CHAPTER I

INTRODUCTION
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One of the major problems facing the developing economies is that of mobilising adequate resources for accelerating their development. With the advent of planned efforts for economic development in India, Government has been exploring all possible areas for tapping additional resources. The problem of agricultural taxation has assumed considerable importance in recent years for various reasons, both political as economic. In this context, the need as well as the scope for imposing additional taxation on the agricultural sector has frequently been emphasised for a variety of reasons. It is now a widely held view that, if a rapid rate of development is to be attained, the agricultural sector will have to play a very crucial role in providing adequate amount of resources for investment. Considering the huge industrial-origin input requirements of the agricultural sector itself, and the high opportunity cost of the resources, available in the non-agricultural sector, it is often argued that the agricultural sector should also be made to shoulder a reasonable part of the burden of this effort. However, recent developments in India appear to be somewhat paradoxical, in the sense that while most economists have been emphasising the inadequacy of
agriculture's contribution to development resources, and the need for mobilising a larger amount from this sector, several state governments have totally scrapped the land revenue, thereby reducing even the little amount of direct tax revenues that were being contributed by this sector.

In order to evolve a rational policy of taxation, it is necessary to have an idea about the relative weights of the burden of taxation on the various sectors of the economy. Since the Taxation Enquiry Committee made the first comprehensive efforts for measuring the burden of taxation, several studies have been made at the all India level for measuring the burden of taxation on the agricultural and non-agricultural sectors. Further, there have also been studies on this subject at the states' level, particularly pertaining to Andhra Pradesh and Gujarat. A study about the burden of taxation at the

aggregate level is no doubt useful. However, wide variations in the levels of living as also in the tax efforts made by various states call for a more specific enquiry at the State level.

Taxation of agriculture falls within the purview of State Government; however, not many serious studies appear to have been done in this sphere at the state level. Our modest effort here is an attempt to study and understand some problems of agricultural taxation in Orissa.

In a State like Orissa, where agriculture is the mainstay of more than 80 percent of the population of the State and where, land revenue contributes no more than 2.7 percent of the total tax receipts of the State, it is worthwhile to study the overall effects of agricultural taxation on production and consumption in the agricultural sector vis-a-vis the non-agricultural sector. We have looked at some aspects of these problems in this dissertation.

The investigation seeks to study aspects of the following problems: (1) Estimation of the tax burden on the agricultural sector of the total and per capita taxes;
and of the per capita tax as a proportion of per capita income, (2) a comparison of the agricultural sector's contribution to government revenues with that of the non-agricultural sector, (3) the relative incidence of the tax system on the agricultural and non-agricultural sectors, and (4) an appraisal of the existing system of agricultural taxation from the point of view of the principle of Economy and 'Cost effectiveness'. We might also venture to indicate feasible measures for a modification of the nature and administration of the agricultural taxes.

The first chapter is a general inquiry into the agricultural economy of Orissa, where we discuss the physical features of the agricultural land, which to a certain extent determine the productivity of the agriculture, the land utilisation pattern, the income by the farmer and the revenues by the government derived from agriculture.

The second chapter briefly discusses the general features of the various taxes on the agricultural sector in Orissa. We preface this discussion with a brief analysis of agricultural taxes in India in a historical perspective.
An analysis of the principle of Economy in taxation and a detailed examination of 'Efficiency' of agricultural taxation in the State are attempted in the third chapter. Our analysis is based primarily on the principle of cost-effectiveness of agricultural taxes.

Chapter four is devoted to an analysis of the burden of land revenue between the different districts of the State. Our main thrust in this analysis is to understand whether the present distribution of the burden of land revenue is equitable as between the different districts of the State.

In chapter Five, the criterion of inter-sectoral equity has been used for finding out the scope for raising additional resources through a process of rationalisation of the present tax structure. It is, of course, recognised that the criterion of inter-sectoral equity by itself may not be sufficient for formulating a reasonably adequate tax policy. The equity criterion may be satisfied at different levels of taxation in association with different levels of expenditure. Hence, when one determines an 'optimum level' of taxation, one necessarily have to take into account the appropriate level and pattern of the allocation of resources consistent with
the requirements of rapid growth. However our study has not gone into these aspects of fiscal policy as its primary aim is specific to the agricultural sector.

The final chapter is devoted to a summary of our analysis and the conclusion following from it. We have attempted an evaluation of the existing pattern of agricultural taxation in the State and of its implications for tax policy in the light of the findings of our study.