

The Distribution of Tax Burden - A Case Study of Jodhpur District

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The objective of fiscal policy in the developing countries is to achieve a high rate of growth with equitable distribution. Without reducing inequality of income, benefits of development may not reach the poorer strata of the society. Redistribution of income from the rich to the poor can be achieved by a combination of progressive taxation and regressive government expenditure on social services, such as education, health and welfare services. The present study attempts to examine these aspects with respect to distribution of burden of five taxes, that is, union excise duty, sales tax, state excise duty, income tax and land revenue with the help of information collected through a household survey in Jodhpur district of Rajasthan State in the year 1977-78. According to the findings of the study, the income tax is progressive, the other direct tax - land revenue is regressive and all the three indirect taxes are regressive with respect to household income in urban as well as rural areas. Even after adding the burden of progressive income tax, the total burden of direct and indirect taxes is regressive with respect to income.

The objective of the fiscal policy to achieve social justice varies with the stages of development. In the developed countries the objective is to achieve steady growth with stabilization whereas in the developing countries the objective is to achieve a high rate of growth with equitable distribution. In the developed countries, due to progressive taxation and regressive government expenditure, inequality of income is not as extreme as is usually found in the developing countries. The countries in question being aware of the inequitable distribution, one of the main objectives of the fiscal policy in the developing countries is to narrow down disparities in income. It is not advisable for the developing countries to achieve high rate of growth without equitable distribution. Prevalence of inequalities in the distribution of income may produce adverse effects on development. Inequalities of income promote conspicuous consumption, as excessive demand of imported and luxury consumption goods, but reduce the standard of living of the low-income people, and prevent the growth of