

# Towards a Tax System for Inclusive Development

## Some Aspects of Tax Incidence and Tax Mobilisation in India

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### Overview

The magnitude of tax revenue and the manner of its mobilisation, in terms of its composition and incidence with regard to different segments of the population, is of direct consequence to the development process and human well-being in society. While a higher tax-Gross Domestic Product (GDP) ratio<sup>1</sup> based on high tax rates (and narrow tax base) could be detrimental to the growth of economic activity, giving rise to black economy and encouraging the flight of capital (both physical and human) from the country, a high tax-GDP ratio with moderate tax rates (and a broad tax base) could spur growth through improved scope for provisioning of public goods in the economy. It could also support the State's capacity to create a social protection floor and, if required, specific entitlements, especially for the poor and the vulnerable to help create more equal outcomes in the society. Similarly, a progressive tax system, where taxes levied take into account the ability of an individual to pay, is a potent redistributive tool, which could potentially support a more inclusive and equitable development process.

In India's case, unlike some other emerging economies, neither is the tax-GDP ratio adequately

favourable to create the required fiscal space i.e., the fiscal capacity for augmenting the supply and quality of public goods and essential social services (primarily on account of the narrow tax base and weaknesses in tax administration), nor is the tax system progressive enough, particularly at the state level, to address equity and inclusion in the development process. Furthermore, since there is inadequate production of public goods, inefficient delivery and uneven access of the poor and the marginalised to those goods, the development process has resulted in rising inequalities in social outcomes and the exclusion of significant segments of people from the economic and social mainstream of the country.

Direct taxes (i.e., the taxes imposed on incomes of individuals and businesses) in India are more or less progressive in their impact. However, that is not true of indirect taxes (i.e., the taxes imposed on the production, trade and sales of goods and services), which are regressive in nature as they do not distinguish potential tax payers on the basis of their ability to pay or, in other words, on the basis of their incomes. At the aggregate level (centre and states together), India collects only one-third of its total tax revenue from direct taxes; most developed

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countries and a few developing countries (like South Africa and Indonesia) depend on direct taxes to a much higher extent. In all fairness, the tax system is more regressive at the state level than at the level of the central government. While the central government has managed to invert its tax system from an overt reliance on indirect taxes (nearly 80 per cent in the 1970s–80s) to a situation in recent years where nearly 55 to 60 per cent of tax collections are accounted for by direct taxes, the situation with respect to state governments has only deteriorated. This is largely due to the fact that state governments have a limited capacity to raise resources from the direct taxes allocated to them and even those taxation avenues (such as on account of property tax or wealth tax) have not been adequately tapped. Instead, state governments often find it easy to raise resources from indirect taxes such as state excise duties (on alcohol) and sales taxes (i.e., the value added tax or VAT). The situation is symptomatic of the fiscal profligacy largely due to the practice of politics of appeasement at the state level. Inadequate assessment of resource availability and mobilisation efforts, especially at the time of assessment undertaken by the Finance Commission, along with populist pressures linked to electoral cycles, have often led to public spending being increasingly financed by levying state-level indirect taxes. As a result, there is a disproportionate incidence of indirect taxes on the poor when the commodities involved are necessities and occupy a significant share in their consumption baskets.

The study presented in this chapter undertakes a limited analysis of India's fiscal policies, primarily the government's tax policies and the tax system, at the centre and the state levels, and the consequences it has on the development process and its outcomes. Although the government's expenditure policy can typically overcome the weakness in its tax policy to support inclusive outcomes in a society and therefore should be considered in tandem with the tax policy framework for assessing the

inclusiveness of fiscal policies, the scope of this chapter has been restricted to a limited analysis of the tax policy framework in India. More specifically, it seeks some preliminary answers to two broad questions. First, does the Indian government mobilised tax revenue commensurate with its level of development? The chapter does not engage with the normative or political economy discussions around the appropriateness of tax policy and tax rates in India. Given the current direct tax policy regime, it focuses on assessing the extent to which incomes are being under-reported, thereby limiting the growth of the income tax base in the country. Second, the chapter explores the extent to which the tax policy, with its reliance on indirect taxes (at the state level), is exacerbating poverty and inequality?

A rigorous quantitative analysis to address these issues is handicapped by the fact that India does not collect income data<sup>2</sup> and the data on tax mobilisation, at the required level of disaggregation, is also not available in the public domain. In the face of these limitations, this study uses the unit-level National Sample Survey Organisation's (NSSO) household consumer expenditure distribution for 2011–12 (NSSO 68<sup>th</sup> round) and a methodology that is only a second-best option to address the identified issues for the study. While there is practically no analytical literature available on the subject that addresses these issues in the Indian context, this study has been inspired by Lustig et al.<sup>3</sup>, which is among the forerunners in the field. It established a causal relationship between fiscal policy (both tax and subsidy policy) and its implications on poverty and inequality for Argentina, using the model described as a 'Commitment to Equity (CEQ)'. Over the years the model has been replicated for several Latin American, African and Asian countries. The Centre for Budget and Governance Accountability (CBGA) has also made some progress in estimating this model to analyse the fiscal policy implications on poverty and inequality in India.<sup>4</sup>

## Does the Government Mobilise Adequate Revenues for Provisioning of Public Goods?

Given the extant tax policy regime, a short answer to the above question is no. In comparison to many developing and developed economies, the Indian government (both centre and states together) is mobilising less revenue, mainly the tax revenues, than what it could perhaps do. In the process, it can be argued that the government is not able to spend as much as it should on the supply of public goods directed at strengthening India's social and physical infrastructure capacity for its rapid development transformation. For a developing economy with a high incidence of poverty, the widespread deprivation and exclusion of population from the economic, social and political mainstream, the provision of and improved access to public goods, especially for the most marginalised sections in the society, has to be a key element of the development strategy. Well-directed public expenditure creates a platform to step up investment, to support economic activities and sustain growth. It is important for building human capabilities for a productive participation in the market and in scaling up the factors that contribute to human resource development. A low rate of tax revenue mobilisation, and thus, a lower rate of growth in public expenditure, constrain improvement in the supply of public goods and services in pursuit of inclusive development.

This section considers three different datasets to analyse India's performance in mobilising revenues, especially tax revenue. The first one relates to the cross-country dataset on government finances. The second uses the NSSO consumer expenditure data to estimate (based on certain assumptions) the potential number of income tax payers in the country in 2011–12, as against the actual income tax payers who filed income tax in that year and the consequence that

this has on the government's revenues. The third examines the trend in tax expenditure or tax revenue foregone by the government on account of tax concessions extended to the industry, primarily through concession in excise tax and custom duties. Between the three datasets, the study explores the aggregate picture reflecting the overall tax efforts, and separately for a part of the direct taxes and indirect taxes, respectively. The analysis helps in explaining the government's under-performance in the mobilisation of tax revenues, given the size of India's economy and its level of development.

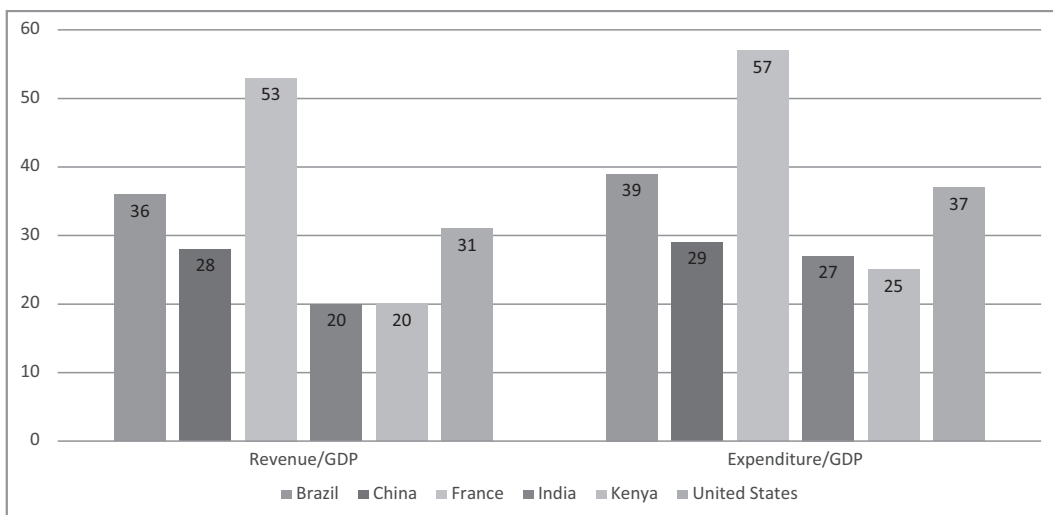
### India's comparative performance on revenue mobilisation

A cross-country analysis of public finances shows that India mobilises comparatively less revenue with respect to its GDP. In 2013, India's total revenue (tax and non-tax) was 20 per cent of its GDP and its tax revenue was around 16 per cent of the GDP. A much smaller economy like Kenya (with about half of India's per capita income both in USD and Purchasing Power Parity) also raised about the same magnitude of revenues. Although there is no defined upper limit or desired level for this ratio, a higher level of revenue mobilisation or more specifically, a higher (and rising) tax-GDP ratio for a growing economy is typically indicative of improved tax administration and tax policy, and consequent scope for improved supply of public goods and services. It creates the fiscal space for the government to expand and qualitatively improve its public expenditure to support inclusive development outcomes. Figure 1 shows the revenue and total expenditure as a proportion of country's GDP for India and few developing and developed countries. France generates revenue equal to 53 per cent of its GDP as compared to USA's 31 per cent (2014 figure). Accordingly, government expenditure figures in France and USA are 57 per cent and 37 per cent of their respective GDP.

In India, agricultural income is not taxed and over the past two decades, the share of agriculture in the total GDP has come down from nearly 30 per cent to around 15 per cent. Yet there is no significant change in its tax-GDP ratio. It has varied, for most of the last decade-and-a-half between 10–12 per cent of the GDP for the central government and between

14–16 per cent for the central and state governments combined. This is despite a spurt in the GDP growth rate averaging about 8.5 per cent per annum in the first decade of this millennium; a steady growth of the tax base in the service sector, which now accounts for nearly 58 per cent of India’s GDP; considerable improvements in tax administration, particularly in

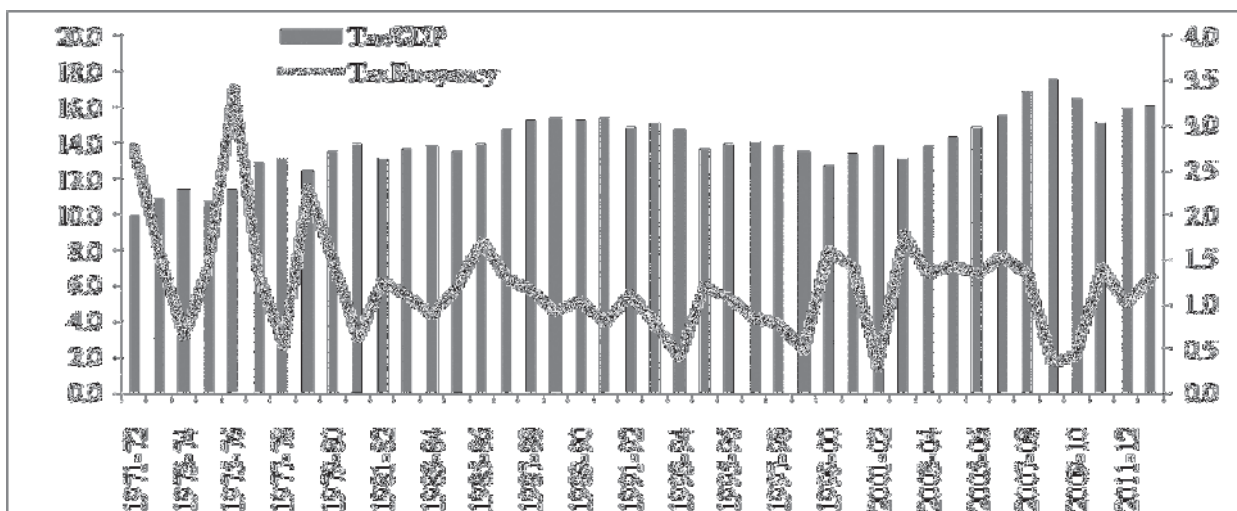
**Figure 1: Government Revenue and Expenditure as a Proportion of GDP in 2013**



Source: IMF World Economic Outlook Database, 2015

Note: Revenue consists of taxes, social contributions, grants receivable, and other revenue.

**Figure 2: Tax-GDP Ratio and Tax Buoyancy in India**



Source: Reserve Bank of India, Database of Indian Economy



the ease of filing tax returns; interface with the tax authorities; and some reforms in tax policy. In other words, there is little, if any, growth in tax revenues in response to the growth in GDP. Indeed the time-series data over the last four decades shows that tax-buoyancy or the ratio of the growth in tax revenue and GDP growth exhibits periodic fluctuations around a stable trend (Figure 2). The growing tax avoidance by under-reporting incomes and a proliferation of tax expenditure or tax concessions in tax policy (in respect of indirect taxes) helps in explaining the near stagnancy in tax buoyancy and tax-GDP ratio. The momentum in the improvement of the tax-GDP ratio (primarily on account of an expansion in the service tax base and improved tax administration) that was briefly observed during the high growth phase of 2004–8 (Figure 2), was perhaps derailed due to the fiscal stimulus measures administered as indirect tax cuts in the wake of global financial slowdown, the delay in rolling them back when the economy recovered, and the subsequent slowdown in GDP growth and political logjam on tax policy reforms.

### **Estimating under-reporting of income and income tax payers in India**

The government data for 2011–12 shows that 3.24 crore income tax payers contributed nearly Rs 2 lakh crore of the income tax revenue. There is ample anecdotal evidence to suggest widespread under-reporting of incomes in India, especially among the non-salaried, unorganised sector workers and the self-employed. As a result, only a small proportion of people who ought to pay income tax actually do so, and others who file tax returns pay less than what they should. The fact that agricultural income is not taxed implies that nearly 45 per cent of the country's population dependent on agriculture for livelihood is not part of the country's income tax base and only a minuscule proportion of the remaining rural population may be filing income tax.<sup>5</sup> Indeed by keeping the agricultural income out of the tax net there is a 'legitimate' channel available for those who essentially earn non-agricultural incomes but

also engage in some agriculture activity (at least on paper) to hide or under-report their taxable income. In order to assess the extent of under-reporting of incomes, and the implication of this on the number of potential tax payers and the potential income tax collection in the country, this study makes use of the NSSO consumer expenditure unit-level data for 2011–12. The study focuses on estimating the urban income distribution followed by the number of tax payers and their potential income tax contribution.

Before proceeding further, it is important to recall a few considerations that underpin the analysis of this exercise. On an average, other than for the extremely poor households, consumption levels are necessarily less than income levels, the difference between the two being savings. Second, both theory and cross-country evidence suggest that the inequality measure for consumption expenditure distribution (i.e., the Gini coefficient) is much lower than that for the corresponding income distribution. In other words, consumption inequality in a society is significantly less than its income inequality. There could be several reasons for that, including a general tendency in a developing country to under-report consumption expenditure in surveys. It could also be that the nature of consumption expenditure captured in the surveys itself introduces a bias towards greater equality, unlike in the case of income distribution, especially based on administrative data. Further, apart from the definitional distinction, there is a significant difference in the NSSO direct estimates of household consumption expenditure, over the successive rounds, and the estimates of private consumption expenditure, for the corresponding years, derived from the National Accounts Statistics.<sup>6</sup> That also suggests a lower consumption inequality for the NSSO consumption distribution than the estimates for income inequality in the country. Finally, with relatively high household saving rates in India and a significant proportion of population (up to one-third) living in extreme poverty, income inequality will have to be necessarily higher than consumption inequality. Therefore, in generating

an income distribution based on the consumption distribution, it becomes necessary to have a robust conceptual and empirical basis for the inequality attribute of the estimated income distribution. Indeed, the consequence on the number of income tax payers and their potential tax contribution hinges critically on the inequality of the estimated income distribution.

In the first instance, assuming that all the income tax payers are residing in urban areas for reasons elaborated earlier, an attempt is made to estimate the distribution of income for the urban population (totalling 31.6 crore in 2011–12). After examining the consumption distribution, the highest 0.1 percentile of the population, which has very high consumption levels, is removed from the consumption distribution. This is to prevent the outliers at the top of the highly skewed consumption distribution from exploding the income distribution based on it. It then turns out that the average per capita consumption expenditure for the urban population is Rs 28,790 per annum and the maximum consumption expenditure of the highest person in the truncated consumption distribution is Rs 6,73,664 per capita, per annum. In other words, the highest per capita consumption expenditure is 23.40 times the average consumption expenditure for the urban population. The per capita income for the urban population is estimated at Rs 92, 804 (applying the NSSO ratio of the urban consumption to the total consumption expenditure for 2011–12

on the per capita (national) income of Rs 61,855, derived the National Accounts Statistics). Thus, the average per capita income of the urban population is 3.22 times the average per capita consumption of the population. At the top end, although the highest per capita income is likely to be several times the average per capita income, the said multiple is limited to 23.40, the same as the difference between the average per capita consumption and the highest per capita consumption of the truncated urban consumption distribution. Assuming the consumption distribution series follows a trend of arithmetic progression, the relation between two open end values in an arithmetic progression series is established using the relationship:

$$t_n = a + (n-1) * d,$$

where,  $t_n$  is the end value in the series,  $a$  is the first value in the series,  $n$  is the number of values and  $d$  is the difference between two successive values. In this case it turns out that  $t_n = 23.4$ ,  $a = 3.22$ ,  $n = 15,834$  (number of observations corresponding to about 31 per cent of the population above the urban average per capita income) and  $d = 0.0012$ . Using the series so estimated, the income distribution of the urban population is estimated from the corresponding consumption distribution. It is then subjected to the prevalent tax rates for different income slabs to arrive at the total number of tax payers and their potential income tax. It turns out that (Table 1) the total number of tax payers goes up by 2.6 times from 3.24 crore to 8.4 crore, and the potential income tax

**Table 1: Estimate of Potential Income Tax Payers and Income Tax for 2011-12**

Table 1				
S. No.	With respect to tax Slabs	No. of Tax Payers	Tax Rate	Estimated Income Tax Revenue (Rs. Crore)
1	180000 – 500000	34,365,645	10%	5E+11
2	500000 – 800000	17,007,234	32,000+20%	1E+12
3	>800000	32,256,832	92,000+30%	1.25253E+13
		83,629,711		1.40253E+13

Source: Authors' own estimation of individual household income from the NSS National Household Consumption Expenditure Survey, 2011–12.

revenue could go up by as much as 7 times from Rs 2 lakh crore recorded to Rs 14 lakh crore in 2011–12. Also the inequality coefficient (Gini) deteriorates from 0.285 in case of the consumption expenditure distribution to 0.512 in case of the estimated income distribution.<sup>7</sup>

Alternately, just for the sake of completing and argument, we could assume that the number of income tax payers in 2011–12 is correct, i.e., all those who need to pay income tax are filing tax returns, but they are all under-reporting their incomes. In that case also we can estimate the extent of under-reporting of incomes and hence, income tax revenue. Using the same methodology as described above, and by restricting the analysis to the top 3.24 crore persons in the urban consumption expenditure distributed, their corresponding income distribution can be generated. It turns out that the potential income tax revenue in that case could be as high as Rs 12.5 lakh crore or just over 6 times the income tax revenue collected in 2011–12. The inequality parameter (Gini) for this subset of the population would deteriorate from 0.254 for their consumption expenditure to 0.310 for their income distribution.

The question is how appropriate is the methodology employed to estimate these results and, therefore, how seriously should one consider the estimated figures on the potential tax payers and the potential income tax revenue. We have already noted earlier the sensitivity of this exercise to the differences between the average consumption and income levels, and how those differences are distributed among the people, in other words, on the inequality of the estimated income distribution. The consumption expenditure distribution for 2011–12 is highly skewed, with the consumption expenditure of the top 0.1 percentile of the population influencing the overall inequality of the consumption distribution. By dropping this segment of the distribution a smoothed consumption distribution has been used for estimating the income distribution, which is methodologically desirable for an exercise like

this. Similarly, the maximum per capita income used to derive the income distribution is a reasonably conservative number and the inequality parameters for the estimated income distribution vis-à-vis the consumption distribution in each case turns out to be in line with the expectations and evidence from other survey-based studies in India and from other countries. However, some of these assumptions to estimate the income distributions need to be validated with the government's income tax data, which is not available in the public domain but will have to be accessed at some stage, and with some large sample-based independent estimates of income distribution in the country.<sup>8</sup> Indeed, the National Council for Applied Economic Research's India Human Development Survey data suggests that the Gini for household income in India is around 0.52 for 2004–05.

While there is scope to further refine the methodology used for this analysis, a most conservative conclusion from the analysis would be that the number of eligible income tax payers could be up to two times the number of those who filed income tax returns in 2011–12, but for the fact of under-reporting their incomes. And the income tax revenues could be anything between 2 to 3 times the amount collected in 2011–12, or anything between 4 to 7 per cent of the GDP. In other words, the amount of additional income tax revenue would have easily absorbed the fiscal deficit of the central government in 2011–12, or made available that amount of additional resources for augmenting the supply of public goods. A consideration that guides the said conclusion is the likelihood that under-reporting of incomes is more at the income levels in and around the income tax thresholds at the lower end of the tax rates and among the middle-income-range earners. However, a significant amount of tax actually comes from high networth individuals at the top 0.1 percentile of income/consumption distribution, who may have little incentive to significantly under-report their incomes.

### Implications of tax expenditure or tax concessions for tax mobilisation

A lower proportion of tax revenue mobilisation with respect to GDP in India is not because its tax rates are low. Rates of taxation on personal incomes and corporate bodies in India are comparable to many developing and developed countries. Corporate tax rate in Brazil is 34 per cent, which is more or less similar to the rate in India (though a gradual reduction to 25 per cent over the next four years has been announced by the government during the budget 2015–16). In China, the corporate tax rate is 25 per cent while

in USA, the rate stands at 40 per cent.<sup>9</sup> One of the reasons for the lack of improvement in India's tax buoyancy, despite tax policy and tax administration reforms, is the significant tax expenditure undertaken by the government or tax concessions extended to the industry. It results in the effective tax rate for the relevant tax payers becoming considerably lower than the statutory tax rate. Tax expenditure is an implicit tax subsidy given to certain tax payers as per the preferences exercised by the government of the day. It is implemented through a range of measures such as special tax rates, tax exemptions,

**Table 2: Estimated Revenue Foregone (Rs Crore)**

Heads	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (R)	2014-15(p)
Corporate Income Tax	34618	50075	62199	66901	72881	57912	61765.3	68720	57793	62398.6
Personal Income Tax	13550	15512	38057	37570	45142	36826	39375.4	33535.7	35254.1	40434.6
Excise Duty	66760	99690	87468	128293	169121	192227	195590	209940	196223	184764
Customs Duty	127730	123682	153593	225752	195288	172740	236852	254039	260714	301688
Total Revenue Foregone	242658	288959	341317	458516	482432	459705	533583	566235	549984.1	589285.2
Total Tax Revenue	270264	351182	439547	443319	456536	569869	629765	741877	815854.22	977258.4
Revenue foregone as a % of Tax Revenue	89.8	82.3	77.7	103.4	105.7	80.7	84.7	76.3	67.4	60.3

Source: Budget documents of the Central Government

**Table 3: Effective Corporate Tax Rates**

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Public	27.14	25.36	22.28	22.21	21.49	19.33
Private	21.56	23.03	24.61	23.10	22.78	24.44
Manufacturing	21.97	23.40	24.83	22.01	21.10	21.96
Services	23.53	23.77	23.40	23.70	23.71	24.37
Overall effective tax rate	22.77	23.58	24.10	22.85	22.24	23.32
Statutory tax rate	33.99	33.99	33.99	33.99	33.99	33.99

Source: Budget documents (Receipts Budget) for various years.

Note: The effective tax rates are based on sample companies and include surcharge and education cess for the indicated financial years. With dividend distribution tax, effective tax rate for 2009–10 was 25.06.

deductions, rebates, deferrals and credits. It impacts the overall magnitude of tax collections and the tax incidence. In principle the use of tax expenditure as an instrument for incentivising economic activity (savings, exports, infrastructure investment, charity, scientific research and technology development) and to encourage tax compliance is desirable (and enshrined in the relevant taxation Acts). However, its indiscriminate use has compromised resource mobilisation efforts of the government and created the scope for exercising patronage and corruption. Tax exemptions and concessions also violate the principle of equity in taxation, primarily because of the process underpinning their implementation. It favours the well-off who are in a better position to negotiate with the government.

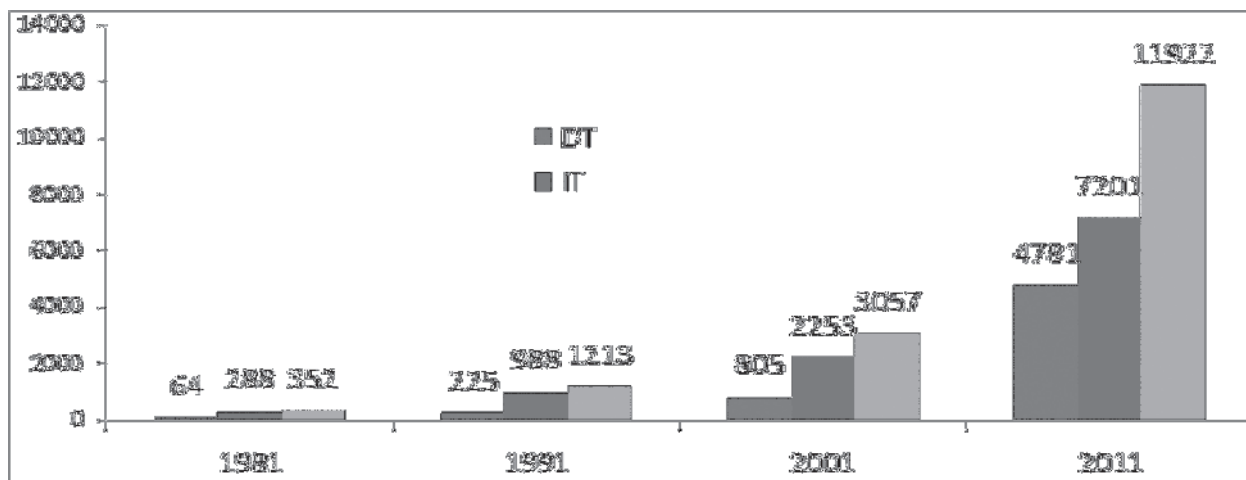
Table 2 reflects the tax concessions under various heads. In 2013–14, the total tax concession was 67.4 per cent of total tax collections of the centre. In 2014–15, it was estimated at Rs 5.9 lakh crore, which is 60 per cent of total tax revenue. The implementation of corporate tax preferences (in terms of the tax concessions extended) has also ensured that the effective tax rate at sectoral and overall levels remains well below the statutory tax

rate (Table 3). Moreover, based on the effective corporate tax rates, it can be seen that the tax expenditure incurred by the government in respect of the private sector companies until the last few years turns out to be higher than that for the public sector companies. Thus, the mobilisation of tax resources falls short of the intended levels on account of the government's implementation of its tax preferences and tax policy.

### Tax Burden: Does it Come in the Way of Inclusive Development?

Tax is inevitably a burden on every person who has to pay it. It impacts an individual's expenditure and behaviour in a number of ways. An income tax generates an income-effect by making an individual's disposable income necessarily less than her income. A commodity or service tax creates a substitution effect, which often results in a reallocation of resources between competing goods and services for the consumer as well as the producers in an economy. By virtue of being included as a part of the price of a good, an indirect tax also generates socio-economic exclusion, especially for the poor

Figure 3: Per capita Tax Collection in India



Source: Estimated from data collected from RBI Statistics and Census of India; DT stands for direct taxes and IT for indirect taxes.



consumer. Finally, as in the case of direct taxes, the mobilisation of indirect taxes in India also suffers from significant leakages, principally because of the nature of the economy which continues to rely on cash transactions, numerous petty traders and malpractices in business, all of which creates scope for corrupt practices. The nature and overall trend in India’s tax collection, in particular, the relationship between indirect taxes and poverty and inequality in the country, is explored in the rest of this chapter.

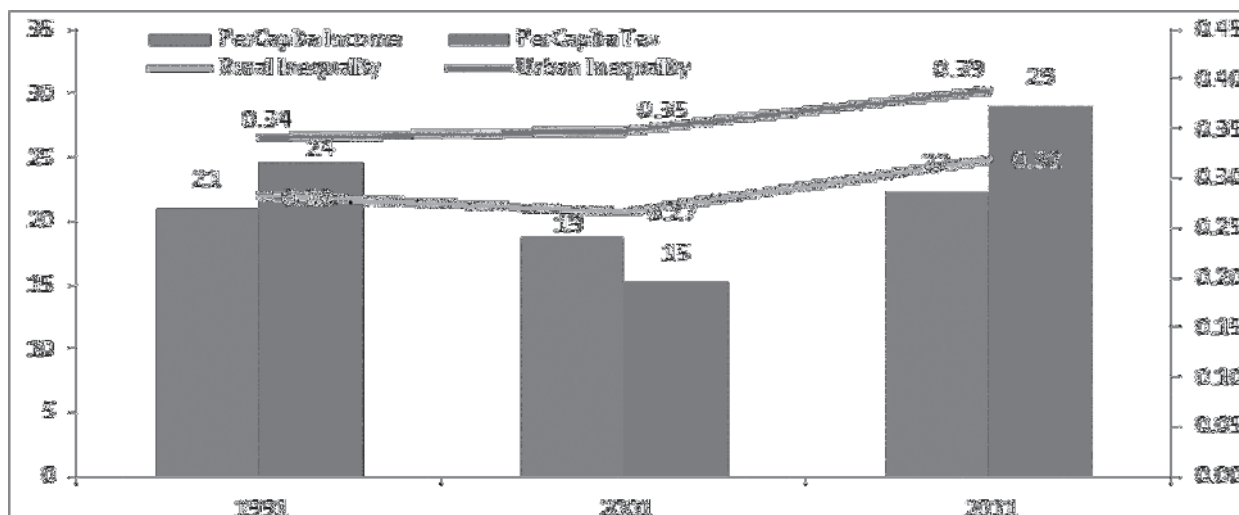
**Is the tax system becoming more progressive in India?**

Per-capita tax collection has been rising over time. It is estimated that between 2001 and 2011, the per head tax burden in India increased from Rs 3,057 to Rs 11,922, amounting to over 28 per cent growth in tax collection during that period. There is a shift in favour of direct tax collection compared to the indirect taxes (Figure 3). Per capita direct tax collection has increased from Rs 805 to Rs 4,781, recording 49 per cent growth, compared to 22 per cent growth per annum, in indirect taxes during that period. In the interest of having a progressive

and an inclusive tax system in the country this trend needs to be further consolidated.

The increase in per capita tax collection in the last decade (2001–11) is accompanied by relatively lower rate of growth in per capita income in the country. The per capita income growth is estimated at 22 per cent per annum as compared to 29 per cent in per capita tax collection for the period 2001–11. In the same period, both rural and urban inequality in India has increased. Although the positive correlation between the two is not independent of other factors that contribute to poverty and inequality, *prima facie* it can be established that the incidence of (indirect) taxation has increased at the lower end of income distribution. Therefore, it plays a role in contributing to the incidence of poverty and deterioration in inequality. With the rise in tax incidence, the purchasing power of the lower income strata gets adversely affected, undermining their standard of living. This has increased the gap between the poor and the rich in both rural and urban India. The trends in per capita income, per capita tax collection and inequality are reflected in Figure 4.

**Figure 4: Trends in Per capita Income, Per capita Tax Collection and Inequality**



Source: Estimated from RBI Statistics and NSSO Consumption expenditure surveys from various rounds.

### Is the tax incidence contributing to poverty and exclusion?

In an attempt to measure the actual tax burden (incidence) on the living standard of a family, the state-specific household consumption baskets (from NSSO 68<sup>th</sup> Round) for a few selected states and state level (indirect) tax rates on various commodities that comprise a household's consumption basket have been analysed. Indirect taxes constitute a major share in total tax revenue in the states. More than 80 per cent of tax revenue of the state governments comes from indirect taxes. The most important component of indirect taxes at the state level has been the state sales tax, which in the post-2005 period has been replaced by Value-added tax (VAT) in all the states. Guided by their respective fiscal policies and political compulsions, VAT rates differ for commodities across states. Therefore, incidence of VAT on the households also differs from state to state. This incidence also depends on differences in the consumption baskets across states.

Many government and non-government agencies have made an effort to estimate the average VAT rates to facilitate cross-country comparisons. The United States Council for International Business (USCIB) suggests that the average VAT rate in India should be 13.5 per cent.<sup>10</sup> Trading Economics estimates the all-India average VAT rate in 2014–15 to be 12.44

per cent.<sup>11</sup> Boomerang at Carnet shows the all-India VAT rates to be 13.5 per cent.<sup>12</sup> The World-wide Tax Agency estimates India's VAT to be in the range of 5 per cent to 15 per cent. KPMG suggests that the all-India average indirect tax rate in India is 14 per cent in 2014–15.<sup>13</sup> The Royal Malaysian Customs Department made a cross-country comparison of VAT rates where India's VAT rate was estimated at 12.5 per cent.<sup>14</sup> For this study, an average VAT of 12.5 per cent for the country as a whole has been used for estimating tax incidence on the people. If each household is subjected to an average 12.5 per cent VAT on the estimated all India monthly household consumption expenditure of Rs 7,210 in 2011–12, the net purchasing power (post-VAT) of the consumer would be Rs 6,306. In other words, a state government collects an average Rs 900 from every family out of its consumption expenditure in a month.

In order to refine the analysis of VAT incidence, there is a need to move from the average all-India rates to state-specific VAT rates and allow for the consumption baskets to change across population segments and states. Accordingly, five states, namely, Andhra Pradesh, Bihar, Odisha, Punjab and Maharashtra, were randomly selected for this study. These states differ in terms of their socio-economic standards. The mean monthly

**Table 4: State-level Mean Monthly Tax Burden on Households**

States	MPCE (Rs)	Tax burden (Rs)	Tax burden as Percentage of Mean Household Consumption Expenditure
Andhra Pradesh	6675	632	9%
Odisha	4261	183.7	4.3%
Bihar	5285	311	6%
Punjab	10655	943	9%
Maharashtra	8923.7	581	6.5%

Source: Estimated from NSS Household Consumption expenditure survey 2011–12

expenditure of a family in Punjab is almost twice that of the monthly household expenditure of families in Bihar. Similarly, although Maharashtra's mean monthly household expenditure is less than that of Punjab, it is twice that of Odisha. Andhra Pradesh falls in the middle among these five states in terms of its monthly household consumption expenditure. Table 4 presents the mean per capita consumption expenditure (MPCE), tax burden and share of tax burden on an average household for the selected states. An average household in Punjab and Andhra Pradesh ends up paying around 9 per cent, Rs 943 (out of Rs 10,655) and Rs 632 (out of Rs 6,675) respectively, of their MPCE in indirect taxes. In case of Maharashtra and Bihar this share is 6.5 per cent (Rs 581 out of Rs 8,924) and 6 per cent (Rs 311 out of Rs 5258), respectively. Odisha with its tax share of 4.3 per cent (Rs 183.7 out of Rs 4,261) ranks lowest in the group in terms of the VAT incidence.

As a next step, the tax burden on households (HHs) living below poverty line (BPL) is estimated at the state level for these five states. The poverty line as defined by the Planning Commission, Government of India (based on the methodology recommended by the Expert Group headed by Suresh Tendulkar) has been used to estimate the household level poverty line. The household poverty line is defined as the product of poverty line (at an individual level

defined by the Planning Commission for each state) and the average size of the households in that state.

Indirect taxes do not differentiate between a poor and a non-poor family. They are included in the price of a commodity and whoever is the end-consumer bears the burden of the tax. In Table 5 it can be seen that a family living below the poverty line also pays taxes to the governments and in some instance not too different from the rest of the households. In many instances, although the tax burden for the poor households varies, it could have serious consequences on their consumption expenditure and the standard of living. In Andhra Pradesh 4.06 million households live below the poverty line. The average tax a BPL household pays is Rs 188 which is 8.6 per cent of the mean expenditure of all the BPL families. In Odisha, 3.3 million households live below the poverty line. The average tax collected from families living in this bracket is Rs 82 which is 4.1 per cent of their mean consumption expenditure. In Bihar, 6.8 million families live below the poverty line. The average tax paid by them is Rs 153 per month. This constitutes 5 per cent of the mean consumption expenditure of BPL households in Bihar. Families living below the poverty line in Punjab pay a larger share of their expenditure in terms of taxes among the five states considered in this study. Each BPL household in that state pays 8.6 per

**Table 5: Incidence of Tax Burden on BPL Households**

States	Household Poverty Line (Rs/month)	No. of BPL Households (million and per cent)	Tax burden (Rs) on BPL Households	Tax burden Percentage of Mean BPL Households Consumption Expenditure
Andhra Pradesh	3195	4.07 (17.9%)	188	8.6
Odisha	2928	3.3 (36%)	82	4.1
Bihar	4126	6.8 (37.7%)	153	5
Punjab	4906	0.89 (15.67%)	306	8.6
Maharashtra	4338	5.8 (23 %)	202	6.9

Source: Estimated from NSS Household Consumption expenditure survey 2011-12

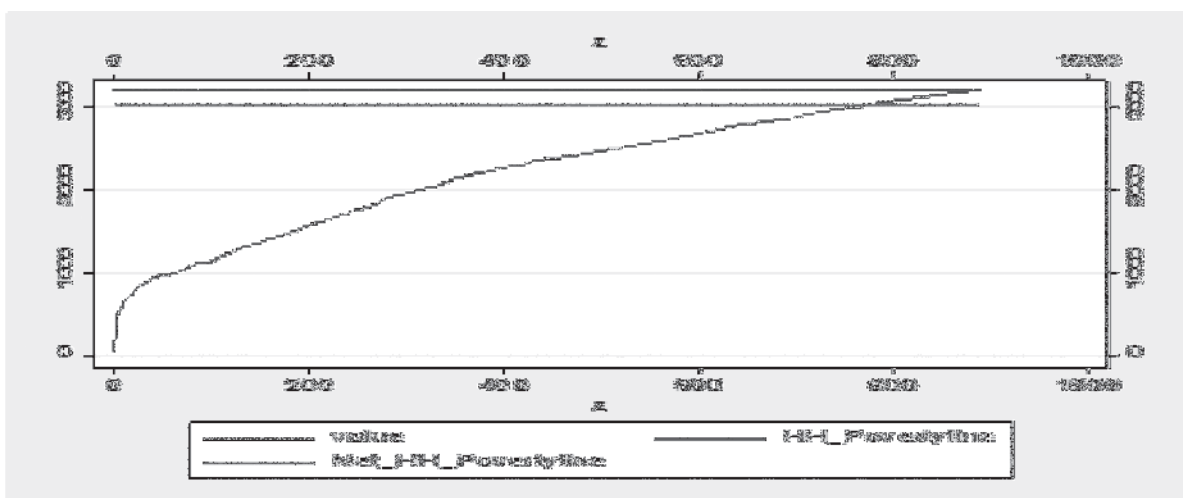
cent of their mean consumption expenditure, i.e., Rs 306 per month in terms of taxes. In the case of Maharashtra, BPL families pay 6.9 per cent of their consumption expenditure in terms of taxes, which is equivalent to Rs 161. Thus, among the five states, Odisha is the least exclusionary in terms of the VAT incidence on the BPL households.

BPL households (HHs), reflecting the impact on the level of poverty incidence if the VAT imposed on the BPL household is withdrawn. The cumulative distribution of the BPL households between the household poverty line (HH Poverty line, upper line) and the net household poverty line (Net HH Poverty line, lower line) reflects the proportion of the households who would come out of poverty should the VAT currently imposed on the goods

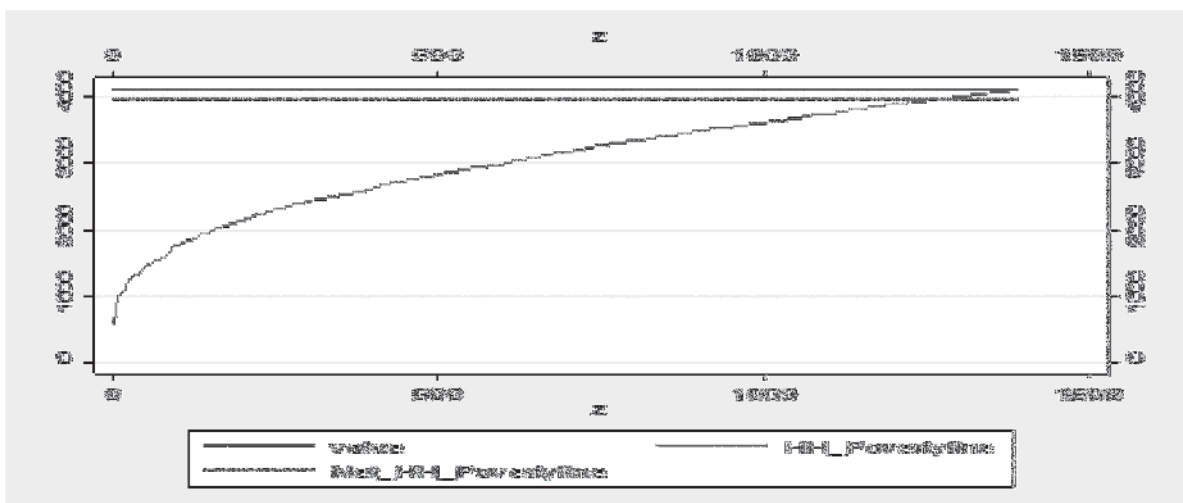
Figures 5 (A to E) present the distribution of

**Figure 5: BPL Households Overcoming Poverty if VAT is Withdrawn**

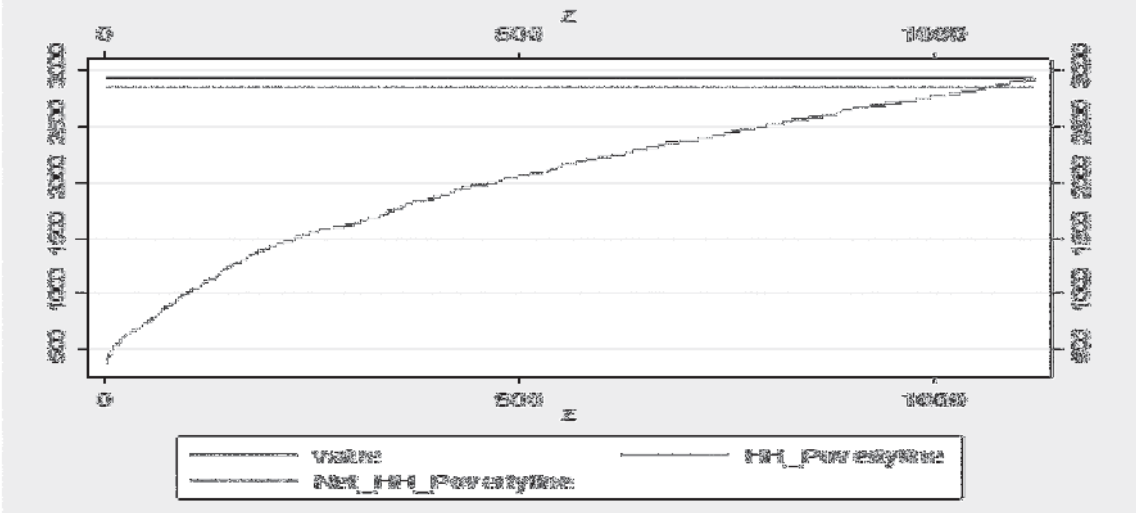
**Andhra Pradesh**



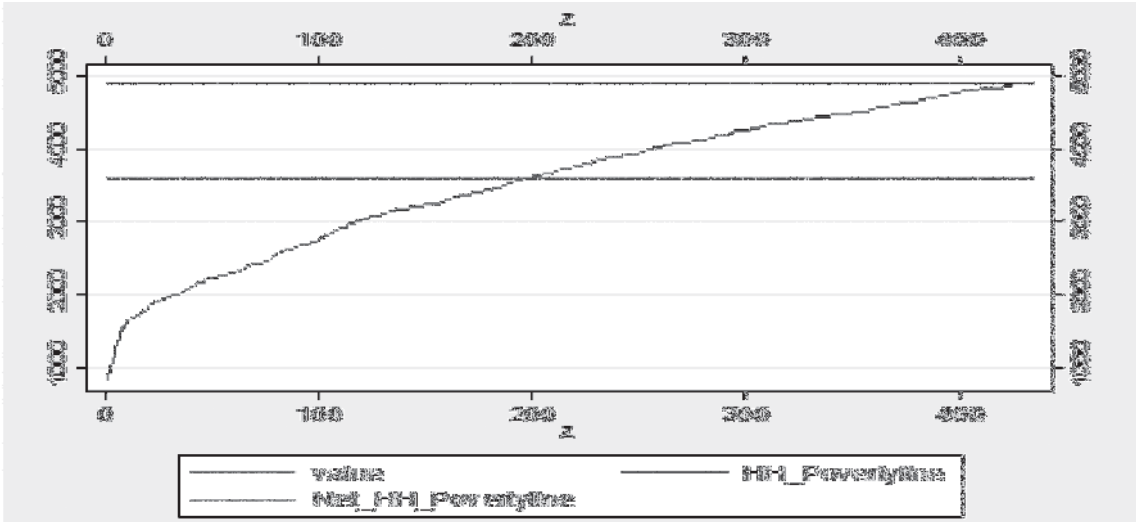
**Bihar**



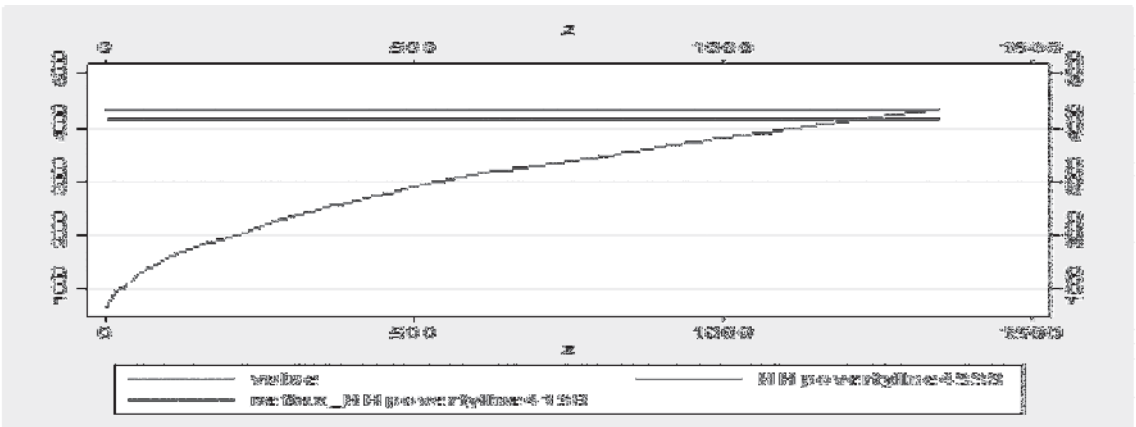
Odisha



Punjab



Maharashtra





in their consumption basket be withdrawn. Table 6 summarises these results.

It can be seen from Table 6 that for Andhra Pradesh reduction in poverty incidence, when VAT is withdrawn, is most significant at nearly 14 per cent, followed by Punjab at nearly 12 per cent, and it is least for Odisha where it drops by just over 4 per cent. The other two states, Bihar and Maharashtra also show significant reduction in poverty incidence. The net impact of VAT withdrawal is a function of the distribution of BPL households (how dispersed or concentrated they are around the household poverty line) and the magnitude of the tax burden, which in case of Odisha was the least, at 4 per cent of the mean BPL HHs average consumption expenditure.

The exclusionary consequences of indirect taxes (VAT) could also be examined in terms of the tax burden imposed on the consumption of merit goods like education and healthcare, particularly for the poor and the marginalised of a society. The supply of and access to the goods that underpin these merit goods is critical for equalising opportunities and development outcomes in a society over time. The NSSO household consumption expenditure survey 2011–12 shows an average household spending on education to be Rs 404 out of its total spending of Rs 7210. An average family is therefore spending 5.6 per cent of its total expenditure on education. In rural areas, this share is 3.9 per cent and in urban it is much higher at 8 per cent. For the BPL HHs also

it is 2 per cent of its total consumption expenditure. Education is not a freebie at all. Even when there are no tuition fees to be paid for acquiring elementary education in public schools (or for the entire school education for a girl child in many states), there is a price to be paid when a family purchases books, paper, pencils, pens, school uniforms or engages private tuitions for the children. While prices of these education goods are rising, in many instances the government's taxation policy on those goods is also adding to the household burden.<sup>15</sup>

Most state governments do not hesitate to impose VAT on education goods and services, such as books, periodicals, journals, pens, pencils, private tuitions, etc. It affects the price of these products and thus, impacts a family's expenditure. There is no uniformity in the manner in which they impose VAT: Tamil Nadu levies 12.5 per cent VAT on erasers, scales and colouring kits, but ball pens and pencils are exempted from VAT.<sup>16</sup> Among the states chosen for this study the average VAT on education goods for households is 2.5 per cent in Andhra Pradesh and 5.3 per cent in Odisha. The BPL HHs in Odisha also face VAT at the same rate as an average household. Similarly, in the case of healthcare goods and services consumed by households, Andhra Pradesh has an average VAT of 14.5 per cent and Odisha 5 per cent. The former also levies an average VAT of 5 per cent for BPL HHs in the state.

**Table 6: BPL Households Overcoming Poverty if VAT is Withdrawn**

States	Proportion of Households below poverty line (%)	Number and Percentage of BPL Households escaping poverty if VAT withdrawn	Percentage reduction in poverty
Andhra Pradesh	17.9	567931 (2.5)	13.99
Bihar	37.7	583974 (3.2)	8.59
Odisha	36	142752 (1.6)	4.34
Punjab	15.67	106605 (1.9)	11.98
Maharashtra	17.46	518780 (2.1)	8.94

Source: Based on NSS Consumption Expenditure Survey 2011–12.

## Conclusions and Policy Takeaway

The study presented in this chapter has made an attempt to address two questions: whether India is mobilising tax revenue commensurate with its level of development, given its extant tax policy regime, and is the state-level tax policy framework, with its reliance on indirect taxes (mainly VAT) to raise resources, exacerbating poverty and inequality? Notwithstanding the limitation on account of data availability for the analysis required to undertake this enquiry, the study comes to a conclusion that there is significant under-reporting of incomes when it comes to filing income tax returns in India. It implies that there are fewer persons filing income tax returns than those who should be and that the income tax revenues of the government could be a multiple of the realised amounts. Thus, given the extant direct tax policy regime, India is certainly not collecting tax revenues in keeping with the size of its economy and the growth in average per capita incomes that it has witnessed in the recent decades. In the process, the study provides some quantitative evidence to support the popular perception on tax avoidance behaviour of Indians. Besides the fact that indirect taxes are regressive in their impact, as they don't distinguish a poor from a non-poor tax-paying person, the study provides evidence to suggest that significant proportions of population, both in the better-off and the backward states, are being pushed into poverty (i.e., into household consumption expenditure levels below the official poverty line) on account of the indirect tax burden they face on their consumption expenditure.

On a conservative count and based on the methodology used, the analysis suggests that the number of eligible tax payers could be up to two times the 3.24 crore persons who filed income tax returns in 2011–12, and the income tax revenues could be anything between 2 to 3 times the amount collected in 2011–12, or between 4 to 7 per cent of the GDP. In respect of the analysis undertaken on the burden imposed by VAT on the households and based on the random sample of five states, the study

concludes that between 5 to 10 per cent reduction in poverty incidence can be brought about in most states if the VAT burden were removed for the BPL HHs. The study also notes that there is widespread leakage in the collection of indirect taxes as well. This is mainly on account of malpractices in business transactions, including the under-invoicing and non-invoicing of retail-level transactions, where VAT is levied and is collected.

The policy response to address these concerns has to do with minimising and even discouraging cash transactions. But that is easier said than done because of the nature of India's economy. India's labour market is predominantly in the informal or unorganised sector where cash transactions are the norm. Its retail markets are mostly unorganised, run by petty traders, too numerous to be effectively regulated. A major challenge in reducing the cash economy in the country is the low level of financial inclusion (i.e., access to banking services) and financial literacy among the people, and weak oversight and enforcement of business practices. Despite steady reforms for simplification of procedures to file income tax returns, constantly improving IT interface to support that process and rationalisation of tax-related litigation to improve overall mobilisation of tax revenues, there is still some distance that remains to be covered, particularly in respect of the administration of indirect tax (VAT) policy. It is also true that VAT incidence cannot be entirely eliminated for the poor households because of the difficulties in targeting it, but there is scope to rationalise VAT and compensate BPL HHs with well-directed social transfers to help them overcome poverty. At the same time, under the Finance Commission awards, a greater devolution of tax revenues collected by the central government to the states would help state governments in reducing their dependence on indirect tax revenues. While there is policy movement in most of these action areas of reforms, the process needs to gather greater momentum.

A potential game changer in that context is an

early implementation of the Direct Tax Code (DTC) and establishing a harmonised Goods and Service Tax (GST) regime in the country. These initiatives have been in the works for the past several years but have become a casualty of political wrangling and posturing. It has been argued that the GST would provide the economy with a modern, broad-based, equitable and non-distortionary tax system to promote allocative efficiency along with sustained growth in tax revenues. As per reported estimates, the implementation of GST alone could add up to 2 per cent to India's GDP growth rate and therefore to its tax revenues as well.<sup>17</sup> Indeed, there is a strong case for an early implementation of the proposed DTC and the GST regimes with emphasis on few and lower tax rates, and minimal tax concessions and exemptions. While some provisions of the DTC have been implemented in the successive budgets over the past few years, GST continues to be on the drawing board with a consensus between the centre

and state governments proving elusive. Depending on the actual format of its implementation, as and when that happens, including the rates of taxation and the list of commodities exempted from taxation, the implications of the GST burden on the poor household would have to be reassessed. It is however well understood that the implementation of GST and DTC in its proposed totality is necessary to curb the revenue forgone or tax expenditure being undertaken by the government, year after year without the desired impact on revenue mobilisation outcomes. A complete overhaul of the tax regime, direct as well as indirect, is necessary for a sustained improvement in the tax buoyancy and tax-GDP ratio of the Indian economy. That, in turn, would help in improving the government's fiscal space and the resulting capacity to improve the supply and quality of public goods in the country.

## Appendix-1

### A1. Value Added Tax (VAT) Rates for Various Education Goods and Services

States	Education goods and services	VAT rate(%)
Andhra Pradesh	Books, periodicals and journals including maps, charts, globes and atlases	Exempted
	(1) Exercise notebooks including graph books and laboratory notebooks, office stationery including computer stationery, writing pads and account ledgers. (2) Paper of all kinds and news print, excluding wall papers. (3) Diary, calendar, annual reports, application forms and similar printed materials. (4) Printing ink excluding toner and cartridges. (5) Writing instruments, writing ink, geometry boxes, colour boxes, pencil sharpeners and erasers	5%
	All goods not mentioned above	14.50%
Odisha	Books, periodicals and journals, slate, slate pencils, educational maps, globes and charts	Exempted
	Exercise book, graph book and laboratory notebook Printed material including diary, calendar, etc. Printing ink excluding toner and cartridges. Writing instruments	4%
	All other goods	12.50%

States	Education goods and services	VAT rate(%)
<b>Bihar</b>	Books, periodicals and journals excluding those specified elsewhere in this schedule or any other schedule but including Braille books, maps, charts and globes; Newspaper; Slate and slate pencils	Exempted
	Printed materials including diary, calendar and letter pad. Printing ink excluding toner and cartridges; writing instruments such as lead pencils, pen of all varieties and descriptions, refill, cartridges, nozzles, nib; geometry boxes, colour boxes, crayons, erasers, pencil sharpeners and writing ink other than those specified elsewhere in any other schedule	4%
	All other goods not specified here to be charged 12.5 %	12.50%
<b>Punjab</b>	Books, periodicals and journals including maps, charts and globes, slate and slate pencils and chalks	Exempted
	Computer stationary; exercise books, graph books and laboratory note books. Printed material including diary and calendar; printing ink excluding toner and cartridges; school bags; writing ink; writing instruments, geometry boxes, colour boxes, brushes for colour boxes, crayons pencil, pencil sharpeners and erasers	4%
	Goods not mentioned above	13.00%
<b>Maharashtra</b>	Books, that is to say, every volume or part or division of a volume including almanacs, panchangs, time tables for passenger transport services and periodicals, maps, charts, orreries and globes, but excluding annual reports, application forms, account books, balance sheets, calenders, diaries, catalogues, race cards, publications which mainly publicise goods, services and articles for commercial purposes and publications which contain space exceeding eight pages for writing. Chalk Stick. Slate and slate pencils but not including writing boards	Exempted
	Exercise book, graph book, laboratory note books and drawing books. Paper, news print, paper board, waste paper. All types of paper stationery for computer, carbon paper, ammonia paper; printing ink and writing ink excluding toner and cartridges; writing instruments, ball point pens, felt tipped and other porustipped pens and markers; fountain pens, stylograph pens and other pens; duplicating stylos, propelling or sliding pencils; pen holders, pencil holders and similar holders; parts (including caps and clips) of the foregoing articles; mathematical instrument boxes including instruments thereof, students colour boxes, crayons and pencil sharpeners.	4%
	All goods not mentioned above	12.50%
<b>Tamil Nadu</b>	Mechanical pencils, pencils lead, sharpener, wooden pencils, colour pencils, wooden roller ball pen, wooden roller pencil refill, ball pen, geometry box, mathematical box, ball pen refills, etc.	Exempted
	Writing and colour kit, wax crayons, plastic crayons, drawing boards	4%

States	Education goods and services	VAT rate(%)
	Paint marker pen, eraser, scales, sketch pends, tex liner pens, multi marker pen, permanent marker pen, white board marker pen, self inking stamp, text liner pen inks, child safe scissors, stamp pad, glue/gum, poster colour, white board marker pen ink, oil paste,	12.50%

#### A2. Value Added Tax (VAT) rates for various health goods and services

States	Health goods and services	VAT rate(%)
<b>Andhra Pradesh</b>	Aids and implements used by handicapped persons. Condoms and contraceptives. Human blood and blood plasma. Semen including frozen semen	Exempted
	Bulk Drugs. Drugs and medicines whether patent or proprietary, as defined in clauses (i), (ii) and (iii) of section 3 (b) of Drugs and Cosmetics Act, 1940 (Central Act 23 of 1940), and hypodermic syringes, hypodermic needles, perfusion sets, urine bags, catguts, sutures, surgical cotton, dressings, plasters, catheters, cannulae, bandages and similar articles, but not including, (a) medicated goods (b) products capable of being used as cosmetics and toilet preparations including toothpaste, tooth powder, cosmetics, toilet articles and soaps (c) mosquito repellants in any form, veterinary medicines, medicinal water	5%
	All goods not mentioned above	14.50%
<b>Odisha</b>	Aids and implements used by handicapped persons. Condoms and contraceptives. Human blood and blood plasma. Semen including frozen semen	Exempted
	Bulk drugs. Drugs and medicines.	4%
	All other goods and services	12.50%
<b>Bihar</b>	Aids and implements used by handicapped persons. Condoms and contraceptives. Human blood and blood plasma.	Exempted
	Bulk Drugs. Drugs and medicines, whether patent or proprietary, including vaccines, disposable hypodermic syringes, hypodermic needles, catguts, sutures, surgical dressings, medicated ointments produced under the license issued under the Drugs and Cosmetics Act, 1940 but excluding any cosmetics, perfumery, toiletry and hair oil, whether or not such cosmetics, perfumery, toiletry and hair oil is manufactured under any Drug License and whether or not such cosmetics, perfumery, toiletry and hair oil contains any medicinal properties. Medical Diagnostic Kits. Medical equipments, devices and implants. X-Ray film and other diagnostic films.	5%
	All others	12.50%



States	Health goods and services	VAT rate(%)
<b>Punjab</b>	Aids and implements used by handicapped persons. Condoms and contraceptives. Human blood alongwith its components like platelets, red blood corpulscles (RBC), plasma, anti hemophilic factors, albumin and gamma golobulin. Semen including frozen semen	Exempted
	Drugs and medicines including vaccines , syringes and dressing, mediated ointments produced under drug license, light liquid paraffin of IP grade, medical equipments/devices and implants	6%
	Goods not mentioned above	13.00%
<b>Maharashtra</b>	Aids and implements used by handicapped persons. Contraceptives of all types. Human blood and its components and products thereof.	Exempted
	Drugs (including Ayurvedic, Siddha, Unani, Spirituous Medical Drugs and Homoeopathic Drugs), being formulations or preparations conforming to the following description:- Any medicinal formulation or preparation ready for use internally or on the body of human beings, animals and birds for diagnosis treatment, mitigation or prevention of any diseases or disorders, which is manufactured or imported into India, stocked, distributed or sold under licence granted under the Drug and Cosmetics Act, 1940 but does not include mosquito repellants in any form. Medical Oxygen and Nitrous Oxide manufactured under licence granted under the Drugs and Cosmetics Act, 1940. Bandages and dressings manufactured or imported into India, stocked, distributed or sold under licence granted under the Drugs and Cosmetics Act, 1940. Syringes. Glucose-D	5%
	All others	12.50%
<b>Tamil Nadu</b>	Aids and implements for physically challanged persons as notified by the Government, Condoms and contraceptives , Gauze and bandage,	Exempted
	Drugs and medicines including vaccines, syringes and dressings, medicated ointments produced under drugs licence, light liquid paraffin of IP grade	4%
	All others	12.50%

## Endnotes

1. Tax-GDP ratio is the total tax revenue as a proportion of the GDP.
2. With nearly 90 per cent of the labour engaged in the non-formal or unorganised sector, it is not surprising that India does not collect income data through administrative means. Only a few limited income surveys are available.
3. Lustig Nora, George Gray Molina, Sean Higgins, Miguel Jarakillo, Wilson Jiminez, Veronica paz, CladiniePerrera (2012), 'The impact of taxes and social spending on inequality and poverty in Argentina, Bolivia, Mexico and Peru: A synthesis of results' Commitment to Equity Working Paper No. 3.

4. For an estimation of indices of poverty, inequality and polarisation using NSS HH Consumption Expenditure survey, see  
Sridhar Kundu (2011), 'Inequality Vs. Polarisation: Trends and Patterns in Indian States' in *Economic Development and Poverty in India*, Chapter 6, New Delhi: New Century Publications  
Sridhar Kundu (2007), 'Poverty, Inequality and Social Development: An interstate analysis of trends and patterns in India' in *Rural Development and Social Change*, NIRD, Ministry of Rural Development, pp. 131-165  
Thomas Piketty (2014), *Capital in the Twenty First Century*, Harvard University Press
5. It is another matter that an overwhelming proportion of the agriculture-dependent population is too impoverished to qualify as income tax payers under the prevalent income tax law of the country.
6. See, for instance Rajeev Malhotra (1997), 'Incidence of Poverty in India – Towards a Consensus on Estimating the Poor' in *The Indian Journal of Labour Economics*, 40:1, pp. 67-102,
7. If the same exercise is repeated with the entire consumption expenditure distribution and not just the urban distribution (assuming that everybody including those dependent on agriculture incomes and residing in rural areas have to pay income tax), it turns out that the total number of tax payers shoots up to 22.7 crore (10 times the number of income tax payers in 2011-12) and the potential income tax revenue also jumps up by 10 times to 20 lakh crore. The inequality parameter (Gini) deteriorates from 0.282 for consumption to 0.513 for estimated income distribution.
8. The Organisation for Economic Cooperation and Development (OECD.org/els/social/inequality) study on emerging economies suggests that India's income inequality (Gini) deteriorated from about 0.35 in the early 1990s to about 0.40 in the early part of the first decade in the current millennium. Another study by the Boston Consulting Group and Confederation of Indian Industry [Sinha and Aggarwal (2011)] estimated the number of households with income more than 2 lakh per annum (well over the income tax threshold) to be over 4.3 crore. Full reference for Sinha and Aggarwal (2011) is as follows  
Janmejaya Sinha and Neeraj Aggarwal (2011), 'Financial Inclusion: From Obligation to Opportunity', a survey report prepared from the finding of the Household Survey Conducted by Boston Consulting Group and Confederation of Indian Industry
9. Accessed at: [kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx](http://kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx) in October 2015, New Delhi, India.
10. Accessed at <http://www.uscib.org/valueadded-taxes-vat-ud-1676/> in October 2015.
11. Accessed at <http://www.tradingeconomics.com/india/sales-tax-rate> in October 2015
12. Accessed at <http://www.atacarnet.com/vat-duty-rates> in October 2015
13. Accessed at <http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/tax-rates-online.aspx> in October 2015
14. Accessed at [http://gst.customs.gov.my/en/gst/Pages/gst\\_ci.aspx](http://gst.customs.gov.my/en/gst/Pages/gst_ci.aspx) in October 2015.
15. Private sector has made major inroads into the education sector in rural India. The District Information System for Education (DISE) report indicates that Kerala, Tamil Nadu, Puducherry and Goa have more than 60 per cent of enrolment at the primary level in private schools. In Tamil Nadu, Andhra Pradesh, Maharashtra and Karnataka that proportion is 40 per cent, and in UP it is 50 per cent.
16. Commercial Tax Department, Government of Tamil Nadu.
17. Rajeev Malhotra (2012), 'Refocusing the Union Budget: Fiscal Imperatives and Some Other Issues', in Rajeev Malhotra (ed.), *A Critical Decade: Policies for India's Development*, Oxford University Press