

EVALUATION OF REVENUE POTENTIAL OF EXCISE TAXATION IN INDIA: COMMODITYWISE ANALYSIS

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EXCISE taxation, which came in vogue in India in the early thirties as a measure to recover the revenue foregone in the process of providing tariff protection to the Indian industries and also as a measure to finance the War, has grown during the plan period to occupy a predominant place in the Indian tax structure. Compared to its 9-10 per cent share in the total tax revenue of the Government during the early thirties, excise duties contribute at present more than half of the total central tax revenue. The share of excise duties in the total central tax revenue has increased from 16.8 per cent in 1950-51 to 56.5 per cent in 1970-71, and its share in the total tax revenue has gone up from 10.8 per cent to 38.2 per cent during the same period. At present, about 14 per cent of the national income is being mopped up through taxation, of which more 5 per cent is accounted for by the union excise alone. The major factors which have contributed to the growth of excise taxation, to its present predominant position are : (i) unprecedented extension of excise taxation, along with the expansion of manufactured commodities, and (ii) frequent upward revision of excise rates. The number of excisable commodities¹ has gone up from 15 in 1953-54 to over 115 in 1973-74. Excise rates on majority of the excisable commodities are enhanced in almost every annual budget. Possibly no country has used its excise taxation so extensively² and has increased excise rates so frequently.³

The unprecedented extension of excise taxation and frequent revision of excise rates make it obvious that not only the emphasis but also the reliance of the Central Government on excise taxation has

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¹ As enumerated in the Report of the Taxation Enquiry Commission (1953-54), Government of India, Vol. II, pp. 256-8, and in the Explanatory Memorandum on the Budget (1973-74) of the Central Government of India.

² Due, John, F., "Indirect Taxation in Developing Economies." (The Johns Hopkins Press, London, 1970), p. 17.

³ Mahler, W.R. (Jr.), "Sales and Excise Taxation in India." (Orient Longman Ltd, Bombay, 1970), p. 76.