

CHAPTER 5

GROWTH OF INCOME TAX REVENUE IN INDIA

The economic crisis of 1991 led to structural tax reforms in India with main purpose of correcting the fiscal imbalance. Subsequently, the Tax Reforms Committee headed by Raja Chelliah (Government of India, 1992) and Task Force on Direct Taxes headed by Vijay Kelkar (Government of India, 2002) made several proposals for improving Income Tax System. These recommendations have been implemented by the Government in phases from time to time. The main objective of these reforms has been to enhance tax revenue by enlarging tax base, encouraging voluntary tax compliance and simplifying procedural rules. This chapter examines growth of income tax revenue on the basis of following parameters:

- Significance of income tax revenue in the Indian tax structure
- Category-wise growth in number of personal assesseees and corporate assesseees
- Growth in income tax revenue
- Income tax to Gross Domestic Product (GDP) ratio
- Tax buoyancy coefficient
- State-wise share and growth of income tax revenue
- State-wise income tax to State Domestic Product (SDP) ratio

5.1 INDIAN TAX STRUCTURE

Tax structure refers to the various taxes that constitute the tax system of a country, broadly comprising of direct and indirect taxes. Income tax and wealth

tax are the main direct taxes while excise duty and custom duty are the main indirect taxes of the central Government of India. Income tax can be categorised in two parts viz. Personal Income Tax and Corporate Tax. Income tax levied on individuals, hindu undivided families (HUFs), firms, association of persons (AOPs), body of individuals (BOIs), local authorities and artificial juridical persons is called Personal Income Tax and income tax levied on companies is called Corporate Tax. Table 5.1 presents revenue collected from the various direct & indirect taxes and their respective share in total tax revenue of the central Government.

TABLE 5.1
DIRECT AND INDIRECT TAX REVENUE OF CENTRAL GOVT.

(Rs. in crores)

Years	Direct taxes				Indirect taxes				Total tax revenue
	Personal income tax	Corporate tax	Other taxes	Total	Excise duty	Custom duty	Other taxes	Total	
1997-98	17101 (12.28)	20016 (14.38)	11163 (8.02)	48280 (34.68)	47962 (34.45)	40193 (28.87)	2791 (2.00)	90946 (65.32)	139226 (100.00)
1998-99	20240 (14.07)	24529 (17.06)	1831 (1.27)	46600 (32.41)	53246 (37.03)	40668 (28.28)	3288 (2.29)	97202 (67.59)	143802 (100.00)
1999-00	25655 (14.94)	30692 (17.87)	1612 (0.94)	57959 (33.75)	61902 (36.04)	48420 (28.19)	3470 (2.02)	113792 (66.25)	171751 (100.00)
1999-00	31764 (16.84)	35696 (18.93)	845 (0.45)	68305 (36.22)	68526 (36.33)	47542 (25.21)	4231 (2.24)	120299 (63.78)	188604 (100.00)
2001-02	32004 (17.11)	36609 (19.57)	585 (0.31)	69198 (36.99)	72306 (38.65)	40096 (21.43)	5461 (2.92)	117863 (63.01)	187061 (100.00)
2002-03	36866 (17.05)	46172 (21.35)	50 (0.02)	83088 (38.42)	82310 (38.06)	44852 (20.74)	6016 (2.78)	133178 (61.58)	216266 (100.00)
2003-04	41387 (16.40)	63562 (25.18)	140 (0.06)	105089 (41.64)	90774 (35.97)	48629 (19.27)	7891 (3.13)	147294 (58.36)	252383 (100.00)
2004-05	49268 (16.21)	82680 (27.21)	823 (0.27)	132771 (43.69)	99401 (32.71)	57566 (18.94)	14134 (4.65)	171101 (56.31)	303872 (100.00)
2005-06	55985 (15.38)	101277 (27.82)	7954 (2.19)	165216 (45.39)	110665 (30.40)	65050 (17.87)	23053 (6.33)	198768 (54.61)	363984 (100.00)
2006-07	75079 (15.94)	144318 (30.64)	10784 (2.29)	230181 (48.86)	117088 (24.86)	86304 (18.32)	37484 (7.96)	240876 (51.14)	471057 (100.00)
2007-08	102655 (17.43)	192911 (32.76)	16647 (2.83)	312213 (53.02)	122711 (20.84)	102852 (17.46)	51133 (8.68)	276696 (46.98)	588909 (100.00)

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

Note: Figures in parentheses represent percentage share in total tax revenue of the central Government.

FIGURE 5.1

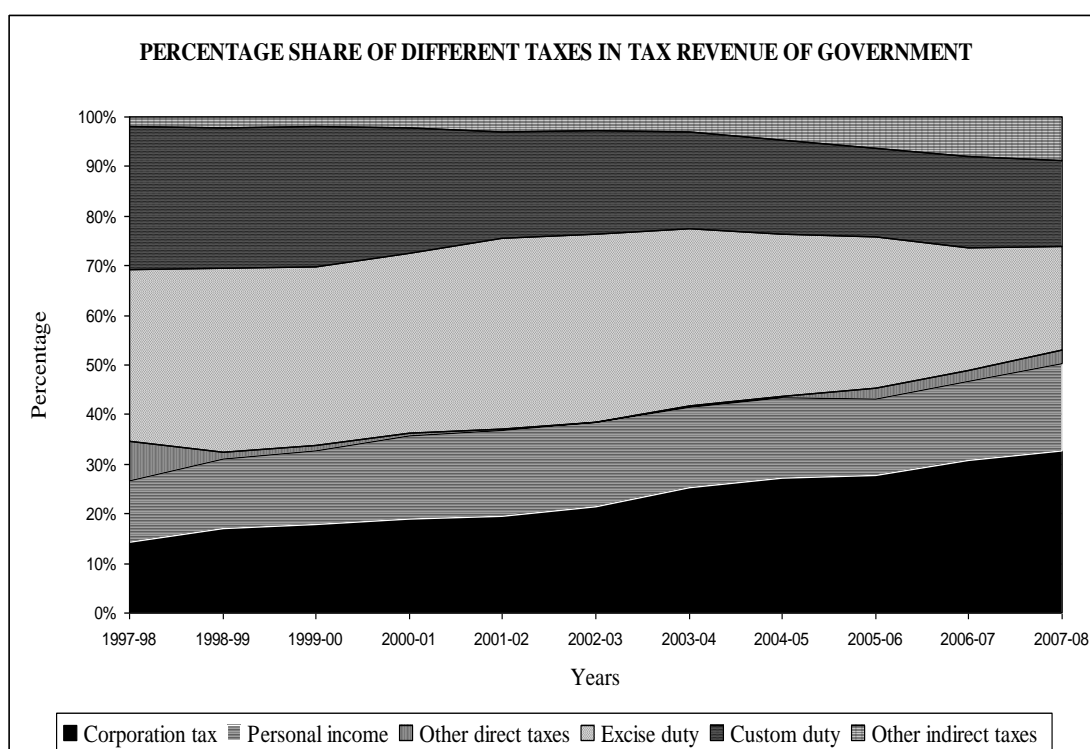


Table 5.1 shows that relative significance of various taxes has changed during the study period. It can be seen from the table that share of personal income tax in total tax revenue of the Central Government increased from 12.28 per cent in 1997-98 to 17.05 per cent in 2002-03, then declined to 15.94 per cent in 2006-07 and again increased to 17.43 per cent in 2007-08. Share of corporate tax in total tax revenue of the Government showed an increasing trend throughout the study period. It increased from 14.38 per cent in 1997-98 to 32.76 per cent in 2007-08. On the other hand, share of major indirect taxes i.e. excise duty and custom duty declined from 34.45 per cent and 28.87 per cent in 1997-98 to 20.84 per cent and 17.46 per cent respectively in 2007-08. The share of total direct taxes increased from 34.68 per cent in 1997-98 to 53.02 per cent in 2007-08, whereas the share of indirect taxes decreased from 65.32 per cent in 1997-98 to 46.98 per cent in 2007-08. Thus, there is a structural shift in composition of tax revenue of central Government in favour of direct taxes from

indirect taxes (see Figure 5.1). This can be considered as a positive development on the assumption that direct taxes are more equitable in impact and pro-poor as compared to indirect taxes.

5.2 GROWTH IN TAX BASE

The base of income tax structure is a crucial factor affecting the tax revenue. Government has tried to achieve it through introduction of economic criterion for filing income tax return in 1997-98 (withdrawn in 2006-07), expansion of TDS base, introduction of Annual Information System etc. The number of personal income tax assessees and corporate assessees under various taxable income categories is given in Table 5.2 and Table 5.3 respectively.

TABLE 5.2
INCOME -WISE NUMBER OF PERSONAL INCOME TAX ASSESSEES
(Number in lakhs)

Year	Taxable income			Search & seizure	Total
	Below Rs. 2 lakh	Rs. 2 lakh -10 lakh	Above Rs.10 lakh		
1997-98	122.90 (95.59)	5.09 (3.96)	0.39 (0.30)	0.19 (0.15)	128.57 (100)
1998-99	162.21 (96.32)	5.49 (3.26)	0.46 (0.27)	0.25 (0.15)	168.41 (100)
1999-00	187.45 (95.80)	7.49 (3.83)	0.58 (0.30)	0.15 (0.08)	195.67 (100)
2000-01	216.07 (95.32)	9.72 (4.29)	0.73 (0.32)	0.16 (0.07)	226.68 (100)
2001-02	243.50 (94.10)	14.15 (5.47)	0.79 (0.31)	0.33 (0.13)	258.77 (100)
2002-03	255.25 (90.84)	21.89 (7.79)	0.88 (0.31)	2.98 (1.06)	281.00 (100)
2003-04	265.46 (92.08)	21.67 (7.52)	1.05 (0.36)	0.12 (0.04)	288.30 (100)
2004-05	243.63 (90.92)	22.96 (8.57)	1.22 (0.46)	0.14 (0.05)	267.95 (100)
2005-06	258.98 (88.10)	27.22 (9.26)	5.62 (1.91)	2.13 (0.72)	293.95 (100)
2006-07	273.30 (88.46)	27.87 (9.02)	5.79 (1.87)	2.00 (0.65)	308.96 (100)
2007-08	287.9 (86.81)	41.47 (12.5)	2.18 (0.66)	0.1 (0.03)	331.65 (100)
EGR	7.19	23.26	1.28	11.31	8.36

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

Note: Figures in parentheses represent percentage share in total number of assessees.

FIGURE 5.2

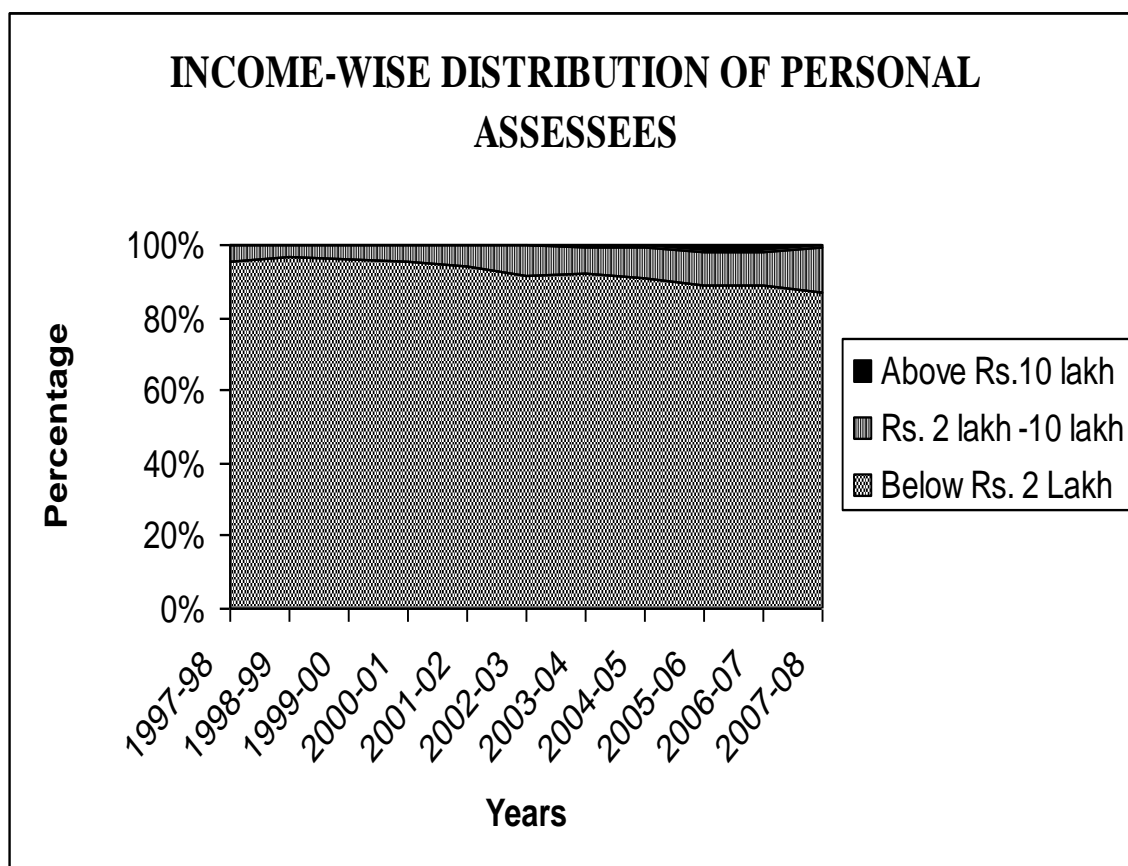


Table 5.2 highlights that total number of personal income tax assessees increased from 128.57 lakh in 1997-98 to 331.65 lakh in 2007-08 at an EGR of 8.36 per cent. Assesees belonging to taxable income ‘Rs. 2 lakh -10 lakh’ increased from 5.09 lakh in 1997-98 to 41.47 lakh in 2007-08 by registering EGR of 23.26 per cent; assesees having income ‘below Rs. 2 lakh’ increased from 122.90 lakh to 287.90 lakh at an EGR of 7.19 per cent and assesees having income ‘above Rs.10 lakh’ increased from 0.39 lakh to 2.17 lakh at an EGR of 1.28 per cent during the corresponding period. Thus, EGR in case of assesees having income ‘above Rs.10 lakh’ was very low as compared to overall growth rate. Further, Figure 5.2 depicts that the percentage share of assesees belonging to taxable income ‘below Rs. 2 lakh’ decreased from 95.59 per cent of total assesees in 1997-98 to 86.81 per cent in 2007-08 and share of assesees

belonging to taxable income ‘Rs. 2 lakh -10 lakh’ increased from 3.96 per cent to 12.5 per cent during the corresponding period. However, share of assesseees having income ‘above Rs.10 lakh’ showed a negligible increase i.e. from 0.30 per cent in 1997-98 to 0.66 in 2007-08.

TABLE 5.3
INCOME -WISE NUMBER OF CORPORATE ASSESSEES

(Number in lakhs)

Year	Taxable income			Search & seizure	Total
	Below Rs. 50000	Rs. 50000-10 lakh	Above Rs.10 lakh		
1997-98	1.61 (58.55)	0.87 (31.64)	0.25 (9.09)	0.02 (0.73)	2.75 (100)
1998-99	1.73 (58.45)	0.91 (30.74)	0.3 (10.14)	0.02 (0.68)	2.96 (100)
1999-00	1.82 (58.71)	0.92 (29.68)	0.33 (10.65)	0.03 (0.97)	3.10 (100)
2000-01	1.95 (58.38)	0.96 (28.74)	0.41 (12.28)	0.02 (0.60)	3.34 (100)
2001-02	1.91 (54.73)	1.22 (34.96)	0.34 (9.74)	0.02 (0.57)	3.49 (100)
2002-03	1.83 (50.14)	1.29 (35.34)	0.39 (10.68)	0.14 (3.84)	3.65 (100)
2003-04	2 (53.76)	1.25 (33.60)	0.44 (11.83)	0.03 (0.81)	3.72 (100)
2004-05	2.05 (53.95)	1.19 (31.32)	0.54 (14.21)	0.02 (0.53)	3.80 (100)
2005-06	1.99 (50.64)	1.24 (31.55)	0.68 (17.30)	0.02 (0.51)	3.93 (100)
2006-07	2.05 (51.25)	1.25 (31.25)	0.68 (17.00)	0.02 (0.50)	4.00 (100)
2007-08	3.16 (63.45)	1.21 (24.30)	0.59 (11.85)	0.02 (0.40)	4.98 (100)
EGR	0.14	3.96	10.06	-0.73	4.85

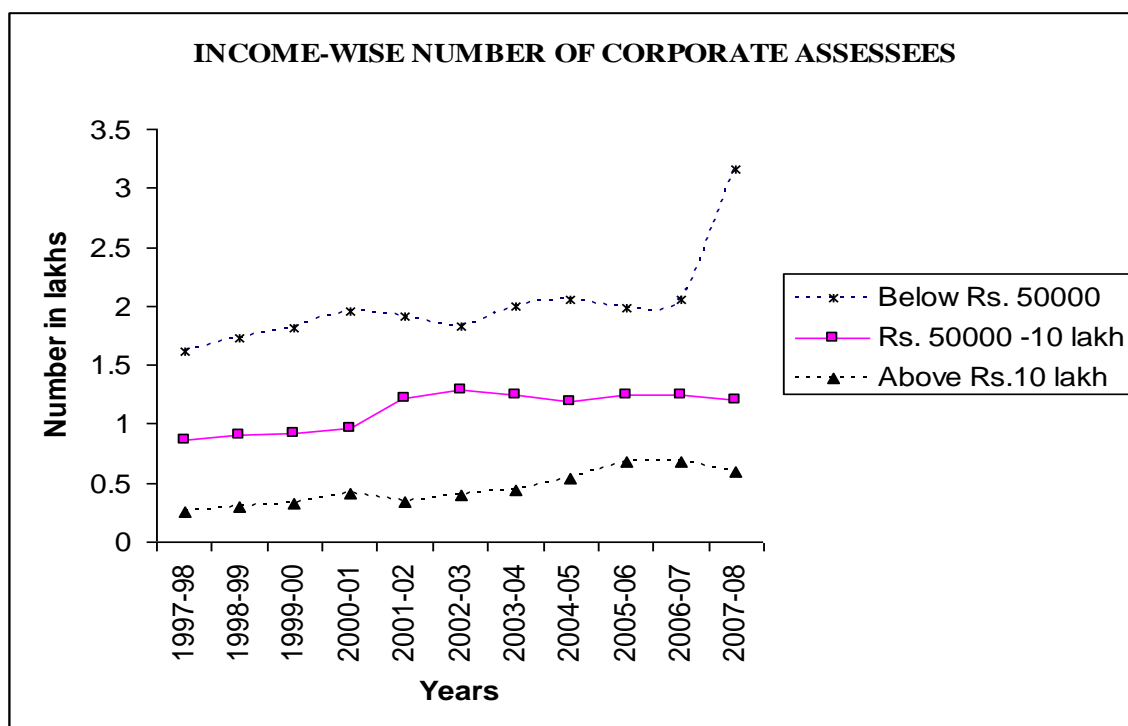
Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

Note: Figures in parentheses represent percentage share in total number of assesseees.

Table 5.3 highlights that total number of corporate assesseees increased from 2.75 lakh in 1997-98 to 4.98 lakh in 2007-08 at an EGR of 4.85 per cent. Assesseees belonging to taxable income ‘above Rs.10 lakh’ increased from 0.25 lakh in 1997-98 to 0.59 lakh in 2007-08 by registering EGR of 10.06 per cent. Further, Figure 5.3 depicts that assesseees having income ‘Rs. 50000- 10 lakh’ increased from 0.87 lakh to 1.21 lakh at an EGR of 3.96 per cent while

assesseees having ‘below Rs. 50000’ increased from 1.61 lakh to 3.16 lakh at an EGR of 0.14 per cent during the corresponding period.

FIGURE 5.3



Thus, EGR in assesseees in the income category ‘above Rs.10 lakh’ was higher as compared to overall growth rate. Percentage share of assesseees belonging to taxable income ‘below Rs. 50000’ and ‘above Rs.10 lakh’ increased from 58.55 per cent and 9.09 per cent of total assesseees in 1997-98 to 63.45 per cent and 11.85 per cent respectively in 2007-08, whereas share of assesseees belonging to taxable income ‘Rs.50000 -10 lakh’ decreased from 31.64 per cent in 1997-98 to 24.30 per cent in 2007-08.

5.3 GROWTH IN INCOME TAX REVENUE

Table 5.4 highlights that total tax revenue of central Government increased from Rs. 139226 crore in 1997-98 to Rs. 588909 crore in 2007-08 at

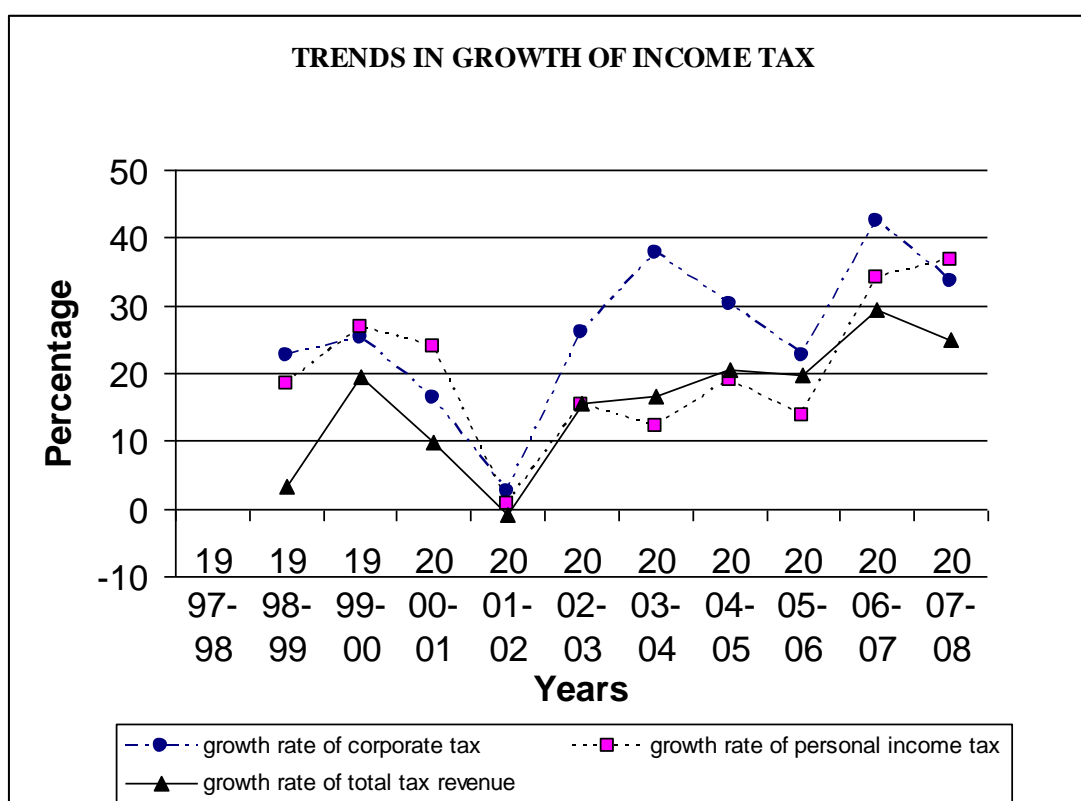
TABLE 5.4
GROWTH IN INCOME TAX REVENUE

(Rs. in crores)

Year	Personal income tax		Corporate tax		Total income tax		Total tax revenue	
	Amount	GR	Amount	GR	Amount	GR	Amount	GR
1997-98	17101	-	20016	-	37117	-	139226	-
1998-99	20240	18.36	24529	22.55	44769	20.62	143802	3.29
1999-00	25655	26.75	30692	25.13	56347	25.86	171751	19.44
2000-01	31764	23.81	35696	16.30	67460	19.72	188604	9.81
2001-02	32004	0.76	36609	2.56	68613	1.71	187061	-0.82
2002-03	36866	15.19	46172	26.12	83038	21.02	216266	15.61
2003-04	41387	12.26	63562	37.66	104949	26.39	252383	16.70
2004-05	49268	19.04	82680	30.08	131948	25.73	303872	20.40
2005-06	55985	13.63	101277	22.49	157262	19.18	363984	19.78
2006-07	75079	34.11	144318	42.50	219397	39.51	471057	29.42
2007-08	102655	36.73	192911	33.67	295566	34.72	588909	25.02
EGR	24.64		17.44		21.67		15.09	

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

FIGURE 5.4



an exponential growth rate (EGR) of 15.09 per cent. Revenue from personal income tax and corporate tax increased from Rs. 17101 crore and Rs. 20016 crore in 1997-98 to Rs. 102655 crore and 192911 crore in 2007-08 at an EGR of 24.64 and 17.44 respectively. Thus, personal income tax as well as corporate tax increased at a higher EGR as compared to that of total tax revenue (see Figure 5.4). Simple growth rates over the previous years for personal income tax and corporate tax fluctuated during the period under study. Both personal income tax and corporate tax registered lowest growth rate of 0.76 and 2.56 respectively in 2001-02. Personal income tax registered its highest growth rate of 36.73 per cent in 2007-08 and corporate tax showed highest growth rate of 42.50 per cent in 2006-07.

5.4 TRENDS IN INCOME TAX TO GDP RATIO

Level of taxation in a country can be judged from its tax to GDP ratio. It indicates the percentage of national income that is collected by the Government in form of tax revenue. So, higher the ratio better it is for the economic development of the country. Table 5.5 presents income tax to GDP ratio from 1997-98 to 2007-08.

The Table shows that personal income tax to GDP ratio and corporate tax to GDP ratio have shown an upward trend during the study period. Personal income tax to GDP ratio increased from 1.20 in 1997-98 to 1.52 in 2000-01, declined to 1.40 in 2001-02 and again increased to 2.18 in 2007-08. Corporate tax to GDP ratio increased from 1.40 in 1997-98 to 1.71 in 2000-01, declined to

TABLE 5.5

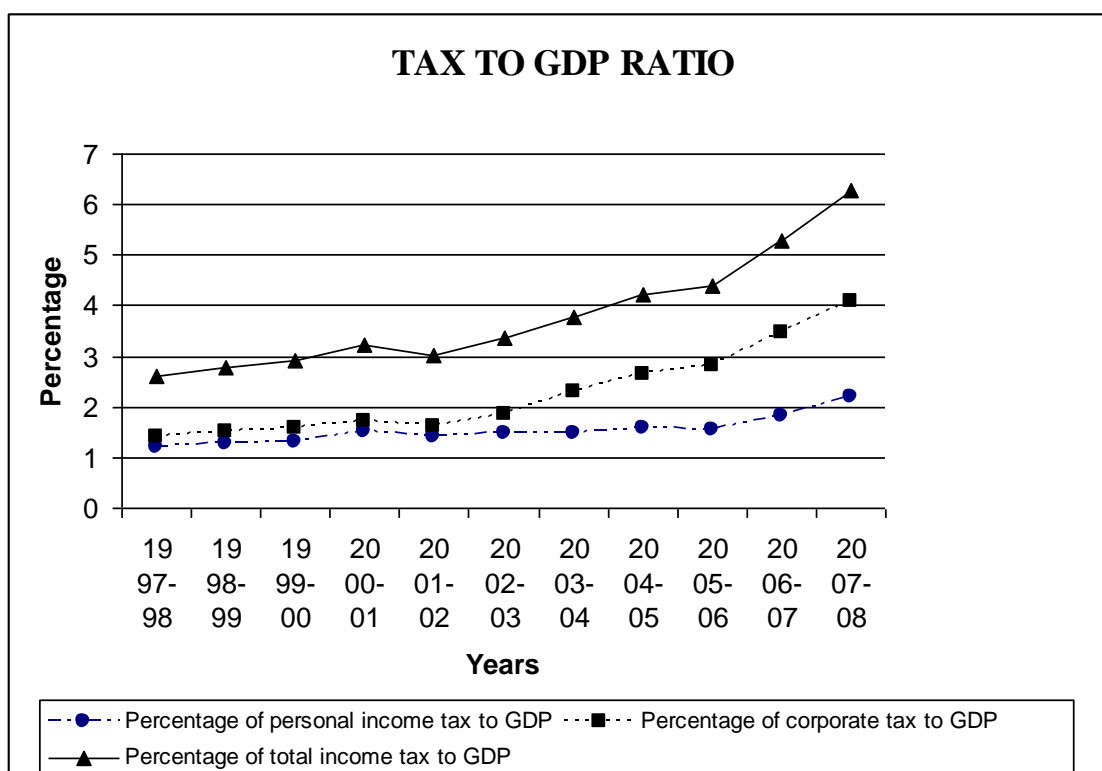
INCOME TAX TO GDP RATIO

(Rs. in crores)

Years	Personal income tax	Corporate tax	Total income tax	GDP	Percentage of personal income tax to GDP	Percentage of corporate tax to GDP	Percentage of total income tax to GDP
1997-98	17101	20016	37117	1426670	1.20	1.40	2.60
1998-99	20240	24529	44769	1612383	1.26	1.52	2.78
1999-00	25655	30692	56347	1936831	1.32	1.58	2.91
2000-01	31764	35696	67460	2089499	1.52	1.71	3.23
2001-02	32004	36609	68613	2282143	1.40	1.60	3.01
2002-03	36866	46172	83038	2469564	1.49	1.87	3.36
2003-04	41387	63562	104949	2772194	1.49	2.29	3.79
2004-05	49268	82680	131948	3126596	1.58	2.64	4.22
2005-06	55985	101277	157262	3580344	1.56	2.83	4.39
2006-07	75079	144318	219397	4145810	1.81	3.48	5.29
2007-08	102655	192911	295566	4713148	2.18	4.09	6.27

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

FIGURE 5.5



1.60 in 2001-02 and again increased to 4.09 in 2007-08. On the whole income tax to GDP ratio increased from 2.60 in 1997-98 to 3.23 in 2000-01, then declined to 3.01 in 2001-02 and again increased to 6.27 in 2007-08. It is clearly

evident that corporate tax to GDP ratio remained higher as compared to personal income tax to GDP ratio throughout the study period (see Figure 5.5).

5.5 TAX BUOYANCY

Tax buoyancy is an indicator to measure efficiency in revenue mobilisation in response to growth in GDP. If tax buoyancy is high, it indicates built-in- flexibility in the tax structure. Further, if it is greater than 1, it indicates more than proportionate response of the tax revenue to rise in GDP. It is computed by dividing the percentage change in tax revenue by the percentage change in GDP over the period. Buoyancy coefficients of personal income tax, corporate tax and total income tax have been given in Table 5.6

TABLE 5.6
TAX BUOYANCY

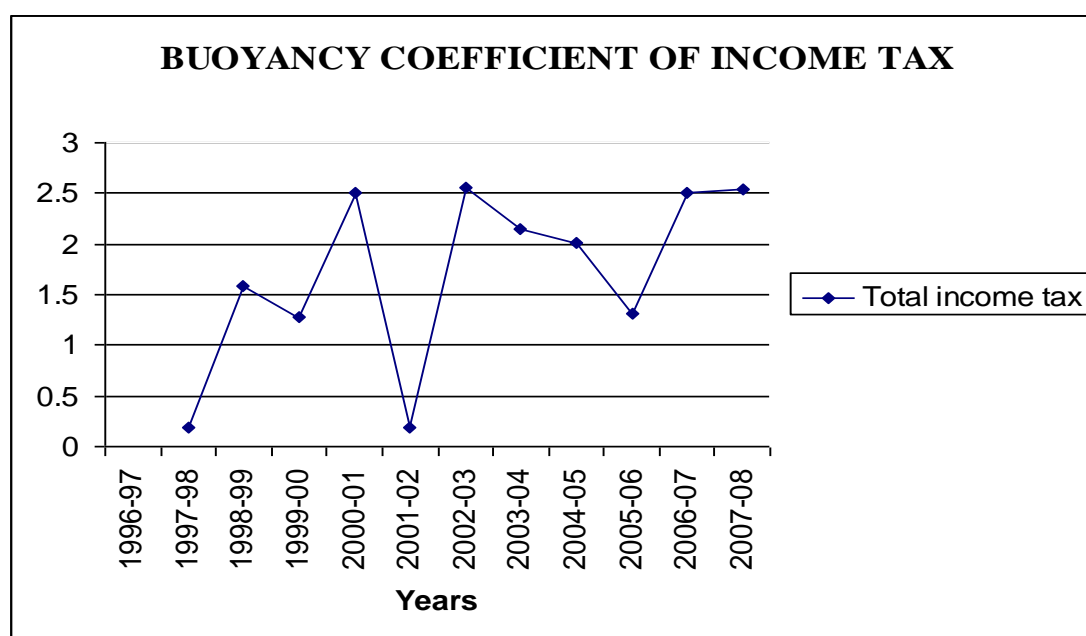
Year	Personal income tax	Corporate tax	Total income tax	GDP	Buoyancy coefficient		
					Personal income tax	Corporate tax	Total income tax
1996-97	18234	18567	36801	1361709	-	-	-
1997-98	17101	20016	37117	1426670	-1.31	1.64	0.18
1998-99	20240	24529	44769	1612383	1.41	1.73	1.58
1999-00	25655	30692	56347	1936831	2.38	2.23	1.28
2000-01	31764	35696	67460	2089499	3.02	2.07	2.50
2001-02	32004	36609	68613	2282143	0.08	0.27	0.19
2002-03	36866	46172	83038	2469564	1.85	3.18	2.56
2003-04	41387	63562	104949	2772194	0.98	3.01	2.15
2004-05	49268	82680	131948	3126596	1.46	2.30	2.01
2005-06	55985	101277	157262	3580344	0.94	1.55	1.32
2006-07	75079	144318	219397	4145810	2.16	2.69	2.50
2007-08	102655	192911	295566	4713148	2.68	2.46	2.54

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years

Table 5.6 reveals that income tax has shown high degree of responsiveness during the study period. Buoyancy coefficient of income tax increased from 0.18 in

1997-98 to 2.54 in 2007-08. It was greater than 1 during the study period except in 1997-98 (0.18) and 2001-02 (0.19) (see Figure 5.6).

FIGURE 5.6



Moreover, it was greater than 2 in 6 years out of 10 years. Personal income tax buoyancy coefficient remained fluctuating during the study period. It was -1.31 in 1997-98 indicating negative response to growth in GDP. Then, it increased to 3.02 in 2000-01, again declined to 0.08 in 2000-01 and rose to 2.68 in 2007-08. Thus, it showed highest buoyancy coefficient of 3.02 in 2000-01. In case of corporate tax buoyancy coefficient was greater than 1 during study period except in 2001-02 (0.27). Moreover, it was greater than 2 in 7 years out of 10 years. So, corporate tax has shown more buoyancy as compared to personal income tax during the study period.

5.6 STATE-WISE GROWTH OF INCOME TAX REVENUE

In our country, economic, political and social conditions vary from state to state. Thus, it is an important issue to analyse state-wise income tax performance for understanding fiscal management of Indian economy. Table 5.7 and Table 5.8 present state-wise share and tax to State Domestic Product (SDP) ratio respectively during the study period.

TABLE 5.7
STATE-WISE SHARE AND GROWTH OF INCOME TAX REVENUE
(Rs. in crores)

State	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Mean	EGR
Andhra Pradesh	1193.77 (3.22)	1351.44 (3.02)	1779.79 (3.16)	2468.94 (3.66)	2581.44 (3.76)	2874.34 (3.46)	3840.18 (3.66)	4823.7 (3.66)	6537.44 (4.16)	9906.56 (4.52)	13448.45 (4.55)	4351.55 (3.92)	
Assam	227.61 (0.61)	254.67 (0.57)	359.83 (0.64)	749.97 (1.11)	645.79 (0.94)	843.46 (1.02)	1282.86 (1.22)	1493.84 (1.13)	1695.79 (1.08)	1818.71 (0.83)	1954.6 (0.66)	1111.28 (1.00)	22.00
Bihar & Jharkhand	345.73 (0.93)	358.17 (0.80)	439.12 (0.78)	605.61 (0.90)	748.05 (0.90)	857.31 (1.03)	941.97 (0.90)	1553.74 (1.18)	1556.06 (0.99)	1983.55 (0.90)	2717.88 (0.92)	1085.68 (0.98)	24.01
Goa	150.48 (0.41)	157.04 (0.35)	144.89 (0.26)	207.24 (0.31)	179.53 (0.26)	140.9 (0.17)	355.06 (0.34)	792.71 (0.60)	1069.06 (0.68)	1620.2 (0.74)	2132.23 (0.72)	563.70 (0.51)	44.82
Gujarat	1847.94 (4.98)	1969.62 (4.40)	2380 (4.23)	2706.1 (4.01)	2633.01 (3.84)	3238.04 (3.90)	3773.23 (3.60)	4968.62 (3.77)	6052.61 (3.85)	8910.4 (4.06)	11637.21 (3.94)	4332.75 (3.90)	22.17
Haryana	303.99 (0.82)	367.38 (0.73)	408.39 (0.73)	568.45 (0.84)	711.09 (1.04)	867.55 (1.04)	1126.98 (1.07)	1649.65 (1.25)	2085.49 (1.33)	3072.98 (1.40)	5064.93 (1.71)	1311.32 (1.18)	34.83
HP	73.87 (0.20)	82.77 (0.19)	121.36 (0.22)	203.73 (0.30)	159.78 (0.23)	169.54 (0.20)	196.16 (0.19)	251.68 (0.19)	230.79 (0.15)	409.73 (0.19)	455.19 (0.15)	217.85 (0.20)	15.25
J&K	53.92 (0.15)	77.68 (0.17)	108.82 (0.19)	162.64 (0.24)	215.79 (0.31)	273.27 (0.33)	345.36 (0.33)	208.6 (0.16)	238.29 (0.15)	375.03 (0.17)	523.63 (0.18)	240.98 (0.22)	15.64
Karnataka	1770.6 (4.77)	1867.48 (4.18)	2713.72 (4.82)	3548.9 (5.26)	4004.58 (5.84)	5323.43 (6.41)	7326.97 (6.98)	10452.43 (7.92)	13610.85 (8.65)	18362.34 (8.37)	29754.63 (10.07)	8167.90 (7.35)	34.16
Kerala	651.67 (1.76)	697.28 (1.56)	797.91 (1.42)	1007.99 (1.49)	1096.95 (1.60)	1369.05 (1.65)	1736.72 (1.65)	1744.95 (1.32)	1645.71 (1.05)	2080.61 (0.95)	2689.81 (0.91)	1434.99 (1.29)	14.43
MP & Chattisgarh	1153.42 (3.11)	1291.41 (2.89)	1286.53 (2.29)	1629.43 (2.42)	1826.24 (2.66)	2087.18 (2.51)	2520.53 (2.40)	3288.69 (2.49)	3372.95 (2.14)	4040.54 (1.84)	5360.79 (1.81)	2506.51 (2.26)	18.36
Maharashtra	13724.18 (36.98)	17979.33 (40.20)	22673.9 (40.28)	25967.85 (38.49)	25409.57 (37.03)	31463.44 (37.89)	40567.05 (38.65)	48218.39 (36.54)	55654.57 (35.39)	79691.06 (36.32)	117635 (39.80)	41205.73 (37.09)	22.03
Delhi	6851.44 (18.46)	8079.51 (18.06)	9124.44 (16.21)	10059.51 (14.91)	11050.66 (16.11)	13211.08 (15.91)	16139.58 (15.38)	20197.29 (15.31)	25281.97 (16.08)	37219.57 (16.96)	44465.3 (15.04)	17785.51 (16.01)	22.83
Orissa	521.12 (1.40)	488.33 (1.09)	704.96 (1.25)	806.68 (1.20)	801.16 (1.17)	941.02 (1.13)	1399.02 (1.33)	2199.34 (1.67)	2400.81 (1.53)	3287.37 (1.50)	4254.67 (1.44)	1567.55 (1.41)	27.23
Punjab	569.8 (1.54)	649.14 (1.45)	920.48 (1.64)	1096.76 (1.63)	1049.51 (1.53)	1205.16 (1.45)	1482.8 (1.41)	1692.39 (1.28)	1656.14 (1.05)	2139.93 (0.98)	2521.26 (0.85)	1405.40 (1.27)	12.91
Rajasthan	515.54 (1.39)	644.23 (1.44)	713.25 (1.27)	760.3 (1.13)	840.19 (1.22)	980.42 (1.18)	1396.24 (1.33)	1656.97 (1.26)	2089.57 (1.33)	4330.51 (1.97)	5176.44 (1.75)	1595.93 (1.44)	29.46
Tamil Nadu	2484.1 (6.69)	3052.5 (6.82)	3640.02 (6.47)	4441.96 (6.58)	4463.94 (6.51)	5237.51 (6.31)	6313.7 (6.02)	8275.67 (6.27)	10434.61 (6.64)	14286.91 (6.51)	17378.29 (5.88)	7136.79 (6.42)	21.96
UP & Uttaranchal	1689.52 (4.55)	2161.2 (4.83)	4005.97 (7.12)	5882.43 (8.72)	5564.57 (8.11)	6746.46 (8.12)	7765.74 (7.40)	10551.13 (8.00)	12215.95 (7.77)	13803.34 (6.29)	13514.11 (4.57)	8316.95 (7.49)	17.04
West Bengal	1926.67 (5.19)	2124.7 (4.75)	2640.2 (4.69)	3219.51 (4.77)	3320.79 (4.84)	3546.75 (4.27)	4691.56 (4.47)	5696.65 (4.32)	7235.28 (4.60)	9494.65 (4.33)	11664.09 (3.95)	4980.67 (4.48)	20.56
Union Territories	245.87 (0.66)	230.85 (0.52)	282.16 (0.50)	282.69 (0.42)	429.93 (0.63)	492.45 (0.59)	471.47 (0.45)	597.33 (0.45)	738.75 (0.47)	1041.08 (0.47)	1180.49 (0.40)	541.98 (0.49)	19.94
Other States	815.76 (2.20)	884.27 (1.97)	1101.26 (1.95)	1083.31 (1.61)	880.43 (1.34)	1169.46 (1.22)	1275.36 (1.22)	1633.93 (1.24)	1459.09 (0.93)	1521.93 (0.69)	2037 (0.69)	1264.36 (1.14)	8.57
Total	37117	44769	56347	67460	68613	83038	104949	131948	157262	219397	295566	111095.00	

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

Note: Figures in parentheses represent percentage share in total income tax revenue of central Government.

FIGURE 5.7
SHARE OF VARIOUS STATES IN INCOME TAX REVENUE

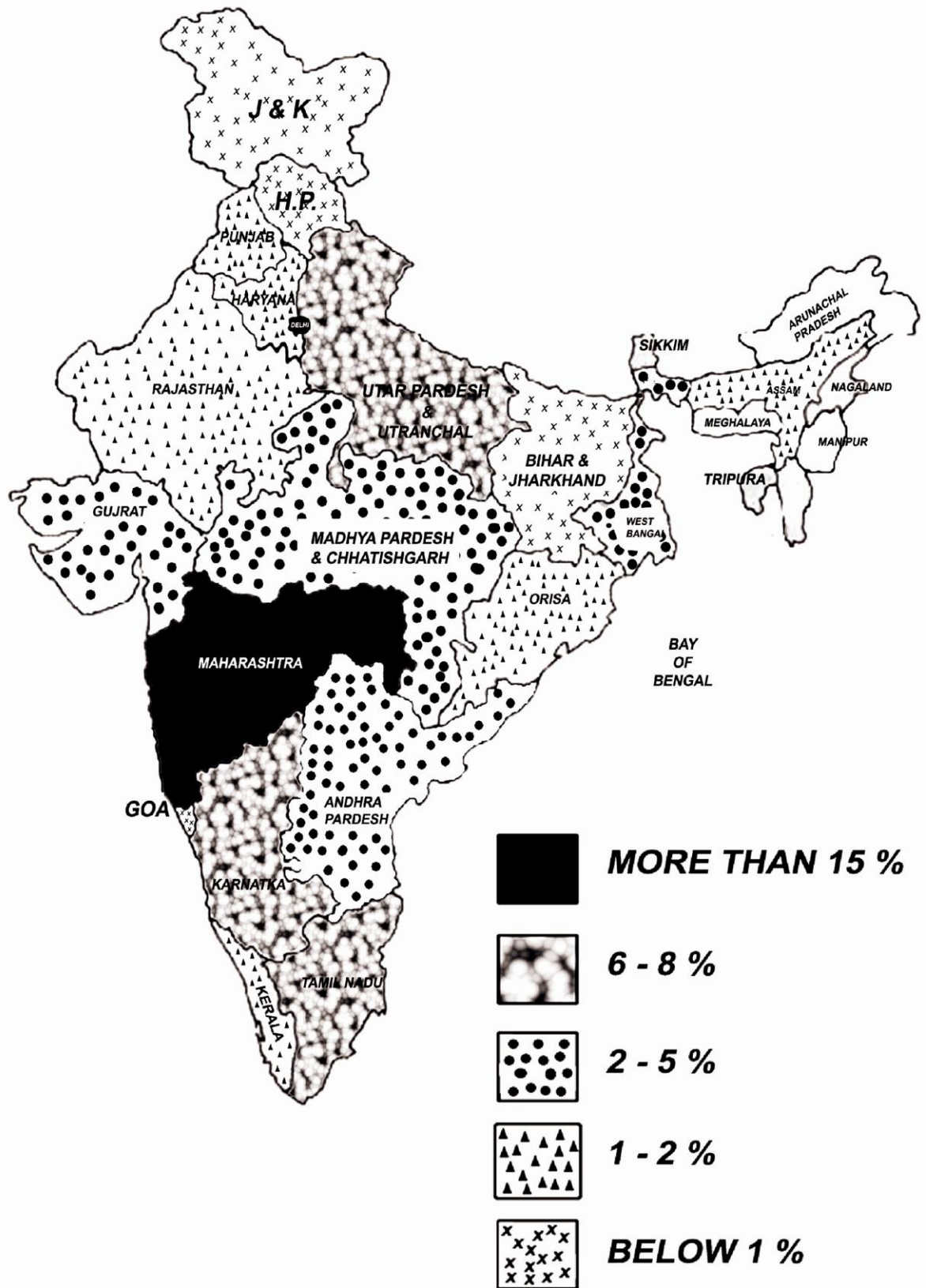


Table 5.7 shows that during the study period Maharashtra made average highest contribution (37.09 %) towards total income tax revenue of the central Government, followed by Delhi (16.01%). Thus, around 54 per cent of the income tax revenue of the Central Government was contributed by these two states during the study period. Next group of states include Uttar Pradesh & Utranchal, Karnataka and Tamilnadu, whose contribution varied between 6 per cent and 8 per cent of central Government income tax revenue. The states of West Bengal, Andhra Pradesh, Gujarat and Madhya Pradesh & Chhatishgarh generated revenue in the range of 2 per cent to 5 per cent of total income tax revenue of the central Government. The average share of Rajasthan, Orissa, Kerala, Punjab, Haryana and Assam states varied between 1 per cent and 2 per cent of total income tax revenue of the central Government. The group of states like Bihar, Goa, J&K and Himachal Pradesh made the lowest contribution, as their average contribution remained below 1 per cent towards total income tax revenue during period under reference. (See Figure 5.7)

Analysis of EGR reveals that highest growth rate was achieved by Goa whose income tax revenue increased from Rs.150.48 crore in 1997-98 to Rs. 563.70 crore in 2007-08 at an EGR of 44.82 per cent. It was followed by Haryana whose income tax revenue increased from Rs. 303.99 crore in 1997-98 to Rs. 1311.32 crore in 2007-08 at an EGR of 34.83 per cent. State of Punjab experienced the lowest EGR of 12.91 per cent.

Further, total income tax revenue at all India level increased at EGR of 21.67 per cent during the corresponding period (Table 5.4). Andhra Pradesh, Assam, Bihar & Jharkhand, Goa, Gujrat, Karnatka, Maharashtra, Delhi, Orissa, Rajasthan and Tamilnadu observed higher EGR than overall EGR of the country and the remaining states performed at a lower EGR during the study period.

TABLE 5.8
STATE-WISE INCOME TAX TO STATE DOMESTIC PRODUCT RATIO

States	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Mean	EGR
Andhra Pradesh	1.15	1.20	1.52	1.88	1.81	1.89	2.22	2.55	3.10	4.12	4.81	2.39	14.65
Assam	1.00	0.97	1.12	2.22	1.84	2.14	2.99	3.14	3.24	3.17	3.11	2.27	14.38
Bihar & Jharkhand	0.56	0.56	0.58	0.76	0.91	0.93	0.98	1.40	1.32	1.37	1.66	1.00	12.31
Goa	2.89	2.70	2.60	3.49	2.92	2.01	4.41	7.90	9.23	12.21	12.88	5.75	19.24
Gujarat	2.06	2.13	2.57	2.93	2.59	2.74	2.65	3.20	3.36	4.28	5.59	3.10	8.31
Haryana	0.79	0.86	0.86	1.06	1.18	1.31	1.48	1.92	2.15	2.58	3.61	1.62	15.82
HP	0.78	0.76	0.97	1.47	1.05	1.01	1.08	1.24	1.03	1.65	1.65	1.15	6.29
J&K	0.48	0.64	0.80	1.14	1.40	1.57	1.82	1.01	1.05	1.52	1.93	1.21	10.77
Karnataka	2.25	2.20	3.00	3.68	4.05	5.03	6.41	7.64	8.33	10.51	14.61	6.16	20.59
Kerala	1.28	1.22	1.30	1.58	1.61	1.80	2.05	1.83	1.53	1.69	1.91	1.62	4.01
MP & Chattisgarh	1.41	1.43	1.33	1.75	1.77	2.00	2.02	2.50	2.31	2.47	2.93	1.99	7.88
Maharashtra	7.36	8.30	10.44	11.86	10.80	12.17	13.79	14.52	14.82	18.32	23.30	13.24	10.15
Delhi	15.80	16.64	17.83	18.12	18.43	20.06	22.03	24.08	26.20	32.53	33.72	22.31	7.91
Orissa	1.67	1.42	1.85	2.11	1.95	2.13	2.59	3.52	3.50	4.04	4.59	2.67	11.99
Punjab	1.15	1.20	1.51	1.62	1.47	1.64	1.86	1.97	1.72	1.99	2.04	1.65	5.52
Rajasthan	0.79	0.93	0.96	1.04	1.04	1.28	1.42	1.62	1.88	3.35	3.50	1.62	15.43
Tamil Nadu	2.35	2.71	3.04	3.41	3.40	3.79	4.10	4.67	5.08	5.87	6.47	4.08	10.03
UP & Uttaranchal	1.19	1.41	2.38	3.37	3.05	3.39	3.55	4.43	4.61	4.64	4.46	3.32	13.63
West Bengal	1.81	1.82	2.11	2.43	2.30	2.31	2.71	2.99	3.48	3.94	4.24	2.74	8.95
U.Territories	3.70	3.17	3.73	3.22	4.37	4.27	3.62	4.25	4.46	5.39	5.33	4.14	4.51
Other states	8.08	7.89	8.89	7.86	5.64	6.98	6.90	8.06	6.67	6.41	7.99	7.40	-1.35
Mean	2.79	2.86	3.30	3.67	3.50	3.83	4.32	4.97	5.19	6.29	7.16	4.35	9.56

Source: Compiled from Reports of Comptroller and Auditor General of India of relevant years.

FIGURE 5.8
STATE-WISE INCOME TAX TO GDP RATIO

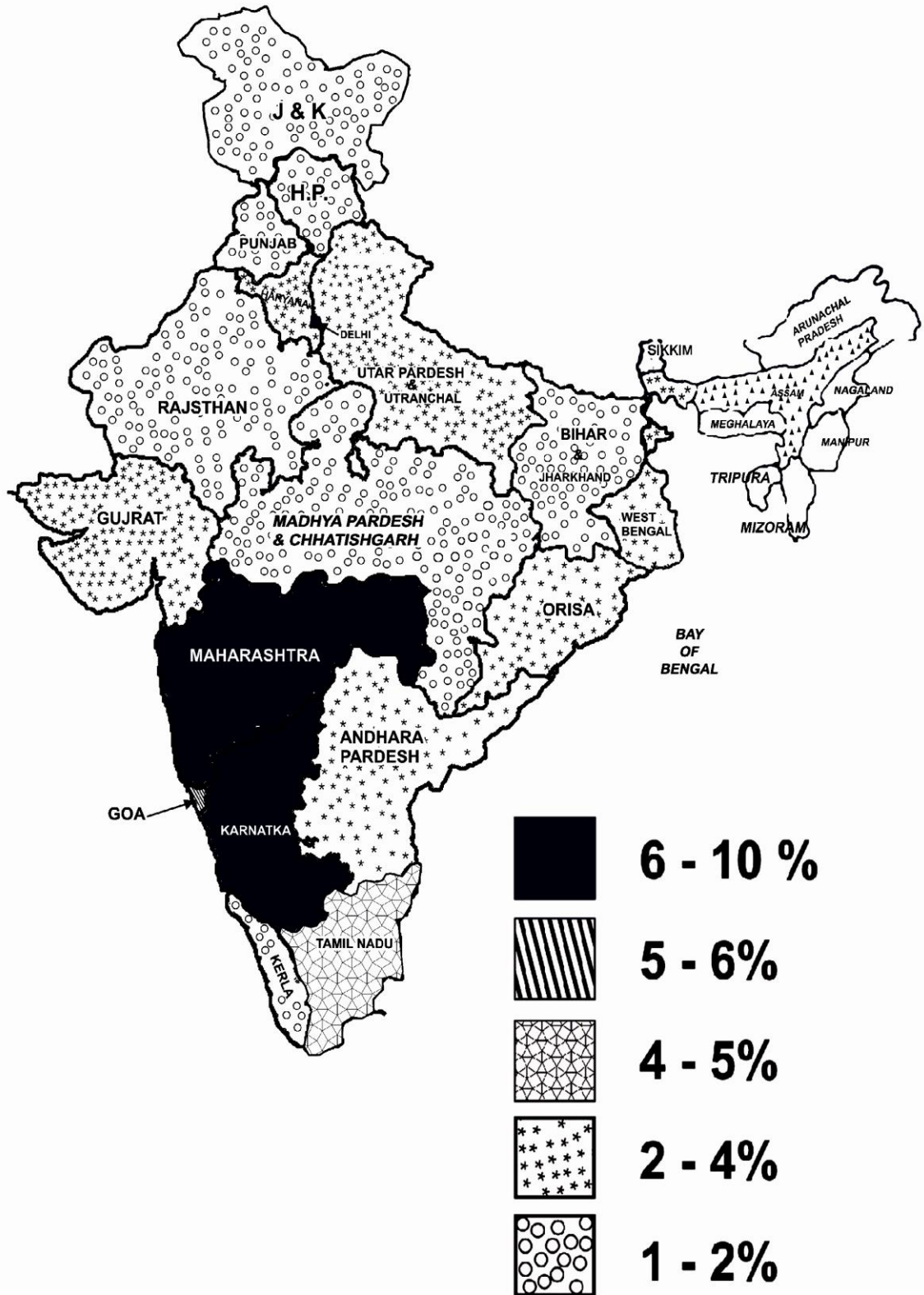


Table 5.8 presents state-wise income tax to GDP ratio during the period 1997-98 to 2007-08. Figure 5.8 highlights that the states of Karnataka, Delhi and Maharashtra remained best performing states whose average income tax to GDP ratio was above 6 per cent. Whereas, the states of Bihar & Jharkhand, H.P., J&K, Kerala, Madhya Pradesh, Punjab and Rajasthan remained worst performing whose average income tax to GDP ratio was below 2 per cent. The next category of states which showed below average performance (income tax-GDP ratio between 2 to 4 per cent) include Andhra Pradesh, Assam, Orissa, West Bengal, Haryana and U P & Uttaranchal. The states of Tamil Nadu and Goa witnessed medium level and above medium level performance with income tax to GDP ratio of 4.08 per cent and 5.75 per cent respectively. Low income tax to GDP ratio for states like Bihar & Jharkhand, H. P., J & K and Rajasthan may be due to large number of non tax paying population.

Analysis of EGR reveals that mean income tax to GDP ratio increased from 2.79 in 1997-98 to 7.16 in 2007-08 at an EGR of 9.56 per cent. The highest growth rate was experienced by Karnataka, whose income tax to GDP ratio increased from 2.25 in 1997-98 to 14.61 in 2007-08 at an EGR of 20.59 per cent. It was followed by Goa whose income tax to GDP ratio increased from 2.89 in 1997-98 to 12.88 in 2007-08 at an EGR of 19.24 per cent. State of Kerala experienced the lowest EGR of 4.01 per cent, whose income tax to GDP ratio increased from 1.28 to 1.91 during the corresponding period. Further, the states of Delhi, Karnataka, Haryana, Rajasthan and Tamilnadu showed continuous growth in income tax-GDP ratio during the study period. The states

of Andhra Pradesh, Maharashtra, Goa and West Bengal also showed continuous growth in income tax-SDP ratio during the study period except 2001-02.

The foregoing analysis reveals that tax reforms introduced during nineteen nineties succeeded in changing the composition of tax structure in India in favour of direct taxes. The number income tax assesses, income tax revenue, income tax to GDP ratio and buoyancy coefficient showed an upward trend. Maharashtra and Delhi remained best performing states in terms of share in total income tax revenue and income tax to SDP ratio. The states Bihar & Jharkhand, J & K and Himachal Pradesh experienced lowest average income tax to SDP ratio and made lowest contribution towards total income tax revenue as compared to other states during the study period.