CHAPTER VIII
SUMMARY OF FINDINGS AND CONCLUSIONS

Per capita gross incidence of taxation in Tamil Nadu was Rs. 454.20 in 1989–90.

Burden of agriculture income tax was Rs. 1.64 in 1989–90. Though, there were fluctuations in the distribution of burden of agricultural income tax, the general tendency is characterized by a marginal increase. Maximum change in the distribution of burden of this tax was 49 percentage. Continuous erosion in the base was the main reason for this.

Gross incidence of Land Revenue was Rs. 2.52 in 1989–90. Pattern of distribution of burden of land revenue registered a marked change and the burden decreased. Fluctuations in the distribution of burden are due to the disposal of cases pending before the tribunals and appallettes. Land tax is an important source of revenue to the government before independence. But, its revenue and fiscal significance declined due to non-rationalisation of tax base and rate.

The third largest source of revenue to the Tamil Nadu government is Stamps and Registration. The gross incidence of stamps and registration was Rs. 38.02 in 1989–90. Burden of stamps and registration has registered 24 percentage increase during the reference period.

Being the single largest source of revenue to the Government of Tamil Nadu, Sales Tax imposed a gross incidence of Rs. 302 in 1989–90. It
registered a three fold increase in burden during the period of reference. This increase in burden is also evident from the 15 percentage increase in the index of burden of sales tax.

Taxes on Vehicles in the fourth largest source of revenue to the Tamil Nadu state and it imposed a burden of Rs. 35.77 in 1989–90. Maximum increase in the index number of gross incidence of vehicles tax was 17.82 points. Revision and harmonization of rates with other states were the causes for the fluctuations in burden of vehicles tax.

The second largest sources of revenue to the Tamil Nadu state is State Excise on Liquor. The gross incidence of state excise varied between Rs. 2.61 and Rs. 55.08. The index number of gross incidence of state excise varied between 41.38 and 866.67. The maximum increase in the gross incidence of state excise took place in 1981–82 (766.67).

Gross incidence of Other Taxes and Duties was a maximum of Rs. 37.36 in 1984–85. Index number of gross incidence varied between 36.80 and 322.37. After the introduction of economic reforms, revenue realization through various taxes registered manifold increase. As a result, tax burden also increased proportionately. Gross incidence had registered a more than five-fold increase during this period. This is evident from the index number of gross incidence (120.25 in 1994–95). A 20.25 percentage increase in gross incidence occurred during the post-reform period.
Not only gross incidence, but also most of the individual taxes imposed maximum burden during the same period, except agricultural income tax. Agriculture income tax imposed a shrinking burden during the reference period. Gross incidence declined to a minimum level of Rs. 0.09 in 2004–05 and there was a 65 percent decline in the burden (index number was 45 in 2004–05) of agricultural income tax. Reluctance on the part of the state government to levy the agricultural income tax which is politically sensitive is the main reason for this. Land revenue caused a minimum burden of Rs. 1.34 (2002 – 03) and a maximum burden of Rs. 11.17 in 2004–05. The index of gross incidence reached a maximum increase of 244.64 in 1996–97.

The gross incidence of stamps and registration fees has been continuously on the rise during the study period. The burden was a minimum of Rs. 40.79 (1990-91) and increased to a maximum of Rs. 249.12 in 2004-05. The maximum increase in the index number of gross incidence was 26.79 points in 2002-03.

Burden imposed by Urban Immovable Property Tax was relatively less. Incidence of this tax was a maximum of Rs. 2.34 (1998-99). Maximum increase in the index member of gross incidence was 44 points in 1993-94. Non-revision of rate of tax is the reason for the low level of incidence by this tax.

Being the single largest source contributing 60% of state’s own tax revenue, sales tax has imposed the maximum burden. Per capita burden of
sales tax was Rs. 372.24 in 1990-91 and it increased to Rs. 2018.04 in 2004-05. Burden of this tax had registered nearly seven-fold increase during the study period. Index number of incidence of sales tax in Tamil Nadu was a minimum of 101.48 (2001-02) and a maximum of 120.67 (1994-95). Per capita burden of sales tax registered a five-fold increase during the reference period.

Per capita burden of State Excise was Rs. 78.35 in 1990-91 and increased to Rs. 395.81 in 2004-05. There were ups and downs in the distribution of burden of state excise during the study period. The burden recorded a fall in 2003–04. It was due to the cartelization of vendors of taverns. The reversal of the governmental policy by means of direct running of the taverns resulted in an upswing of the revenue realization through this tax and hence the burden went up. The index of burden of state excise recorded a 50 percent increase in 2004–05.

Fourth largest burdensome tax in Tamil Nadu is taxes on vehicles. Per capita burden of taxes on vehicles was Rs. 40.96 in 1990-91 and increased to Rs. 157.57 in 2004-05. Maximum increase in the burden of taxes on vehicles was Rs. 28.91 (2003-04) and minimum burden was Rs. 1.25 in 2000–01. Index number of burden of taxes on vehicles was a maximum of 124.31 in 2002–03. Boom in the automobile sector, and the entry of foreigners in the market were the reasons for this upsurge in the revenue and the corresponding burden.

Taxes on goods and passengers imposed a minimum burden of Rs. 4.07 in 1990-91. It increased to a maximum of Rs. 118.61. Maximum
increase in the burden of taxes on goods and passengers in a particular year was Rs. 32.7 (2002–03).

Per capita incidence of Electricity Duty was Rs. 1.25 in 1990-91. It increased to a maximum of Rs. 41.69 in 2001–02. Maximum increase in the incidence of electricity duty in a single year was Rs. 14.52 in 2003–04. Increase in index number of incidence of electricity duty was a maximum of 15.63 percentage in 2002–03.

Per capita incidence of Entertainment Tax in Tamil Nadu is relatively less. It was Rs. 12.59 in 1990–91 and declined to Rs. 9.48 in 2004-05. Burden of this tax was a maximum of Rs. 19.84 in 1997-98. Index number of burden of entrainment tax went up by 30.09 per cent in 2003-04.

Other taxes and duties imposed a burden of Rs. 6.20 in 1990-91, which remained at the same level of Rs. 6.28 in 2004-05 also. Index number of incidence of other taxes and duties was 28.66 in 1995-96.

**DISTRIBUTION OF BURDEN OF SALES TAX IN TAMIL NADU**

On an average the urban households in Tamil Nadu are subjected to a burden of Rs. 6.98 due to sales tax. Maximum burden among the same segment is Rs. 13.64. The average burden among the rural households was Rs. 5.69 and the maximum burden is Rs. 11.00.

Maximum burden of sales tax in Thiruvallur District was Rs. 13.26 and the minimum was Rs. 4.68 among the urban households. It was highly regressive. The households with the highest monthly consumption
expenditure bore just Rs. 3.02 which is less than the minimum burden of households with least monthly expenditure. Average burden of sales tax among the rural households was Rs. 5.16 which is less than the average burden among urban households which is Rs. 7.38.

Average burden of sales tax in Chennai district was Rs. 7.80. Minimum burden was Rs. 5.05 and the maximum burden was Rs. 12.85. Though, there were fluctuations in the distribution of burden of sales tax, the system is highly regressive, as the tax burden declines inspite of an increase in the monthly household consumption expenditure.

Maximum burden of sales tax among the urban households of Kancheepuram district is comparatively less than the burden among the rural households. The same is true for average burden also. But, the least burden among urban households is greater than that of rural households.

Average burden among urban households are less than rural households in Vellore district. But the minimum burden and maximum burden among urban households are higher than those on the rural households.

In Dharmapuri district, the average burden of sales tax among urban households is higher than those on the rural households. The maximum burden experienced by the rural households was higher than the urban households. Similarly, the minimum burden on the rural households was also higher than that on the urban households.
Minimum burden of sales tax among the rural households of Thiruvannamalai district was Rs. 4.04 whereas, among the urban households, it was Rs. 4.42. Similarly, the maximum burden among the rural households was Rs. 12.11 and the same among the urban households was Rs. 13.96. Average burden among the urban households were higher than that of the rural households.

The difference in average burden of sales tax in Villupuram district among the rural and urban households is negligible. (Rs. 4.87 (U), Rs. 4.73 (R)). Moreover, the minimum burden among rural and urban households was exactly the same (Rs. 4.52 (U), Rs. 4.52(R)).

Though the average burden of sales tax in Salem is comparable with other districts, the maximum burden is on households with maximum consumption expenditure. Minimum burden of urban households is higher than the average burden of rural households (Rs. 5.35 (U)).

Burden of sale tax in Namakkal is also higher. It is next only to Salem (Rs. 17.11). Rural households in this district are subjected to a burden between Rs. 4.05 and Rs. 8.52. Minimum, maximum and average burden on rural households are lesser than those of the urban households.

Minimum burden of sales tax is lowest in Nilgiris District (Rs. 2.88). However, average burden among the rural and urban households were relatively high. Urban households have borne relatively higher burden than the rural households.
Being an industrial area Coimbatore district’s urban and rural households bear less burden than those in the nearby districts. But in Coimbatore district urban households bear more burden than the rural households. Maximum burden among the urban households was Rs. 14.26 and among rural households it was Rs. 6.36 Distribution of burden is regressive.

Average burden of sales tax experienced by urban households was higher than the average burden among rural households in Erode district. But the maximum burden among urban households is two times higher than that of (Rs. 15.44) rural households (Rs. 7.63).

Average burden of sales tax among the rural households of Dindigual district is higher than the burden among urban households. Similarly maximum burden among the rural households is also higher than those of urban households. And the minimum burden of rural households is also higher than those of urban households. Sales tax burden in Dingugal district is higher on the rural households than on the urban households.

Rural households of Karur district have borne greater burden of sales tax than the urban households. Maximum burden of rural households were Rs. 14.67 and the same for urban households is Rs. 5.41. Minimum burden experienced by rural households is Rs. 3.90 whereas it was Rs. 3.68 for urban households. Similarly, average burden on rural households was Rs. 5.56 and it is higher than that of urban households (Rs. 4.79).
Maximum burden of sales tax on the urban households of Trichy district was Rs. 12.73 whereas the same on rural households were Rs. 7.20. Average burden on urban households was Rs. 5.83 and rural households was Rs. 4.88.

Rural households of Perambalur district had borne a maximum burden of Rs. 13.33. But on the urban households it was Rs. 9.98 only. Similarly, average burden on rural households was slightly higher than the average burden on urban households.

Sales tax was not much burdensome on the households of both rural and urban in Ariyalur district. Average burden was Rs. 5.19 on urban households, whereas the same on rural households was Rs. 4.89 only. Three expenditure classes had more than the average burden.

Seven expenditure classes of urban households in Cuddalore district stood above the average burden. Among the rural households, none of the expenditure classes had the burden which was above the average. Maximum burden on urban households were Rs. 13.48 which is three times higher than the average burden borne by the same segment.

Maximum burden of sales tax on the urban households of Nagapattinam district was Rs. 12.67 and the same on rural households were Rs. 9.93. Average burden on rural households were relatively lower than the average burden on the urban ones. Burden experienced by the minimum
expenditure class of rural households were over and above the average burden experienced by the same segment among urban.

Average burden of sales tax on the urban households were lower than those on the rural in Thiruvarur district. The burden of sales tax on the urban households was regressive. Households with the lowest consumption expenditure have borne a burden which was more than the average burden.

The distribution of burden of sales tax on the rural households of Thanjavur district is also regressive. Minimum burden of Rs. 413 was experienced by of the households with the highest expenditure class (Rs. 1155 and above). Households with the least expenditure of Rs. 235 have borne a burden of Rs. 5.83 which is greater than the average burden (Rs. 5.52) of rural households.

Burden of sales tax on urban households of Pudukkottai district was higher than the rural households. Maximum burden on urban households was Rs. 14.40 and on the rural households it was Rs. 13.97.

Urban households in Sivaganga district with the size distribution of expenditure Rs. 485-580 had borne a maximum burden of Rs. 22.01. In no other district the burden was so high. Most of the expenditure classes of rural Sivaganga have borne more or less similar burden of sales tax. Average burden among urban households were Rs. 6.74 and among rural households it was Rs. 4.94.
Maximum burden of sales tax in Madurai district was Rs. 11.74 among urban households and the same for rural households was Rs. 6.21. Sales tax burden among rural households was regressive in this district also. Average burden among urban households was Rs. 6.33 and among rural it was Rs. 5.34.

Average burden of sales tax in Theni district was Rs. 5.24 and the same among rural households was Rs. 4.63. The distribution of burden among rural households of different expenditure classes confirms regressivity. But, the burden was progressive among the urban households.

Maximum burden of sales tax among rural (Rs. 13.95) households was greater than those of urban households (Rs. 11.36) in Virudhunagar district. But the average burden among rural households and urban households were almost same.

The distribution of average burden of sales tax among rural households in Ramanathapuram district was higher than those among urban households. However, the maximum burden among urban households is higher than those on rural households. But the burden experienced by rural households with minimum monthly per capita consumption expenditure was higher than on those who belong to the same category in urban households.

Average burden of sales tax among urban households in Thoothukudi district was higher than those in rural area. Maximum burden among urban households was much higher than those in rural area.
The distribution of maximum burden of sales tax among the urban households in Tirunelveli district was higher than those in rural households (Rs. 6.32). But the average burden among urban households was also greater than that of rural households.

The minimum and maximum burden of sales tax among urban households in Kanyakumari district was higher than those on the rural households.

As far as minimum burden is concerned, among the urban households the least burden is on the households of Thiruvallur district (Rs. 3.02) and the highest burden is on the households of Erode district (Rs. 5.59).

Among the urban households the greater burden (maximum) is borne by the households of Sivaganga district (Rs. 22.01) and the lowest burden is borne by the households of Karur district (Rs. 5.41). Urban households in nine districts bore the burden which is higher than the state average burden.

As far as minimum burden is concerned rural households in Nilgiris district bear minimum burden of sales tax and households of Nagapattinam district borne the highest burden.

As far as maximum burden is concerned, among the rural households maximum burden is borne by the households in the Dharmapuri district and the least burden is borne by the households of Tirunelveli district.
Rural households in 25 districts experienced the burden which is less than the state average. In general, minimum and maximum sales tax burden among urban households is relatively higher than the minimum and maximum burden among rural households. (Rs. 3.02 > Rs. 2.88) and (Rs. 22.01 > Rs. 15.26).

The average burden of indirect taxes (Rs. 77.70) is greater than the average burden of direct taxes (Rs. 10.91). It is concluded that indirect taxes are more burdensome than direct taxes during the pre-reform period.

The average burden of indirect taxes (Rs. 321.37) is greater than the average burden of direct taxes (Rs. 25.70). It is concluded that indirect taxes are the most burdensome taxes during the post-reform period.

The average burden of indirect taxes during the pre-reform period and the post-reform period (Rs. 77.70 and Rs. 321.37 respectively) are greater than the average burden of direct taxes during pre-reform and post-reform periods (Rs. 10.91 and Rs. 25.70 respectively). It is concluded that indirect taxes are the most burdensome taxes in Tamil Nadu than the direct taxes. Hence our first hypothesis is proved correct.

The aggregate average burden of all taxes during the post-reform period is higher than the pre-reform period and disaggregate average burden of taxes during the post-reform period is higher than those during the pre-reform period. It is concluded that tax burden during the post-reform
period is higher than that of the pre-reform period. Hence, our second hypothesis is proved correct.

Large number of segments was identified with regressivity and less number of segments was identified with progressivity. It is concluded that sales tax burden is more on households with low consumption expenditure classes than on households with high consumption expenditure classes. Hence, our third hypothesis is proved correct.