PREFACE

Taxation being an important source of development finance invites attention of academic exercises to examine as to what extent tax structure of the country had been helpful in mobilising sufficient amount of resources and what potentialities it provides for financing development programmes in future and to what extent it is compatible to economic policies like maintaining economic stability, reducing economic disparities, restraining non-functional consumption and providing incentives for private savings and investment. Modification of various taxes levied by the Union as well as States has been a recurring feature. Some changes have taken place in the light of recommendations of various ad hoc expert committees and the others on the basis of government thinking and policies adopted from time to time. But in spite of all these efforts the present tax system may not be said to be satisfactory one. While the present tax system has shown a sufficiently high degree of tax buoyancy (total increase in tax revenue as a result of change in national product), the built-in revenue elasticity of taxation (automatic increase in tax revenue without any discretionary step) has been less than unity. Thus the present tax system is not fully geared to have an automatic increase in government
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revenue and the frequent discretionary steps like changing the rate of taxes and increasing coverage etc. become unavoidable. This is the basic defect of Indian tax system and the objective of the present study is to find out those lacunae which are responsible for low built-in-elasticity, and to suggest measures which, if implemented, may result in a sound tax system.

The present study limits itself to the evaluation of tax system from the point of view of resource mobilisation for financing the Five Year Plans. While the study of taxes levied by the Union Government may be said to be comprehensive, the same is not the case with the State taxes. Each State follows a different pattern of various taxes, therefore, a detailed examination of all the State taxes is beyond the scope of the present work. Due to this problem only general defects of some State taxes have been pointed out and measures are suggested to remove these defects. There are some other aspects of taxation which cannot be examined in details in the study like this. The present study examines the structure of various taxes while examination of procedures, laid down to collect these taxes, is beyond its scope. Further, each tax provides some exemptions and concessional treatment etc. to serve some non-revenue objectives of fiscal policy. A thorough examination of all these provisions in the light of
their revenue significance is beyond the scope of the present work.

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