

# BUOYANCY AND INCOME-ELASTICITY OF STATE TAXES IN INDIA

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THE objectives of this study are (i) to present an empirical analysis of buoyancy and income-elasticity of State taxes and (ii) to examine the determinants of tax revenue explaining the variations in tax yield.

The results have been presented for each tax at individual State as well as all-States' level. The reference period of the study is 1960-61 to 1970-71.<sup>1</sup> The first year of the study coincides with the availability of revised series of State income.

## *Sources of Data*

The revenue data in this study have been taken from the budgetary documents of the State Governments. To attain uniformity of presentation for all the States over the reference period some adjustments have been made. These have been worked out by taking the 1970-71 accounts as the basis. That year all the adjustments were made as in the *RBI Bulletin*. A look back to 1960-61 enables all the years to be adjusted accordingly.<sup>2</sup>

Estimates of revenue from additional taxation have been taken from the *Annual Report on Currency and Finance* published by the RBI.<sup>3</sup> We have chosen to make use of this source, mainly because this study takes note of the changes in tax proposals activated during the

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<sup>1</sup> The reference period in this study for some States is different for reasons of reorganisation. Punjab has reference of 1967-68 to 1971-72, Haryana refers to 1967-68 to 1970-71 and Assam has reference of 1960-61 to 1969-70. The reference period in case of Maharashtra and Gujarat is 1960-61 to 1970-71. The accounts of the first year of these States though refer to eleven months of the year, we have inflated the figures for full year.

<sup>2</sup> For all the details of adjustments and a fully comparable series, see (Purohit, 1976 a).

<sup>3</sup> The detailed series of additional taxation for each State, as used in this paper, is given in (Purohit, 1976 b).