on data.

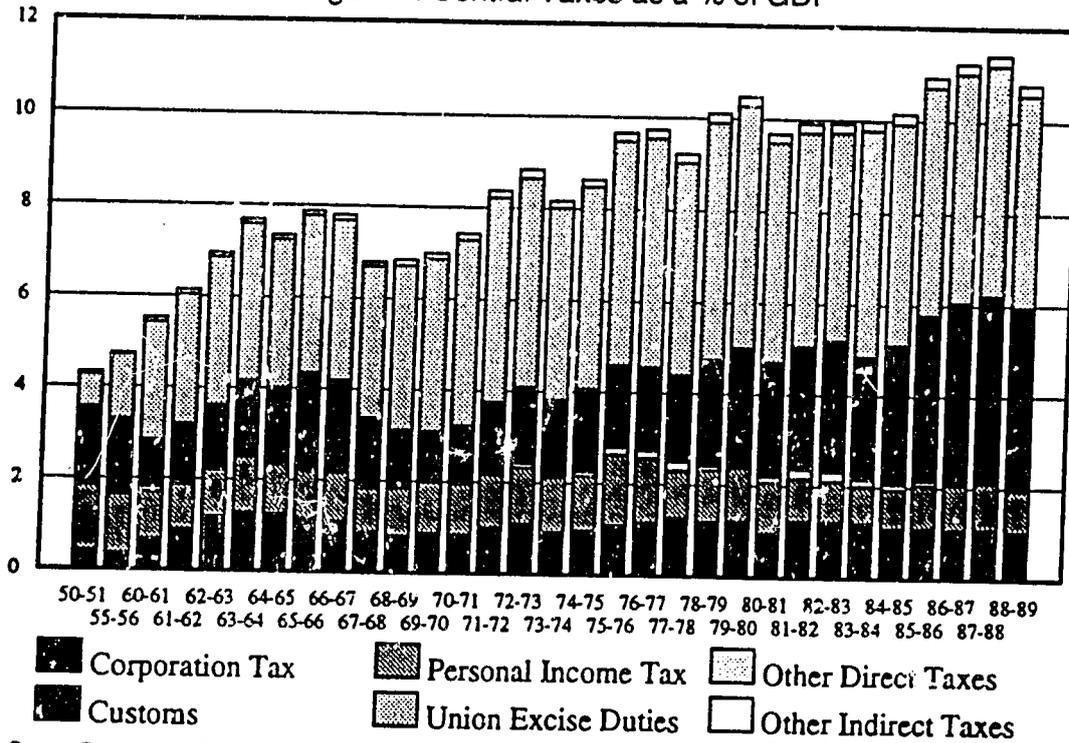
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Figure 6: Imports and Customs Revenue as a % of GDP



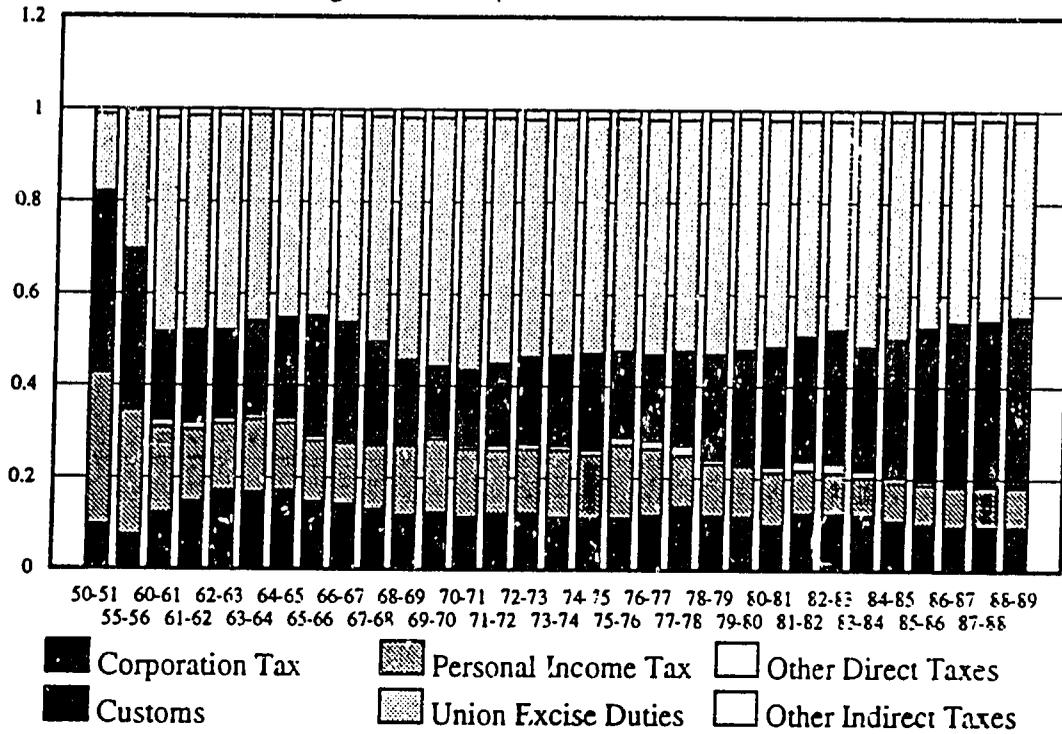
Source: See Table 7

Figure 7: Central Taxes as a % of GDP



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 2 for notes on data.

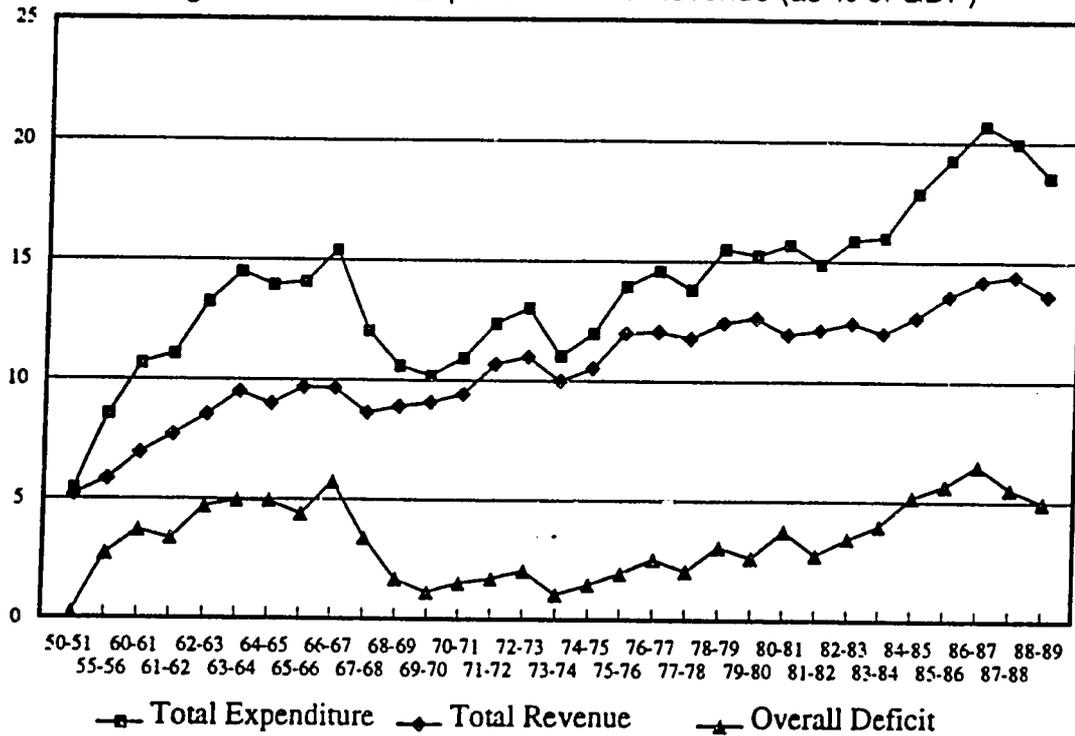
Figure 8: Composition of Central Taxes



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 2 for notes on data.

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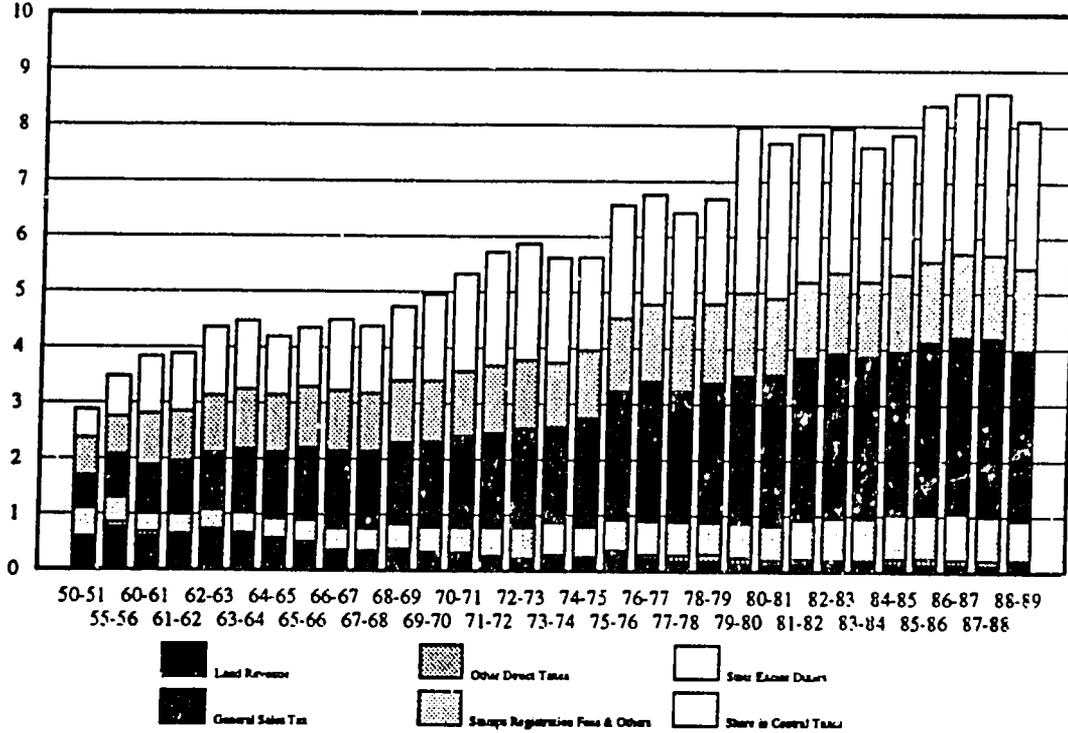
Figure 9: Centre's Expenditure and Revenue (as % of GDP)



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 3 for notes on data.

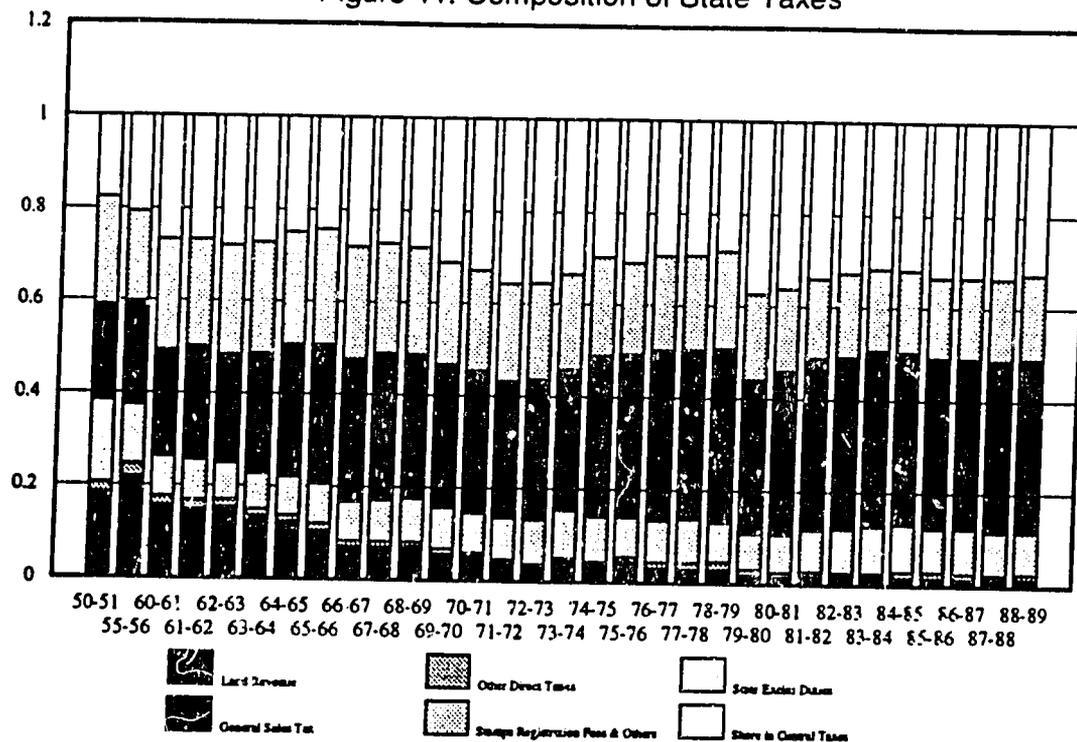
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Figure 10: State Taxes as a % of GDP



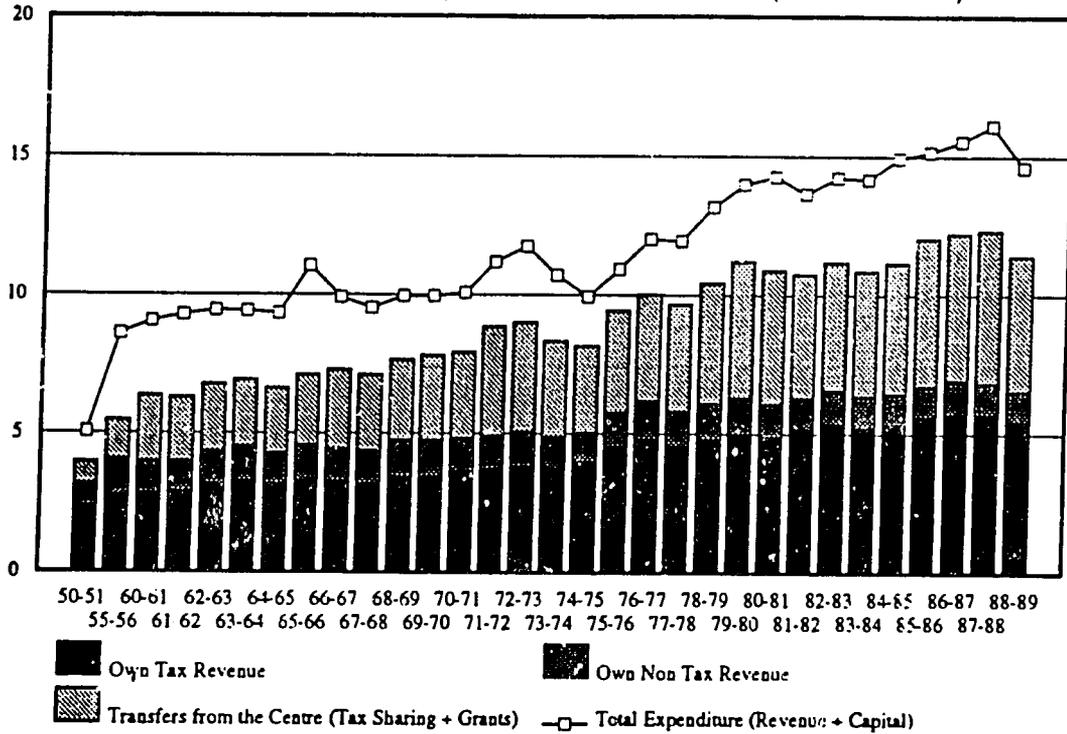
Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: see Table 4 for notes on data.

Figure 11: Composition of State Taxes



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Table 4 for notes on data.

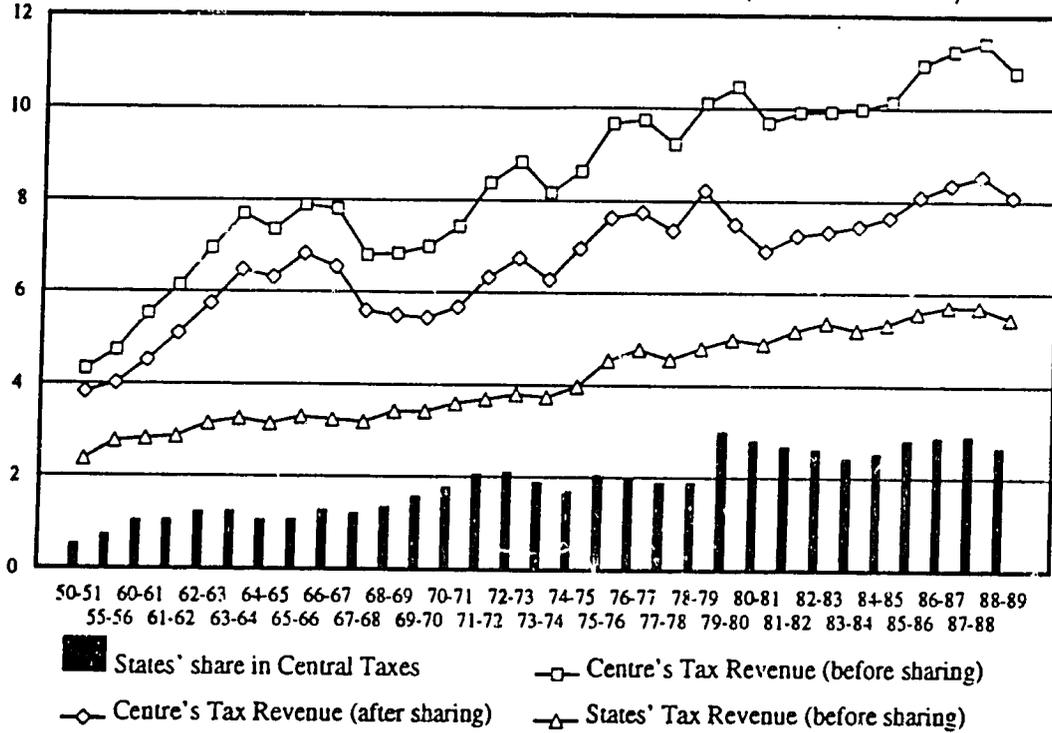
Figure 12: States' Expenditure and Revenue (as % of GDP)



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Tables 4 & 5 for notes on data.

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Figure 13: State and Central Tax Revenues (as a % of GDP)



Source: Government of India (various issues): Indian Economic Statistics (Public Finance).
 Note: See Tables 2 and 4 for notes on data.