A STUDY OF STATE'S OWN TAX REVENUE
IN
MIZORAM

(A DISSERTATION SUBMITTED FOR THE AWARD OF THE DEGREE OF MASTER OF PHILOSOPHY IN ECONOMICS)

BY

C.LALNUNMAWIA

TO

THE DEPARTMENT OF ECONOMICS

SCHOOL OF ECONOMICS, MANAGEMENT
&
INFORMATION SCIENCES

MIZORAM UNIVERSITY

2016

MIZORAM UNIVERSITY

DEPARTMENT OF ECONOMICS

AIZAWL – 796009
P.O. Box No. 190

Prof. Lianzela	**Ph.No – (0389) 2330708**
Professor	**9862324657**
Department of Economics	**Email – lianzela02@yahoo.com**

CERTIFICATE

This is to certify that the dissertation entitled "A study of State's Own Tax Revenue in Mizoram" by C. Lalnunmawia has been written under my supervision and guidance. This dissertation is the result of his own investigation into the subject. Neither the dissertation as a whole nor any part of it was ever been submitted to any other University for any research degree.

(PROF. LIANZELA)

DECLARATION

MIZORAM UNIVERSITY

2016

I, C.Lalnunmawia, do hereby declare that the subject matter of this dissertation is the record of work done by me, that the contents of this dissertation did not form the basis of the award of any previous degree to me or to do the best of my knowledge to anybody else, and that the dissertation has not been submitted by me for any research degree in any other University/ Institute.

This is being submitted to the Mizoram University for the degree of Master of Philosophy in Economics.

(C.LALNUNMAWIA)

(PROF. VANLALCHHAWNA) **(PROF. LIANZELA)**

Head **Supervisor**

ACKNOWLEDGEMENT

It is my pleasure to place on record my sincere gratitude towards my Supervisor Prof. Lianzela, under whose experiences guidance, support and inspiration I am able to complete this work.

I would like to express my special appreciation and thanks to Dr. Lalhriatpuii, Asst. Prof. Department of Economics, Mizoram University, for her never ending support, valuable suggestions, concise comments and constructive inputs for the betterment of my research work.

I am also grateful to Prof. Vanlalchhawna and Dr. James L.T Thanga, Department of Economics, Mizoram University, for helping me in statistical analysis despite of their busy schedules.

I offer my thanks to the staff of Finance Department, Government of Mizoram, who had given their support by furnishing data needed for the success of my research.

I am also thankful to my friends and colleagues, because of whose support I have been able to carry out this work successfully. I am very much indebted to Vanlaldika, Stephan Lalremthara and Lalhruaizeli for their support and encouragement. This work would not have been possible to carry out without their unconditional support.

Finally, I would like to express my deepest gratitude to the Almighty God for His endless blessings without which this work would not have seen the light of day.

(C.LALNUNMAWIA)

CONTENTS

LIST OF TABLES

LIST OF GRAPHS

LIST OF ABBREVIATIONS

AD	:	Anno Domini (in the year of the Lord)
ADF	:	Augmented – Dicky Fuller
B. E	:	Budget Estimates
CADC	:	Chakma Autonomous District Council
CAG	:	Comptroller and Auditor General
CAGR	:	Compound Annual Growth Rate
CENVAT	:	Central Value Added Tax
CSP	:	Central Sector Plan
CSS	:	Centrally Sponsored Schemes
CST	:	Central Sales Tax
CT	:	Central Transfers
DC	:	Deputy Commissioner
E.U	:	Europian Union
FC	:	Finance Commission
FRBM	:	Fiscal Responsibility and Budget Management
GA& C	:	Grants in Aid & Contribution.
GCS	:	General Category State
GDP	:	Gross Domestic Product
GoM	:	Government of Mizoram
GoI	:	Government of India
GSDP	:	Gross State Domestic Product
GTR	:	Gross Total Revenue

HSD	:	High Speed Diesel
ICWA	:	Institute of Cost & Works Accountant of India
IMF	:	International Monetary Fund
IOSR	:	International Organisation of Scientific Research
JHSS	:	Journal Of Humanities And Social Science
LAD	:	Local Administration Department
LADC	:	Lai Autonomous District Council
LPG	:	Liquidfied Petroleum Gas
LSC	:	Land Settlement Certificate
MADC	:	Mara Autonomous District Council
MHIP	:	Mizo Hmeichhe Insuihkhawm Pawl
MIS	:	Management Information System
MODVAT	:	Modified Value Added Tax
MUP	:	Mizoram Upa Pawl
NDPS	:	Narcotic Drugs and Psychotropic Substances
NIPFP	:	National Institute of Public Finance and Policy
NRB	:	Nepal Rastra Bank
OECD	:	Organisation of Economic Co-operation and Development
ONTR	:	Own Non-Tax Revenue
OTR	:	Own Tax Revenue
PC	:	Planning Commission
POL	:	Petroleum Oil Lubricant
PPP	:	Purchasing Power Parity
PPT	:	Phillips-Parron Tests
R. E	:	Revised Estimates

RTS	:	Representative Tax System (RTS)
SCPC	:	Sixth Central Pay Commission
SCS	:	Special Category State
SCT&D	:	Share in Central Taxes and Duties
SFA	:	Stochastic Frontier Analysis
SOR	:	State Own Revenue
TIN	:	Tax Identification Number
TRR	:	Total Revenue Receipt
TR	:	Total Revenue
VAT	:	Value Added Tax
VIVAT	:	Viable Integrated Value Added Tax
WIDER	:	World Institute for Development Economics Research
YMA	:	Young Mizo Association

1.1 **INTRODUCTION**

Revenue mobilization has a crucial role in fiscal policy implementation, especially in a developing country where the demand of public funds for public expenditure is high. Developing countries across the world typically suffer from insufficient supply of internal resources. Very low tax to Gross Domestic Product (tax-GDP ratio)[1] ratio is a common characteristic of most of the developing countries, which indicates their inability to generate own revenue resources. This incapability is a major impediment for the governments' regular operations and capacity to accelerate economic growth initiatives.

In developing countries like India, the government has to play an active role in promoting economic growth and development because private initiative and capital are limited. Fiscal policy or budgetary policy has become an important instrument in promoting growth and development. The State's ability to undertake and perform the various development functions depend upon its fiscal position. Taxation is an important part of fiscal policy which can be used effectively by governments of developing economies. It is one of the most important ways in which developing countries can mobilize their own resources for sustainable development.

[1] The ratio of total government tax collection to a country's Gross Domestic Product (GDP) is called the tax-GDP ratio. It is an economic measurement that compares the amount of taxes collected by a government to the amount of income that country receives from its product.

Taxation offers an antidote to developing countries' dependence on external concessional finance and provides the fiscal reliance and sustainability needed to promote growth. It strengthens the effective functioning of the State and reinforces the social contract between governments and citizens. Thus, strengthening domestic resource mobilisation is not just a question of raising revenue: it is also about designing a tax system that promotes inclusiveness, encourages good governance, responds to society's concerns over income and wealth inequalities, and promotes social justice.

Unfortunately in India, States are unable to generate adequate resources to match their revenue requirements with the rising expenditures. States across the country typically face some critical challenges while establishing an efficient tax system like; structure of the economy, institutional capacity, political setup, level of economic development, tax morale or tax culture, etc. All these factors affect the tax system of most of the States in India. Hence, they face great challenges in mobilising tax revenues, which resulted in a wide tax gap - that is a gap between what they could collect and what they actually collect. Fiscal deficit is the core issue of most of the States over the past several decades. The reason behind the large increase in fiscal imbalance is the rapid expansion in expenditure and low revenue collection.

Efficient tax system is crucial especially for the States which are incapable in terms of exports and natural sources. Less developed States in India are still highly dependent on Central assistance. For poor and less developed States like Mizoram, taxation is the only viable strategy to exit Central aid dependency in the long run. Besides it is important to note that when Central assistance is increasingly shrinking, need for an efficient internal resource mobilization system would become more essential than ever. Thus, it is very important for the State to contain a modest and efficient taxation system which can essentially supply sufficient internal resources in order; to meet budgetary demands, to make up for potential decreases in Central assistance, to tackle the inability of the State to carry out developmental works with its own resources and to reach economic take off stage.

Taxation is, thus a better source of resource mobilization than the other sources as it supports the basic functions of an effective State - enabling it to raise the resources needed to deliver essential services and creates the context for economic growth. It is critical to sustainable development as they provide governments with independent revenue for investing in development, reducing poverty and delivering public services as well as increasing State capacity, accountability and responsiveness to their citizens.

1.2 CONCEPT OF REVENUE

Every government needs income to finance its activities. This income may be raised from various sources and it is cumbersome to list all of them. The income of the government through various sources is called public income or public revenue. According to Dalton[2], however, the term "Public Income" has two senses- wide and narrow. In its wider sense, it includes all the income or receipts which a public authority may secure during any period of time. In its narrow sense, it includes only those sources of income of the public authority which are ordinarily known as revenue resources and excludes public borrowing, income from the sale of public assets, or receipts from the use of 'printing press'. To avoid ambiguity, thus, the former is termed as 'public receipts' and the latter 'public revenue'.

Government revenue is an important tool of fiscal policy and is the opposite factor of government spending. Revenues earned by the government are received from sources such as taxes levied on the incomes and wealth accumulation of individuals and corporations, the goods and services produced, exports and imports and various non-taxable sources. In a modern welfare State, public revenue is of two types - tax revenue and non- tax revenue.

[2] Dalton, H (1949), *Principle of Public Finance*, Routledge & Kegan Paul Ltd., London.

1.2.1 Tax Revenue: A fund raised through the various taxes is referred to as tax revenue. Taxes are a compulsory contributions imposed by the government on its citizens to meet its general expenses incurred for the common good, without any corresponding benefits to the tax payers**.** It is neither a voluntary payment by the tax payer nor like a donation. Rather it is an enforced payment to the government. On non-payment of it, the tax payers will be punishable by law. The purpose of taxes is to create welfare for the society by providing public services, protection to properties, defence expenses, economic infrastructure, etc. The benefits received by tax payers from the government are not related to or based upon their being tax payers. Tax is a generalized exaction, which may be levied on one or more criteria upon individuals, groups of individual, or other legal entities.

Conceptually, State Own-Tax Revenue of Mizoram mainly comprises of the following components:

1) Taxes on Income and Expenditure which includes taxes on Professions, Trades, Calling and Employments.

2) Taxes on Property and Capital Transaction which includes Land Revenues, Stamps and Registration Fees, etc.

3) Taxes on commodities and Services which by far are the most important sources of the State's own tax revenue and includes a variety of taxes like sales tax, State excise, motor vehicle and Passenger taxes.

1.2.2 Non-Tax Revenue: Non-tax revenues are those receipts which are received from sources other than taxes. It is a payment made to the government for which there is a *quid pro quo.* However, these non- tax sources do not have similar features and are classified into three categories. First, there are some sources that are compulsory and requited payments. These sources include penalties and fines. The second category consists of voluntary and unrequited receipts. These payments include donations and contribution made to the government or any unclaimed funds lying with the government. The third category comprises voluntary and required payments, including revenue earned from the resources owned by the government such as forest, marine, riparian habitats and wildlife.

The non tax revenue of State of Mizoram mainly comprises of the following:

(i) Interest Receipts, Dividends and Profits which comprise of Interest from Departmental Commercial Undertakings, Interest from cultivators, Interest realized on investment of Cash balance, Interest from Co-operative Societies, and Other receipts.

(ii) Receipts from General Services which comprise receipts from Public Service Commission, Police, Jails, Supplies and disposals, Stationary and printing, Public works, administrative services, Contribution and recoveries towards pensions and other retirement benefits and Other miscellaneous general services.

(iii) Receipts from Social Services which comprise of Education, Sports, Arts and Culture, Medical and Public health, Family welfare, Water supply and Sanitation, Housing, Urban development, Information and publicity, Labour and employment, and Social security and welfare.

(iv) Receipts from Economic Services like Crop husbandry, Animal husbandry, Dairy development, Fisheries, Forestry and wildlife, Corporations, Other agriculture and rural programmes and Special area programmes, Major and medium irrigation, Minor irrigation, Village and small scale industries, Industries, Non- ferrous mining and metallurgical industries, Roads and bridges, Tourism and Others.

1.3 HISTORY OF TAX COLLECTION IN MIZORAM

Taxes have existed during early history of Mizo, though the form and content has been changing over time. The practice of taxation in an unrefined form and its origin as a measure of forced levy collected by the chiefs from their subjects in the early history of Mizo may be regarded as the evolution of system of taxation in Mizoram. The actual system of levy imposed on subjects by the village chiefs, method of collection and interval of the contribution, as well as the form of payment was not similar to the present day practice.

1.3.1 Pre-British Period (Before 1872)

Prior to the advent of the British, the chief, as the supreme authority of the Mizo society enjoys certain rights and privileges. He receives tributes or revenue from their subjects either in kind or labour. He was entitled to 'Fathang' (1-3 baskets of paddy) from every household in the village at the end of every year. Different kinds of taxes known as 'Chhiah' were also entitled to him. He also had the right to collect additional quantities of paddy from Ramhual and Zalen (Those men of possession in the village, who were exempted from paddy tax).

Mizo thus, had adopted the tax culture prior to the advent of the British by paying different kinds of taxes. Undeniably, the main objectives of the imposition of different kinds of taxes were to involve the citizens in running the governance and working for the welfare of the whole area or village, where the Chief could perform his basic responsibility of providing security to his subject. Taxes in those days were a form of contribution by the subjects of the rulers, but the payment was made compulsory and enforced by the authority of the ruler for the welfare of all the inhabitants of the village. Mizo were, therefore, from their ancestors, tax-paying community and their compliance to the payment had never been in questioned.

1.3.2 British Era (1872-1947)

The British occupation of Lushai Hills brought some drastic changes in the administration of Mizo society. The British created a system of administration which placed emphasis on self-government based upon the traditional chieftainship. They decided to carry on the existing system of chieftainship in order to bear minimum expenses in administration. However, the status of the chief after the British ruled over the country, were greatly reduced. The chiefs were only instrument, at the hands of the British, although they retained much of their powers.

In 1898, Col.J.Shakespeare has formulated a land settlement policy for the district, which envisaged that each Chief would get certain area within which his people could move about and cultivate land as they liked. In doing so the area under each Chief with his people was clearly demarcated. All revenue assessments and collections were regulated by executive orders only. The Chiefs and his officials were the authorized collectors of taxes and fines. British introduced the house tax and land holding tax to meet the expenditure on governance in Mizoram. When chieftainship was abolished, different kinds of taxes entitled by the chief were discontinued, but villagers were under obligation to pay taxes to the appropriate authority.

1.4 SOCIA ECONOMIC PROFILE OF MIZORAM

This section attempts to give a brief profile of Mizoram from its historical background to the recent development performance. It also highlights its geographical location, administrative structure and demography of the State.

1.4.1 A Brief History of Mizo

The term ‘Mizo’ means Highlanders/Hillmen. (‘Mi’ means ‘People’, ‘Zo’ means ‘Highland’ or ‘Hill’). The population of Mizoram consists of several ethnic tribes who are either culturally or linguistically linked. These ethnic groups are collectively known as Mizos. Though the term Mizo is often used to name an overall ethnicity, it is an umbrella term to denote the various clans, such as; Pawi, Mara, Ralte, Hmar people, etc. A number of dialects are still spoken under the umbrella of Mizo.

Little is known about the early history of Mizos. The history of the origin and coming of the Mizo people to their present habitat is shrouded in mystery. Oral tradition speak of the emergence of the Mizo ancestors from a cave or rock known as Chhinlung somewhere in China from where they moved into their present habitat. It is hard to tell how far the story is true. Historians anthropologically identified Mizo as a member of Tibeto-Burman ethnicity and generally accepted as part of the great wave of the Mongolian race and are believed to have immigrated into their present habitat, possibly sometime between 1400 AD and 1700 AD or 1800 AD from the upper Burma. On the whole, the Mizos migrated from Burma mainly for two reasons; pressure of the Chin or the stronger clans of Burma and the pressure of over population. Passing through the Chindwind valley and the Chin Hills, the Mizos finally came to their present habitat. As such, Mizos not only concentrated in the present State of Mizoram, but also in the States of Manipur, Cachar District of Assam, Chittagong Hill Tracts and Chin Hills (Burma).

Before the British Raj, the various Mizo clans lived in autonomous villages which were governed under a hereditary chieftainship. The village was usually set on top of a hill with the chiefs' house at the centre and the bachelors' dormitory called Zawlbuk prominently located in a Central place. The chiefs enjoyed an eminent position in the traditional Mizo society. They were the absolute rulers of their respective clans' territories. The various clans and sub-clans practiced slash-and-burn, locally called '*jhum*' cultivation - a form of subsistence agriculture. There were many instances of tribal raids and head-hunting led by the village chieftains.

The tribes of Mizoram remained unaffected by foreign political influence until the British annexed Assam in 1826. The first Lushai raid recorded in British governed Assam was in 1826. From that year to 1850 the local officers of Assam were unable to restrain the fierce attacks of the hill men. Raids and outrages were of yearly occurrence. The raid was most severe in 1871 when a series of attacks caused several deaths on both sides, with extensive damage on the plantations. Mizo raids into British territory led to occasional punitive expeditions by the British. By the 1870s the region had come under British control and practices such as head-hunting were banned in Mizoram.

The Mizo Hills formally became part of British India in 1895, though the administration of the villages was left to the local chieftains. The British in order to bear minimum expense in administering the Mizo hills decided to carry on the existing system of chieftainship. The British followed a deliberate policy of minimum interference on the day to day affairs of the Mizos. The institution of Chieftainship was utilized by them solely for the purpose of maintenance of law and order. The chiefs were made responsible for the maintenance of law and order in their villages, and for the collection of taxes. The region initially was administered as the North Lushai Hills (in the province of Assam) and the South Lushai Hills (within the Bengal Presidency). North and south Mizo hills became part of the Assam province in 1898 as the Lushai

Hills District. The district was declared an “excluded area” in 1935, whereby the provincial legislature was stripped of its jurisdiction over the area, and responsibility for the district’s administration was placed directly in the hands of the governor of Assam. Following India’s independence from the British in 1947, the district remained a part of Assam. The district was then carved out of Assam under the reorganization act of 1971 and raised to the status of a union territory on January 21, 1972. In 1987, Mizoram became the 23rd full-fledged State of the country.

1.4.2 Geographic Indicators

The term Mizoram is derived from three words: - Mi, zo and ram. 'Mi' in Mizo means 'People' and 'Ram' means 'Land'. There is dispute on the term 'zo'. According to one view, 'zo' means 'highland' (or hill). Thus, Mizoram means 'land of the hill people'. Mizoram is the southernmost landlocked State in the North East India, with Aizawl as its capital. The State is bordering by Myanmar in the east and south and Bangladesh in the west. The northern part share domestic borders with Manipur, Assam and Tripura. It is the fifth smallest State of India with 21,081sq.km of which about 91% is covered by forest.

The geographical location of Mizoram lies between East longitude 92°15' to 93°29' and North Latitude 21°58' to 24°35. The tropic of cancer runs through the State nearly at its middle. The maximum North-South distance is 277 kms, while maximum east-west stretch is 121 kms. It has a total of 722 kms international boundary with Myanmar stretching 404 kms and with Bangladesh of 318 kms. It has an inter-State boarder with three of the seven sister States, namely Tripura, Assam, Manipur. Its domestic borders with Assam, Manipur and Tripura extended over 123 km, 95 km and 66 km, respectively.

The topography of Mizoram is not very different from its other north eastern neighbours. Mizoram topography is conspicuous with the presence of hills and mountain ranges. The tall green hills are moated with free flowing rivers. The eastern side of the State is situated at a higher altitude than the western side of the State. The hills run in ridges from north to south. They have an average height of 900meters; the tallest among the hills is Phawngpui - Blue Mountain with a height of 2210 Meters. The State is blessed with rich flora and fauna and has great natural beauty. Mizoram has a pleasant climate. It is generally cool in summer and not very cold in winter. During winter, the temperature varies from 11^0 C to 21^0 C and in the summer it varies from 20^0 C to 30^0C. The entire area is under the direct influence of monsoon. Table 1.1 below gives geographical indicators of Mizoram.

Table 1.1 Geographical Indicators of Mizoram

Sl.No	Particulars	Unit	Total
1	Geographical Area	Sq.km	21081
2	Geographical Location		
	Longitude	Degree	92˚15'E to 93˚29' E.
	Latitude	Degree	21˚58' N to 24˚35' N
3	Length & Width		
	North to South	Kms	277
	East to West	Kms	121
4	International Boarders		
	With Myanmar	Kms	404
	With Bangladesh	Kms	318
5	Inter-State Borders		
	With Assam	Kms	123
	With Tripura	Kms	66
	With Manipur	Kms	95

Sources: Economic Survey, Planning & Programme Implementation Department, Government of Mizoram

1.4.3 Administrative Structure

Mizoram has witnessed vast constitutional, political and administrative changes during the past years. In 1952 the traditional chieftainship was abolished and the Lushai Hills Autonomous District Council was formed under the Sixth Schedule of the Constitution of India. Mizoram was granted Statehood on February 20, 1987 and became the 23rd State of the Indian Union. It has a single-chamber Legislative Assembly of 40 seats. The State sends two members to the Indian national Parliament: one to the Rajya Sabha (upper house) and one to the Lok Sabha (lower house).

The Village Councils are the grassroots of democracy in Mizoram. The State is divided into eight (8) districts namely Aizawl, Mamit, Lawngtlai, Kolasib, Champhai, Lunglei, Saiha and Serchhip. The State has also three Autonomous District Councils (ADCs) for ethnic tribes, namely: Chakma Autonomous District Council (CADC), Lai Autonomous District Council (LADC) and Mara Autonomous District Council (MADC).Within the 8 districts and three autonomous districts, there are 784 Village Councils: 504 Village Councils in 8 districts and 276 Village Councils in 3 autonomous district councils. The State Capital, Aizawl is recently under the function of Municipal Council. Presently, there are 82 Local Councils under Aizawl Municipal Council.

A district of Mizoram is headed by a Deputy Commissioner who is in charge of the administration in that particular district. The Deputy Commissioner is the executive head of the district, responsible for implementing government regulations, the law and order situation in the district, as well as being responsible for tax collection for the government. A Superintendent of Police is responsible for the police administration of each district. The constitutional head of the Government of Mizoram is the Governor, while real executive power rests with the Chief Minister and the cabinet. Table 1.2 below gives administrative structure of the State:

Table 1.2: Administrative Structure of Mizoram

Sl.No	Particulars	Units
1	No. of Districts	8
2	No. of Autonomous District Councils	3
3	No. of Sub-Divisions	23
4	No. of Rural Development Blocks	26
5	No. of Municipal Councils	1
6	No. of Local Councils	82
7	No. of Village Councils	784

Source: Department of Economics and Statistics and Local Administration Department (LAD), Government of Mizoram.

1.4.4 Demographic Indicators:

As per Population Census of India 2011, the population of Mizoram stood at 10, 97,206, of which male and female are 555,339 and 541,867 respectively. The total population of Mizoram accounts for only 0.09% of India's total population of 1,21,01,93,422. The decadal growth rate during 2001-2011 was 23.48% which is the third highest among the 7 (seven) north eastern States while the country's decadal growth rate was 17.64%. The density of population in Mizoram is 52 persons per sq.km., while it is 382 persons per sq.km. in India. At the district level, Aizawl district has the highest density of population at 112 persons per sq.km., Mamit district with 29 persons per sq.km. is the least populated.

The recorded sex ratio as per Population Census 2011 is 976, showing an improvement in the sex ratio of the State as compared to 935 in 2001 census The national figure for the same is 943 as per 2011 census figure. Among the 8 (eight) districts, Aizawl recorded the highest sex ratio at 1009 while Mamit district recorded the lowest at 927 though showing a marked improvement compared to 2001 census figure of 896 females per 1000 males .

The literacy rate of the State is 91.33% which is the 3rd highest in the country. Among the eight districts, Serchhip district recorded the highest literacy rate of 97.91% while Lawngtlai district recorded the lowest at 65.88%. The male and female literacy rates for the State are 93.35% and 86.72% respectively showing a slight increase in the male-female literacy gap i.e. 6.63% in 2011 while it was 3.97% in 2010.

According to 2011 census, Mizoram had 1,036,115 people (95% of total) classified as Scheduled Tribe, the highest concentration of protected tribal people in all States of India. The Schedule Caste population comprises about 0.11 per cent of the State's population. About 48 per cent of the people live in the rural areas, while about 52 per cent of the people live in the urban areas. Table 1.3 below gives Demographic Profile of Mizoram.

Table 1.3: Demographic Profile of Mizoram

Sl.No	Particulars	Units
1	Total Population	10,97,206
	Male	5,55,339 (50.61%)
	Female	5,41,867(49.38%)
2	Decadal Growth of Population	23.48 %
3	Population Density	52 per sq.km
4	Sex Ratio(Females per 1000 males)	976
5	Literacy Rate	91.33 %
6	Schedule Tribe Population	1036115 (95%)
7	Schedule Caste Population	1218 (0.11 %)
8	Rural population	525435 (47.89%)
9	Urban Population	571771 (52.11%)

Source: Census of India, 2011

1.4.5 Economic Indicators

To analyse the economic development of a State there can be various indicators. Gross State Domestic Product is one of the easiest and most important indicators of economic development of a State. It is the value of all goods and services produced within the State during an accounting year. The GSDP of Mizoram as per Mizoram Economic Survey (2014-15) at current prices was ₹10,29,698 lakhs in 2013-14. The State economy is poised to growth at an impressive rate of 8.46 % during 2014-15 with base year 2004-05, which is significantly higher than projected national growth at 7.4% during 2014-15 with base year 2011-12. The growth performance of the State economy in term of

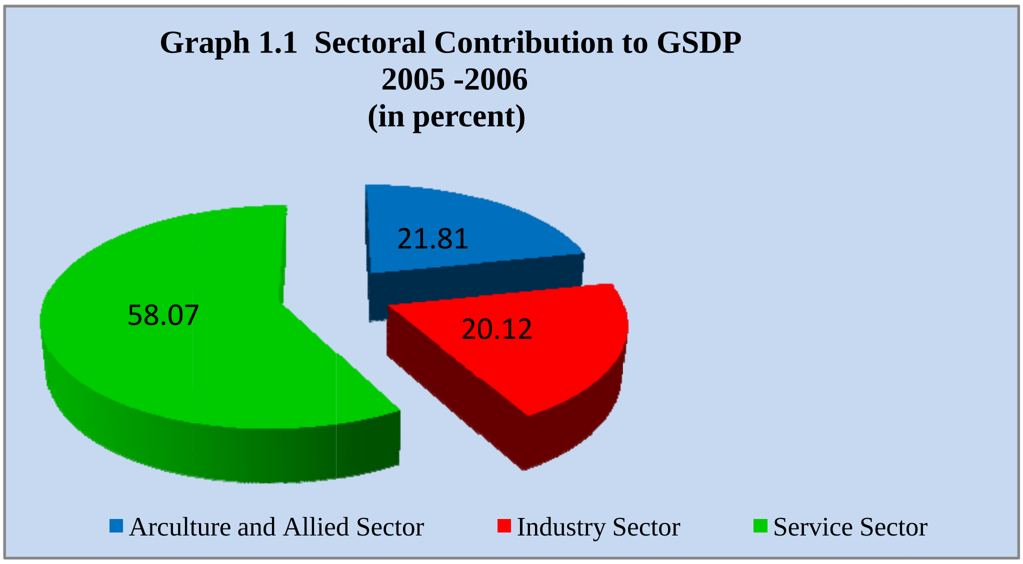
GSDP has impressive outcomes. It is increasing continuously over the years. The growth Trend of GSDP in Mizoram during the Study periods is given in table 1.4 below. As can be seen in table, the yearly growth rate of GSDP was highest in 2010 -11 with 21.45 per cent followed by the year 2005-06 with 21.05 per cent. The lowest growth rate was witnessed in 2011-12 with just 7.86 per cent.

The sectoral contribution to GSDP in the year 2005-06 and 2013-14 was also shown in Graph 1.1 and Graph 1.2 respectively. From the graphs it is clear that tertiary sector has been dominating the economy in terms of contribution to GSDP.

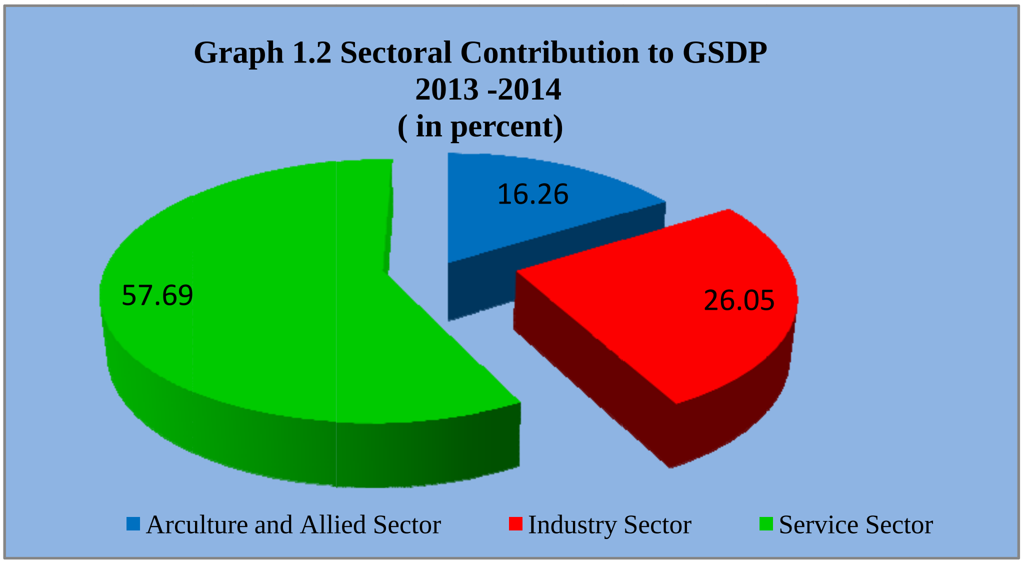
Table 1.4: Estimates of Gross State Domestic Product: (2004-05 series)

Sl.No	GSDP (₹ in lakhs)	Annual Growth Rate in Per cent
2005-06	297115	21.05
2006-07	328998	10.73
2007-08	381551	15.97
2008-09	457711	19.96
2009-10	525985	14.92
2010-11	638788	21.45
2011-12	688975	7.86
2012-13	805300	16.88
2013-14	888600	10.34
2014-15	980500	10.34

Source: Mizoram Economic Survey (2014-15) Planning & Programme Implementation Department and Mizoram Statistical Handbook (2014) Economics and Statistics Department, Government of Mizoram .



Source: Mizoram Economic Survey (2014-15) Planning & Programme Implementation Department .



Source: Mizoram Economic Survey (2014-15) Planning & Programme Implementation Department .

Service sector has contributed 57.69% of the total GSDP in 2013-14. It has been the growth drivers of the economy for the past years with contribution to the GSDP hovering between 57% and 63%. The share of primary sector has gone down from 21.81% of GSDP in 2005-06 to

16.26% of GSDP in 2013-2014. With livelihood of about 60% of the population depending on agriculture and allied activities, faster growth in agriculture is both a necessary condition for stronger, sustainable and inclusive growth in the State. While the share of Agriculture has declined, the Industrial sector share has been increasing. It increased from 20.12% of GSDP in 2005-06 to a high level of 26.05% of GSDP in 2013-2014.

1.5 SIGNIFICANCE AND SCOPE OF STUDY

In India various measures like tax exemptions, tax allowances and innovative debt instruments to attract private investment have been introducing. This makes government failure to generate adequate internal resources on a sustainable basis which necessitates huge borrowing or printing more money and so is high fiscal deficit. The impact of fiscal deficit on economic growth is one of the highly debated issues in all world economies. The target of achieving sustained growth and maintaining macroeconomic stability is the dream among many developed, developing and underdeveloped economies. Continuing high levels of fiscal deficit, even if adoption of fiscal Responsibility and Budget Management Act (FRBM), pose a serious danger to macroeconomic stability in India. The excessive fiscal deficits seem to be the major concern of academicians and policy makers in India.

Improving the tax system is thus one of the main challenges and best instrument for financing fiscal deficit in India. Bad governance is often correlated with the State not depending on revenue from taxation of its citizens and businesses. Experience shows that taxation has contributed to more representative and accountable government by stimulating dialogue between State and civil society about taxation.

In case of Mizoram, State's own revenue usually constituted between 4 and 7 percent of the aggregate receipts. This reflects the dependence of the State on Central transfers as well as its inability to carry out developmental works with its own resources. The State government has to take all requisite measures to tackle this problem. The issue of taxation in particular is crucial, especially from the point of view of income generation and poverty reduction. Thus, it would be worth examining the recent trend and scenario of taxation in Mizoram. The study of taxation would reveal the overall effects of taxation negatively and positively to arrive at useful empirical insights for effective policy formulation, which inter alia would lead to the improvement in the welfare of the people in Mizoram.

Given the growing importance of own-tax revenue in the fiscal structure, the present study, confines its scope only to State's own tax sources. However, the study also uses other important fiscal variables like own non-tax revenue and fund transfers from the Central to facilitate the analysis and to carry out the research work better. The main purpose of this study is to evaluate trends and composition of State-Own Tax Revenue with special reference to Mizoram. It pays particular attention to the periods between 2005-06 and 2014-15. The study focuses on trends and structure of tax revenue collected by the State of Mizoram. The specific and principal objective of the study is to suggest how tax yield or productivity can be improved.

1.6 OBJECTIVES OF THE STUDY

1. To examine the trend and composition of State's own tax revenue in Mizoram.
2. To examine the extent to which the State depends on the Central Government
3. To examine the performance of own tax revenue of Mizoram as compared to other States in India.
4. To suggest suitable measure to improve the yield of State's own tax revenue.

1.7 HYPOTHESIS

There is significant relationship between own tax revenue and GSDP of the State.

1.8 METHODOLOGY

Data Sources: The present study is based on secondary data. The secondary data relating to the period of 10 years (2005-06 to 2014–15) have been collected from various published reports like Annual Financial Statements, Mizoram Economic Surveys, Budget Documents, Demand for Grant, CAG reports on Mizoram State Finances, Mizoram Statistical handbook, internet etc.

Data Analysis: Own tax revenue of the State is studied using the conventional methods of percentages, ratios, growth rates, and tax buoyancy. Buoyancy of the tax system of the State is measured with respect to Gross State Domestic Product (GSDP) at current prices. Tax Revenue depends upon its base and any possible changes in tax rate. If certain rate changes are introduced, they are known as 'discretionary changes', normally, for many taxes, the base is the State Gross Domestic Product. In other words, if the GSDP increases, the tax revenue also increases as it is understood that tax revenue is a function of State Income. Buoyancy coefficient represents the increases in tax revenue on account of not only increase in the GSDP but also due to discretionary changes. In this study the model of log-linear regression was used to estimate tax buoyancy, which takes the following form:

$$\text{Log}\,(R_t) = b_1 + b_2 \log\,(GSDP_t) + u_t$$

Where,

R_t = Revenue (nominal) in year t;

$GSDP_t$ = Gross State Domestic Product in year t

b_1 = intercept term in year t

b_2 = buoyancy estimate or constant elasticity

u_t = error term in year t

Buoyancy of taxes, as indicators of overall revenue performance of the tax system of the State, could be of significance in the context of additional resource mobilization because different taxes behave in different ways while responding to various policy measures. The growth of the tax revenue corresponding to the growth of the State income is captured by the buoyancy coefficient.

Following Model was used to estimate compound annual growth rate (CAGR) of fiscal variables.

$$Y_t = Y_o (1+r)^t$$

Or

$$\log\,(Y_t) = b_1 + b_2\, t$$

Where

$b_1 = \log\,(Y_o)$

$b_2 = \log\,(1+t)$

$r = e^{b2} – 1$, is the compound growth rate.

This chapter gives an overview of relevant literature in support of the present study. The purpose of this review is to highlight issues that require close attention in the study and analysis of taxation. Focuses have been given on the phenomena which deal with the objectives of the study. The reviews will provide a deep insight into the subject matter, justifying the need of the study and its relevance in the present day.

Nambiar & Rao (1972)[3] have examined income elasticity and incremental rates of State taxes for 15 States, ranking each State by using regression analysis. The rankings differ vastly in each case. A high ranking in the regression analyses indicates that the particular State has been taxing very near to its potential. The ranking on the basis of regression analysis is indicative of the gap between tax effort and the estimated tax potential. The results showed that Kerala, Tamil Nadu and Maharashtra have been taxing very near to their potential. Assam, Rajasthan and Andhra Pradesh were not taxing their potential, which was attributed to their inability rather than their unwillingness to tax. Punjab, Mysore, Uttar Pradesh and Bihar came within the medium rankings. West Bengal was a unique case with an industrially advanced condition with high untaxed potential.

[3] Nambiar, K.V. & Rao, M. Govinda (1972), 'Tax Performance of States', *Economic and Political Weekly*, Vol. 7, No.21, (May 20), pp. 1036-1038.

Sarma, et.al (1973) [4] had examined the growth and composition of State taxes, elasticity and buoyancy of Gujarat State covering the period between 1960-61 and 1970-71. The elasticity and buoyancy of general sales tax, tax on motor spirit, entertainment tax, electricity duty and goods and passengers duties responded more than proportionately to the growth in income. Land revenue and motor vehicles were relatively inelastic, general sales tax showed highest elasticity of 1.56 and land revenue showed the least.

Rao (1992)[5] examined the present State of Public Finance at the State level. He identified the major problems areas and indicated the policy changes needed to tackle them. He suggested reduction of budgetary support to public enterprises and revised user charges and rationalize the tax-systems keeping in view their feasibility. These measures will not only wipe out of the revenue deficit, but can also generate surpluses in the revenue account which can reduce the borrowing requirements. He found that rationalization in the tax and expenditure measures suggested would, in the long run, be helpful in restoring the incentives, improving the productivity in the Government sector.

---

[2]Sarma, Atual, et.al (1973), 'Gujarat's State Tax Revenue, Growth, Responsiveness, Determinants and Projection', *Anvesak*, Vol.11, No.1, pp.226-237.

[5] Rao, M. Govinda (1992), 'Proposals for State-Level Budgetary Reforms', *Economic and Political Weekly*, Vol.27, No. 5 (February 1), pp.211-222.

Purohit (1993)[6], examined the system of commodity taxation in India and discussed the problems which could arise in introducing VAT in view of the federal structure of the country. He pointed out that the prevailing system of commodity taxation in India was not integrated and gave rise to many problems like multiplicity of levies, complexity of structure, high tax rates, cascading effect, lack of transparency, vertical integration and narrow base, etc. He emphasized the need for immediate tax reforms like reducing the number of rates, reducing tax incidence, sales tax reforms, adoption of VAT and broadening the tax base by bringing services under tax net. He brought out the documentary and accounting obligations under MODVAT. While examining the existing sales tax administration, he brought out the problem areas for introducing VAT, which included need for more staff, training of tax personnel, suitable computational technology, Tax Identification Number (TIN) and auditing.

Rao et.al (1994) [7]analyzed inter-State disharmony in the Indian tax system, providing a quantitative measure of disharmony, examined its trend overtime and compared the degree of disharmony in India with three other important federations. The study found that ; India has a

[6] Purohit, Mahesh C. (1993), 'Adoption of Value Added Tax in India: Problems and Prospects', *Economic and Political Weekly*, Vol.28, No.10 (March 6), pp. 393-404.

[7] Rao, M Govinda & Vaillancourt, Francois (1994), 'Inter-State Tax Disharmony in India: A Comparative Perspective', *Publius,* Vol. 24, No. 4, pp. 99-114.

higher degree of inter-state tax disharmony than Australia, Canada and the United States; (2) tax disharmony in India has increased overtime unlike in the other three federation; and (3) tax disharmony in respect of individual State taxes was higher than the taxes taken in aggregate.

Bagchi (1995)[8] in his paper ‘VAT and States: Misconceived Fears’ termed the operating sales tax system as unworkable. Different problems in the system including multiple cascading levies, numerous rates, drawing hair-splitting distinction among commodities, large number of exemptions which narrowed the tax base, ‘tax wars’ among the States which led to bizarre results, cumbersome laws and procedures resulting in thousands of cases pending before courts, etc. did not reflect comfortable picture about commodity taxation in India. He opined that simplifying sales tax and removing the drawbacks, was not the solution and stated that superiority of sales tax lay in taxing consumption of goods and services in the economy without needless interference with market forces and freeing of exports from domestic trade taxes in a way which was not otherwise possible. VAT also offered a buoyant but non-distortionary source of revenue for governments by virtue of wide base and structure. He cautioned that VAT should apply to all goods and services with minimum exclusions and should also strictly adhere to the principle of destination, following preferably tax credit method.

[8]Bagchi, Amresh (1995), ‘VAT and States: Misconceived Fears’, *The Economic Times*, February 8, p.6.

Burgess, et.al (1995) [9] in their study on 'Value-added Tax Options' for India analyzed the pressure of aggregate revenue, the requirement of reduced role for customs duties for the liberalization of the economy, and the complexity and strains of the current system. Since, domestic indirect taxes provide the major source of revenue, they deserve special attention. They argued that India would benefit from moving toward a system of value added taxation (VAT) and focused on the way in which a VAT can be best introduced into India given the country's federal structure. Three different options were distinguished: a Central VAT, dual VAT, and States' VAT. They argued that the first is politically infeasible, that the second represents the best way forward in the short-term, and that the third deserves consideration as a long run option.

Murti (1995) [10] Stated that a comprehensive VAT covers value added at all the three levels of business activities, i.e., manufacturing, wholesaling and retailing. He distinguished between three types of VAT, i.e., consumption VAT, net income VAT and gross income VAT; and opined that a comprehensive VAT with consumption base, the tax credit method, following destination principle to determine VAT on

[9] Burgess, R., et.al (1995), 'Value- Added Tax Options for India', *International Tax and Public Finance*, Vol. 2, No. 1 (February), pp. 109-141.

[10] Murti, M.N. (1995), 'Value Added Tax in a Federation: Commodity Tax Reforms in India', *Economic and Political Weekly*, Vol. 30, No. 11 (March 18), pp. 579-584.

international and inter-State trade flows could be an ideal commodity tax structure for India. There could be ideally two types of tax regimes in India with Central and State VATs. There could be parallel Central and State VATs on the same base from manufacturing to retailing or Central VAT up to manufacturing stage and the State VAT at wholesaling and retailing stages. He further pointed that VAT system with one or two rates might have to be supplemented by special excise and subsidies to take care of the problems of equity, environment and social bad like tobacco and alcohol.

Purohit (1995)[11], examined the structure and administration of sales taxation in India. They expressed the opinion that failure to administer the sales tax properly could defeat its purpose and threaten the canon of equity. It could create parallel economy due to increased tax evasion. They brought out the features of sales tax administration, examined its operational requirements, which included management information system (MIS) and suggested certain improvements in the operation and administration of sales tax. They opined that tax administration has important role in achieving the objectives of tax policy. They emphasized the need for strengthening sales tax administration to pave way for adoption of VAT in place of sales tax.

[11] Purohit, Mahesh C. (1995), *Structure and Administration of Sales Taxation in India: An Economic Analysis*, Gayatri Publications, New Delhi, pp. 42-60.

Gurumurthi (1998)[12]studied three major dimensions, namely, tax assignment between the federal and sub-national governments, vertical tax revenue sharing between the federal and sub national governments and horizontal redistribution of shared tax revenue among the sub national governments. According to him, population, distance and tax effort should figure prominently in the positive list of redistributive criteria while deficit criteria should be in the negative list. The basis of equalization transfer in Australian is based on both revenue raising capacity of provinces and their expenditure needs. According to this principle; each State should be given the financial capacity to provide the average standard of State type services and to raise revenue from its own sources. Though this has been designed for distribution of grants in Australia, the basis could as well be adopted for distribution of shared tax revenue among sub national government in India.

Chipeta (1998)[13] examined tax reform and tax yield in Malawi. The purpose of the study was to evaluate the tax reforms that Malawi has carried out over time, paying particular attention to intensive reforms that were undertaken in the context of structural adjustment in the 1980s and early 1990s. The specific and principal objective of the

[12] Gurumurthi, S. (1998), 'Intergovernmental Fiscal Relations: Three Faces of Tax Sharing', *Economic and Political Weekly*, Vol. 33, No.38 (September), pp.2484-2488.

[13] Chipeta, C. (1998), 'Tax Reform and Tax Yield in Malawi', *African Economic Research Consortium Research Paper 81*, Southern African Institute for Economic Research, Zomba, Malawi.

study was to investigate the factors that influence yield or productivity of the tax system of Malawi, and how tax yield or productivity can be improved. To pursue this objective, the study estimates the buoyancy and elasticity of the tax system as a whole, of the major groups of taxes and of individual taxes.

The main hypotheses that were tested in this study were: i) The yield of the tax system as a whole, of its major components or groups, and of individual taxes is neither buoyant nor income elastic. ii) The yield of the tax system as a whole, of its major components or groups, and of individual taxes is neither base to income elastic nor tax to base elastic. In order to test these hypotheses, two sets of regression equations were estimated. In the first set, tax revenue was regressed on GDP. Tax revenue was again regressed on GDP in the second set, but in individual tax revenue equations, dummy variables were used to capture discretionary tax changes. Moreover, in the total tax revenue equation, tax revenue adjusted for discretionary tax changes was the independent variable. On the basis of the econometric analysis, a few taxes were buoyant. The tax system as a whole was not. In the context of Malawi, relying on increasing tax rates, extending existing taxes to new activities and introducing new taxes were not sufficient for raising buoyancy of the tax system. To improve tax elasticity, the tax base must grow relative to GDP.

Rao & Singh (1998)[14] in their paper 'The Assignment of Taxes and Expenditures in India', reviewed the basic theories of fiscal de Centralization, applied them to the problem of tax and expenditure assignments in a federal system, and considered the Indian case in the light of economic principles. They noted that the centripetal bias of India's federal fiscal arrangements, which give the centre indirect power over States' expenditure decisions, as well as creating a vertical fiscal imbalance that, requires large centre-State transfers. They described some of the distortions that arise in the federal aspects of the current Indian tax system. In particular, they highlighted internal trade barriers, inter-State tax exportation, and tax sharing arrangements as areas for reform. From the analysis, they made the following conclusions:

(i) The Constitution exhibits a clear centripetal bias in the distribution of fiscal powers. In addition to the expenditure functions assigned, the centre can also influence the expenditure decisions of the States

(ii) The assignment of tax powers follows the principle of `separation' in contrast to that of 'concurrence' followed in federations like the U.S.A. and Canada. This however, could not avoid de facto overlapping. The clear demarcation of tax powers in the legal sense has not prevented concurrency in economic sense.

[14] Rao, M. Govinda & Nirvikar Singh (1998), 'The Assignment of Taxes and Expenditure in India', *Stanfort Centre for International Development, Working Paper,* No.30a., Stanfort.

(iii) The Constitution allows levy of some taxes which can create severe impediments to inter-State trade. The levy of tax on inter-State sale of goods by the exporting State has caused perverse transfer of resources from the poorer consuming States to the more affluent producing States. Similarly, the States can levy a tax on the entry of goods into a local area for consumption, use or sale (octroi). This has created impediments to inter-State trade.

(iv)The assignment of tax powers has also been a source of disincentives to the Central government.

Michael (2000)[15], in his paper 'VIVAT, CVAT and All That : New Forms of Value Added Tax for Federal Systems in 2000' Stated that the value added tax is not a suitable instrument for lower-level jurisdictions (provinces) in a federal system. The problems that arise when it is so used have become a serious constraint on the development of the VAT and closer economic integration in Brazil, EU, India and elsewhere. In his study, he described and compared two recent proposals for forms of VAT intended to alleviate these difficulties: the VIVAT and CVAT. Both enable the VAT chain to be preserved on inter-provincial trade without compromising the destination principle introducing new scope for game-playing by the provinces. The key

[15] Michael (2000), 'VIVAT, CVAT and All That : New Forms of Value Added Tax for Federal Systems', *IMF Working Paper*, No.00/83, April.

difference between them is that the CVAT requires sellers to discriminate between buyers located in different provinces of the federation, whereas VIVAT requires them to discriminate between registered and nonregistered buyers.

Coondoo, et.al (2001)[16] studied the relative tax performances of some selected States in India using technique of Quantile Regression Analysis. The study was based on annual State tax revenue for the period 1986-87 to 1996-97. On the basis of his analysis, the performances of the selected States ware clearly revealed which were broadly classified into four categories. In the first category, the best performing States were included. These States are the south-western States like: Goa, Gujarat, Karnataka, Kerala, Rajasthan and Tamil Nadu. The second category included the worst performing States which are the eastern States of Assam, Orissa and West Bengal. The third category of States covered the medium level of performance which includes the States of Bihar, Haryana, Madhya Pradesh and Uttar Pradesh. The fourth and final category of States included top level in term of performance but show a declining trend in performance are the States of Andra Pradesh, Maharashtra and Punjab.

[16] Coondoo, Dipankor, et.al (2001), 'Relative Tax Performances: An Analysis for Selected States in India, *Economic and Political Weekly*, Vol. 36, No 40 (October), pp.3869-3871.

Mukhopadhyay (2002)[17] examined the issue of implementation of VAT going wrong in India. He provided details of revenue from CST to the States in India during the period 1990 to 2002. He reported that Maharashtra, Tamil Nadu, Andhra Pradesh, Haryana, Uttar Pradesh and West Bengal were to lose a lot of revenue if CST was abolished. According to him, as there was no consensus and no attempt to reach compromise in the interests of the States, VAT was introduced in an imperfect manner in the States. No enough thought had gone into drafting of the Acts in this context. He concluded that if it was pointed where exactly the efforts went wrong, it would not be difficult to improve matters.

Rao (2004)[18] tried to examine the extent of gain or loss to the States from the introduction of value added tax, having features of uniform design, tax credit for inputs, extension of tax base to transactions beyond the first-point sale and zero-rating of inter-state trade and international exports. She Stated that exclusion of services from the base would not eliminate the problem of cascading from the tax system. As manufacturing sector output was the major basis of sales tax, the estimation of impact of VAT was limited to registered

[17] Mukhopadhyay, S. (2002), 'Value Added Tax: How Implementation is Going Wrong', *Economic and Political Weekly,* Vol. 37, No. 36 (September), pp. 3700-3703.

[18] Rao, R. Kavita (2004), 'Impact of VAT on Central and State Finances', *Economic and Political Weekly,* Vol. 29, No. 26 (June 26), pp. 2773-2777.

manufacturing sector only. If the entire cost of tax was passed on as higher prices of output, then the result would be reduction in value of output. The effects of introduction of VAT were classified into four parts, i.e., loss from providing input tax credit, loss from reduced value of output, loss from removal of CST, and gains from taxing second and subsequent sales within the State. With certain assumptions, she estimated the losses, gains and net impact on different States for the year 1997-98. With 15 per cent rate of VAT, the impact (loss) varied from Rs. 932 crore for U.P. to Rs. 1054 crore for Maharashtra. However, she reported that this exercise did not take certain features of the economy into account which included zero-rating of exports, turnover taxes on second and subsequent sales by some States, impact of introduction of VAT and withdrawal of CST on structure and locational choice of business/industry. The author further argued that homogeneity in VAT rates and structure was required to reduce the scope of tax competition among the States and neutrality of tax system to economic activity. However, homogeneity in rates might not ensure that all States retain their existing level of revenue. As tax-GSDP ratio varied, this indicated that different States had different interests, therefore, at a later stage the States might change the VAT rates and structure. The author concluded that on the basis of assumptions, some States seemed to gain consistently from introduction of VAT, while the others were expected to lose. The losses could be avoided by changing the VAT rates and structure but this could be a hindrance in the formation of a common internal market. She cautioned that Central Government's assurance for compensation in case of losses in revenue from introduction of VAT could invite negative response from States in terms of slackness of efforts in collection of VAT.

Yasmin (2004)[19] examined sales taxation in Jammu & Kashmir with respect to its structure, fiscal significance, feasibility of replacement by VAT; and suggested some policy prescriptions. She found sales tax to be highly elastic and buoyant in the State. The tax base had been widened considerably, but there was still scope to widen the base and coverage of sales tax as there was a long list of exempted goods, which could attract at least 4 per cent tax. There was prominence of first-point single stage sales tax. Though first point sales tax had administrative advantage but the tax base became narrower. She opined that VAT appeared to be better alternative for extending tax base but suggested gradual introduction, starting with selected items. She stated that VAT could cover some of the deficiencies of first-point sales tax. It would reduce tax evasion considerably. She also cautioned about the problems which would arise when VAT was introduced.

[19] Yasmin, Iffat (2004), *Sales Taxation in Jammu & Kashmir*, Mohit Publications, New Delhi.

Rao (2005)[20] in his paper 'Tax system reform in India: Achievements and challenges ahead' has analysed the Indian tax system involving its structure as well as operations. The trends in tax revenue, evolution of Indian tax system and the impact of historical and institutional factors in shaping Indian tax policy were also discussed. The analysis showed that there has been some progress in tax reforms in recent years and that has helped to enhance the tax–GDP ratio close to the levels that prevailed prior to reducing customs. This, however, was only the beginning and considerable distance in reforming the tax system was yet to be covered. According to him, the tax system reform including reform in administration was a continuous exercise. The reforms would have to continue not only at the centre, but also at State and local levels. He was of the view that consumption taxes should be calibrated in a co-coordinated manner in the spirit of co-operative federalism. Domestic and external trade taxes should also be calibrated to ensure the desired degree of protection to industry and the desired burden of consumption taxes to the community. The study found that broadening the base of both Central and State taxes and keeping the tax structures simple were important international lessons to be adopted in calibrating further reforms. Phasing out small scale industry exemptions, minimizing exemptions and concessions to industries in the services

[20] Rao, M. Govinda (2005), 'Tax System Reform in India: Achievements and Challenges Ahead', *NIPFP Working Paper*, No. 18/2, pp.1-19.

sector, minimizing discretion and selectivity in tax policy and administration were all important not only for the soundness of the tax system but to enhance its acceptability and credibility. The study also found that further reduction in tariffs and its unification was necessary. This would entail loss of revenue and improvement in revenue productivity of other taxes was inevitable. The conversion of sales taxes into the destination based consumption type VAT by the States initiated in April 2005, would have to be carried out with vigor.

Rao & Rao (2006)[21] have examined the Indian tax system. Alternative models of tax system reform were presented with a view to identifying the best-practice approach followed in tax system reforms. In a democratic polity, it is difficult to achieve the ideal and yet, the framework helps to keep the focus on further reforms. They then analyzed the evolution of the Indian tax system and the impact of historical and institutional factors in shaping Indian tax policy. Trends in tax revenue were presented, and these point toward a relative stagnation and deceleration in tax revenues at both the Union and State levels. The foregoing analysis showed that India has made significant progress in tax reforms, particularly in tax administration, which has helped raise the ratio of tax revenues to GDP close to the levels that prevailed before

[21] Rao, M. Govinda & Rao, R. Kavita (2006), 'Trends and Issues in Tax Policy and Reform in India', *NIPFP Working Paper*, No.1, pp. 1-68.

significant reductions were made in customs duties. The study found that tax reform, including administrative reforms, was necessary for improving revenue productivity, minimizing distortions, and improving equity. For rising and improving tax revenue coordinated reforms should be undertaken at the Central, State, and local levels with the objective of minimizing distortions and compliance costs. Broadening the base of both Central and State taxes and keeping the tax structures simple, within the administrative capacity of the governments was an important international lesson that should be incorporated in further reforms. Phasing out exemptions for small-scale industry, minimizing exemptions and concessions to industries in the services sector, and minimizing discretion and selectivity in tax policy and administration were all important not only for the soundness of the tax system but to enhance its acceptability and credibility.

Neelam Timsina (2007)[22] made a revisit to the studies carried out earlier to measure tax elasticity and buoyancy in Nepal, in the context of the structural changes that have taken place in the tax system in recent years. The main objectives of the study were to measure the elasticity and buoyancy of tax and to ensure whether or not the tax system in Nepal is elastic. He applied time series regression approach

[22] Neelam Timsina (2007), 'Tax Elasticity and Buoyancy in Nepal: A Revisit', *NRB Economic Review* 19, pp. 9-21.

for this empirical measurement. According to his analysis, the tax system in Nepal was inelastic (less than unity) in the period 1975-2005 with more than unitary buoyancy coefficients, thus reflecting that the bulk of revenue collection emanated from discretionary changes in the tax policy, rather than from automatic responses. The major recommendations in this regard were as follows: (a) The import tax is not much responsive to the changes in the value of imports, the need for enhancing the efficiency of the customs administration to control the revenue leakage is highly felt. b) With respect to excise duties, introducing new goods in the tax net, and thus broadening the tax net of excise duties, adoption of ad valorem tax rates are the major steps to be taken. (c) In the context of income tax, agricultural income, which has been left outside the tax net due to non-economic issues, should be brought under the tax net. d) On the total tax revenue front, establishment of simple, equitable, fair and practical tax system are very crucial to improve tax administration.

Roy & Ray (2009)[23] in their paper ‘ Intergovernmental transfer rules, State fiscal policy and performance in India’ had provided a theoretical model of determining optimal fiscal policy of the State governments in India. The period of analysis was 1981 to 2001

23Roy, P. & Raychaudhuri, A. (2009), ‘Intergovernmental Transfer Rules, State Fiscal Policy and Performance in India’, in *New Enduring Themes in Development Economics,* edited by B.Dutta et.al, World Scientific Publishing Co. Pvt. Ltd., Singapore.

and States considered were Andhra Pradesh, Karnataka, Orissa, Tamil Nadu and West Bengal. A model of determination of optimum revenue and expenditure in a federal economy has been developed. The model showed how the intergovernmental transfer allocation rule affects the utility maximizing level of revenue to output and expenditure to output ratios of the sub-national governments. The model was developed considering the transfer principle used by different transferring agencies in India. The comparison of actual State own revenue and expenditure policies with the optimum policy revealed that States were spending more than estimated optimum level and collecting revenues less than the optimum level. The optimum revenue and expenditure policy of a State government were found to be dependent on the weight assigned to different criteria by the federal government in transferring funds to the State governments. Changing the weights assigned to different criteria federal government can change the utility maximizing revenue to output and expenditure to output rates.

Upender (2008)[24] Studied 'Degree of Tax Buoyancy in India' to provide an empirical content to differential coefficient of tax (revenue) buoyancy during post tax reform period in India by fitting a double-log regression model with an interaction variable to the stationary time

[24] Upender, M. (2008) 'Degree of Tax Buoyancy in India : An Empirical Study' *International Journal of Applied Econometrics and Quantitative Studies* ,Vol. 5-2, pp. 59-70.

series data based on Augmented - Dicky Fuller (ADF) and Phillips-Parron (PP)Tests. The study covers the period between 1950-51 and 2004-05. The period after 1992 was considered as post tax reform period to look at the prognostications of tax reforms that had been initiated by the government of India.

The regression results illustrated that the estimate of constant gross tax buoyancy was positively significant and more than unity during pre tax reform period illuminating that gross tax was moderately elastic. From this upshot it can be comprehended that a one percent increase in income leads to increase the gross tax revenue by more than one percent, all else equal. Further it can be understood that the average propensity to tax (ratio of GTR-GDP) was increasing with the increase in GDP during pre tax reform period. The regression coefficient of interaction variable was significantly negative and stumpy showing a downward shift in the degree of tax buoyancy during post tax reform period. The estimate of the tax buoyancy, which was just above the unity during pre tax reform period, was less than unity during post tax reform period evincing the fact that the gross tax was relatively inelastic. From this it can also be understood that the average propensity to tax was declining with the increase in GDP during post tax reform period. Thus, the estimates of gross tax buoyancy during pre and post tax reform periods were not stable.

Ganguly (2009)[25] had made a review of State finances with the ongoing macroeconomic reality and presented a limited picture of the observed worsening condition of State finances. This study is based on an attempt at filling some of the economic realities. The study observed that owing to the decline in revenue resources of the Central government, both tax devolution and non-plan grants by the centre have declined significantly during the period of the study. Most of the States were likely to be under pressure for implementation of the recommendation of Sixth Central Pay Commission (SCPC) which inordinately increased their salary and pension bill. Therefore, given that there is an imminent squeeze on the fiscal domain of the States, and committed expenditure on all fronts are about to rise, it is necessary that States undergo larger tax reforms for broadening their tax base and softening of their fiscal deficit targets for the short-run. There may also be a necessity to revisit the channels of fund transfers from the centre to the States and the changing pattern of centre-State relations. The study suggested that battling the recession requires considerable demand injection into the economy through public investment in social services and other related sectors. Therefore, States may be required to undertake increased expenditure on essential services which will require larger resources mobilisation.

Ganguly, Kaushik (2009), 'Issues in State Finances', *Economic and Political Weekly*, Vol.44, No. 30 (July), pp.65-67, 69-71.

Chawhan (2010)[26] has studied agricultural taxation in India. The study covers the period between 1951-52 and 1997-98 within which the position of agriculture taxation was outlined. The study revealed that the share of agricultural taxes in total tax revenues collected by the Central and State governments has been falling more or less steadily since independence. Since, rich farmers have powerful political lobbies in both State and Central government; it would not be possible to tax rich farmers in view of political considerations that weigh with State governments. He highlighted the importance of agricultural taxation in the acceleration of economic development as heavier agriculture taxation could help in the commercialization of agriculture which in turn would respond to prices and other market forces quickly and hence increased production and larger marketable surplus.

Aamir, et.al (2011) [27] have studied 'Determinants of Tax Revenue: A Comparative Study of Direct taxes and Indirect taxes of Pakistan and India'. In their research paper, for the purpose of comparing direct taxes and indirect taxes in India and Pakistan, they have taken a sample of tax revenue collected under the heads of direct and indirect taxes. This sample ranges from 1999-2000 to 2008-2009.

---

[26] Chawhan, M.(2010), 'A Study of Agriculture Taxation in India', *International Research Journal,* Vol. I, No.7, pp. 50-51.

[27] Aamir, Muhammad, et.al (2011) 'Determinants of Tax Revenue: A Comparative Study of Direct Taxes and Indirect Taxes of Pakistan and India', *International Journal of Business and Social Science,* Vol. 2, No. 19 (October), pp. 173-178.

To measure the direct and indirect taxes of India and Pakistan, and then the effect of these two types of taxes were seen on the total revenue on both of the countries. It was done by generating two simple regression lines for two countries. Total revenue of both countries was taken as dependent variable and direct and indirect taxes were taken as independent variables. The purpose for generating regression line was to see the individual effect of direct and indirect taxes on total revenue and then compare the results of both countries. The results showed that Pakistan was generating more tax revenue through indirect taxes whereas India was from direct taxes. By comparing the two regression equations and the standardized betas, they came to know that in Pakistan, more revenue was charged by levying indirect taxes where as India was on the opposite side of it.

Haque (2011)[28] aims at identifying the major factors that affect tax efforts of developing countries. This study used panel data of 50 developing countries for a time horizon of 1995 to 2009. The study found that developing countries all over the world typically suffer from insufficient tax revenue. In 2008 average of tax to GDP ratio of 28 OECD countries is 34.8 compared to 15.9, the average tax share of the sample developing countries of this study. The study employed the

[28]Haque, Atiqul, A.K.M. (2011), *Determinants of Low Tax Efforts of Developing Countries*, Department of Business Law and Taxation, Monash University.
.

explanatory variable shadow economy as percentile of GDP within a specification of a reasonably homogeneous set of developing countries and over a sufficiently longer time horizon. The results obtained from the regression analysis suggest that among the explanatory variables, share of agriculture in GDP, PPP adjusted per capita GDP, international trade as percentile of GDP and size of shadow economy as percentile of GDP have significant impact on revenue potential of the developing countries. The regressor share of agriculture to GDP, size of shadow economy as percentile of GDP and level of international trade as percentile of GDP showed expected signs. Share of agriculture and size of shadow economy as percentile of GDP were found to be negatively linked with tax potential of a country. While, level of international trade, a tax handle, which is a proxy for openness of the economy was found to be positively linked with tax potential of the developing countries. Per capita GDP (PPP adjusted) showed statistically significant relationship with revenue share, though the magnitude of the coefficient was very low. The study identified the major problem areas where developing countries should put some more policy and administrative attentions. Agriculture sector was generally highly subsidized, taxed at a very low rate. In many developing countries this sector was exempted of Central government taxation. In most of the developing countries agriculture sector share about quarter of GDP, while contribute very negligible amount of tax revenue.

Raut (2011)[29] attempted to analyse structural fiscal problems and fiscal management of the State Governments based on the long term behaviour of major fiscal variables during the last five decades starting from 1960. Analysis confirmed that structural problems such as vertical fiscal imbalance, variation across States in imposing certain taxes and lower own non-tax revenues still existed and needed to be addressed more progressively. Fiscal management of the States worsened from the second half of 1980s to 2003-04. However, fiscal reforms undertaken since 2004-05 benefitted States in managing their finances. The macroeconomic slow down and the impact of pay revision on account of sixth pay commission halted the fiscal correction during 2008-09 and 2009-10 before the State governments resumed fiscal consolidation in 2010-11. Even though revenue receipts increased significantly over the last five decades, it was largely contributed by current transfers rather than States' own revenues. In spite of increasing total expenditure, the share of capital expenditure showed a declining trend raising issues for potential growth of States. Nonetheless, rising share of social sector expenditure in total expenditure, curtailment in committed expenditure, progress under rule based regime in terms of lower key deficits and debt could be seen as positive developments in fiscal management of States in the post FRBM period.

[29] Raut, D Keshao, (2011), ‘Structural Problems and Fiscal Management of States in India’, *Reserve Bank of India Occasional Papers,* Vol. 32, No. 1.

Wadhwa and Pal (2012)[30] in their paper 'Tax Evasion in India: Causes and Remedies' investigated the overview of the opinion of tax professionals regarding the tax evasion in India, delineating the number of factors responsive for tax evasion and examining the possible remedies to reduce the problem of tax evasion. This study was carried out with the following objectives: i) to find out the causes of income tax evasion. ii) to find out the impact of tax evasion in India iii) to suggest some ways to improve income tax compliance. To collect the information regarding tax evasion in India a well designed questionnaire with five point likert scale had been used. To achieve the specific objectives of the study, the data was collected from tax professionals such as chartered accountants, company secretaries and ICWA's from the State of Haryana. A sample of 150 respondents has been taken by selecting 30 respondents from Faridabad, Gurgoan, Murthal, Panipat and Sonipat respectively. The data was also collected through secondary sources also such as Internet, websites, professional magazines, referred journals, news papers and conference books. The study found that income tax evasion was prevalent in India. According to the study high tax rates, corruption in public sector units, multiple tax rates and inefficient tax authorities were the main causes of tax evasion. The study revealed that tax rates, simplifications of tax laws, remove loopholes in the tax system and some extent proper processing of information

[30] Wadhwa, Lalit & Pal, Virender (2012),'Tax Evasion in India: Causes and Remedies', *International Journal of Applied Engineering Research,* Vol.7, No.11.

available under the annual information return can be best tool for improving Indian tax compliance. The study therefore made a conclusion that there is a need for creating transparent, friendlier and less discriminatory administrative system. Further there is also a need to educate the people about Indian Tax law and create such an environment in which they pay their due taxes, do not evade the tax and feel proud in discharging their duty to pay the taxes.

Amarjothi & Azhakarraja (2013)[31] based on secondary data had examined the various taxes in India under direct and indirect taxes. This secondary data were collected from books, journals, reports, newspapers and internet. The study period was ten years from 2000-10. The main objectives of the study were: i)To supply adequate revenue ii) to study history of Indian tax system iii) to reduce economic inequality iv) to achieve a practical and workable tax system v) to highlight overall direct taxes and indirect taxes .The study suggested that the tax collection system should be modernised and structural changes must be made for fair and speedy disposal solutions. Besides, the government of India should fixed tax rate in every year, during their good behaviour and many good schemes. Taxpayers who contribute to the nation, must be treated fairly, and must be conferred certain basic rights in

[31] .Amarjothi, P. & Azhakarraja C. (2013),'A Study on Indian Revenue Generators', *IOSR Journal Of Humanities And Social Science (IOSR-JHSS)*, Vol.12, No.2 (May - June), pp. 01-07.

investigation of cases of tax evasion against them, following procedures established in our country Taxpayer Rights. They further opined that there was a lack of political will power to collect revenues that results in a narrow tax base on account of a number of politically motivated tax exemptions and deductions. So, fairly modernisation of taxes system in the country was important key or health of the nation.

Fjeldstad (2013)[32] reviewed the State of knowledge on aid and tax reform in developing countries, with a particular focus on sub-Saharan Africa. Four main issues were addressed: (1) impacts of donor assistance to strengthen tax systems, (2) challenges in 'scaling up' donor efforts; (3) how to best provide assistance to reform tax systems; and (4) knowledge gaps to be filled in order to design better donor interventions. The paper argued that donors should complement the traditional 'technical' approach to tax reform with measures that encourage constructive engagement between governments and citizens over tax issues. Challenges and priorities to improve donor efforts were also discussed. Knowledge gaps were identified and issues for further research on tax for development were suggested. He argued that the challenge for many developing countries was not only to tax more, but to tax a larger number of citizens and enterprises more consensually and

[32] Fjeldstad, O.H. (2013), 'Taxation and Development: A review of Donor Support to Strengthen Tax Systems in Developing Countries', *World Institute for Development Economics Research (WIDER) Working pape*r, No.010 (February).

to encourage constructive State-citizen engagement around taxation. This was not easy for various reasons, including economic structure and history. Nonetheless, historical and contemporary experiences showed that taxpayers' behaviour can be transformed by reforming the tax and expenditure system, leading to both a greater willingness to pay and an increased propensity to mobilize demand for better public services. In setting priorities, the starting point for donors must be an understanding of the context in which tax reforms were being pursued and donor support was being provided.

Karagöz (2013)[33] had examined determinant tax revenue in Turkey with the following objectives: i) to explain whether Turkey is limited her revenue collections by a low capacity to generate more tax revenues or by an unwillingness to use the available tax capacity. ii) to find out the proper mix of fiscal policy to undertake in the case of budget deficit. The aim of this study was to investigate the determinants of tax revenue in Turkey with a special emphasis on the sectoral composition of the economy. Time series regression analysis was used to this end. The results of the regression equation were in consistent with a priori expectations. Estimation results revealed that tax revenue in Turkey was significantly affected by agricultural and industrial sector share in GDP, foreign debt stock, monetization rate of the economy and

[33] Karagöz, K. (2013), 'Determinants of Tax Revenue: Does Sectorial Composition Matter?', *Journal of Finance, Accounting and Management*, Vol. 4(2), (July), pp.50-63.

urbanization rate whereas the sign of the agricultural sector's share was negative as expected. The negative impact of agricultural sector was reasonable since agricultural production in Turkey has been decreased dramatically in recent decades. By the same token industrial sector share was positively related as suggested in the theory. Since it is easier to tax the secondary and tertiary sectors, Turkey's tax revenue was positively affected by this structural transformation. The results suggested that openness to foreign trade has no significant impact on tax revenues in Turkey.

Dutta & Dutta (2014)[34] have made an attempt to analyse the fiscal and debt sustainability of the State of Assam during 1991-2010 based on secondary data. It can be inferred from the study that a persistently large and fluctuating fiscal deficit has been a serious weakness of the State finance in Assam in recent decades. It has been found that occurrence of revenue deficit has contributed towards increase in fiscal deficit of the State during the period of study. As sustainability of the fiscal position of the State was mainly dependent on nature of fiscal deficit, a higher proportion of revenue deficit to fiscal deficit might not be good for the fiscal health of an economy. A relatively higher proportion of revenue deficit to fiscal deficit resulted in

[34]Dutta, P. & Dutta M.K. (2014), 'Fiscal and Debt Sustainability in a Federal Structure: The Case of Assam in North East India', *Romanian Journal of Fiscal Policy*,Vol.5, No.1(8), (January-June), pp. 1-19.

huge fiscal imbalances in the State in the later part of 1990s. Although the situation improved in the early part of the first decade of the present century, the increase in revenue and fiscal deficit of the State in the year 2009-10 was a matter of concern. The State government has to take corrective measures to restrict the fiscal deficit. The study found that a higher proportion of revenue deficit in fiscal deficit has resulted in fiscal instability in some years during the study period. But positive Domar gap and primary surplus in some years has helped in reducing the debt-GSDP ratio. The presence of cointegration between revenue receipt and revenue expenditure; and revenue receipt and total expenditure implies that the State has been able to maintain fiscal sustainability during the period under consideration.

Garg, et.al (2014) [35] studied the tax capacity and tax effort of 14 major Indian States from 1992-92 to 2010-11 using Stochastic Frontier Analysis (SFA). SFA is an improvement over traditional approaches to measure tax capacity such as Representative Tax System (RTS) and aggregate regression approach. The use of tax capacity frontier helped to identify those States which were operating near their tax capacity and States which were away from tax frontier. The results indicated that the tax capacity was influenced not only by its tax base but also by

[35] Garg, S., et.al (2014), 'Why Tax Effort Falls Short of Capacity in Indian States: A Stochastic Frontier Approach', *Indira Gandhi Institute of Development Research Working Paper*,No.032 (August), Mumbai.

economic, demographic, infrastructure, political variables, index for administration & governance and fiscal incentive variables. The study found that presence of large variation in tax effort index across States and which seemed to be increasing over time. Econometric analysis suggested that economic and structural variables have significant impact on the tax capacity. While per-capita gross State domestic product had positive effect on States' own tax revenue, relative size of agriculture sector of a State has adverse effect on its own tax revenue.

The evidence on tax efficiency suggested that the higher inter-governmental transfers tend to reduce tax efficiency. Outstanding liabilities and expenditure on debt repayment also indicated adverse effect on tax efficiency, but the adverse effect of the latter was lesser than the former. Enactment of Fiscal Responsibility and Budget Management Act seemed to have improved the tax efficiency which has been further strengthened by better law and order inside States. Higher political competition inside a State, represented by effective number of parties, has favourable effect on the tax efficiency of a State. Strengthening of factors associated with better tax collection was a long term process. Nevertheless a sharper identification of the variables that affect these factors, allowed policies to better target these variables, so that improvements, such as in per-capita GSDP which was the overall tax base, take place faster.

Saravanan & Meganathan (2014)[36] in their paper 'An analysis of Revenue Receipts of India with Special Reference to Tax Revenue' have examined the trends and performance of taxes of Central Government in India. The study was based on secondary data. Secondary data relating to the period of six years from 2005-06 to 2010-11 have been collected from various published reports like Indian public finance statistics, economic surveys and budget documents. The study found that the yearly growth rate of service tax revenue was higher than the growth rate of revenue generated from the Central excise and customs. This indicated that the service tax was progressing faster in terms of revenue generation than the Central excise and customs. The study concluded that the indirect tax was losing its share in the total tax revenue of Central government and direct taxes will gain prominence with growing economy.

Bandyopadhyay (2014)[37] had made an attempt to review the status of Municipal finance in India. With the help of the available literature, the paper addressed some critical issues in Municipal finances of India. According to the study, there was a wide diversity in the functions and revenue handles of cities in India. The compositions of

---

[36] Saravanan, R. & Meganathan, M.(2014) 'Analysis of Revenue Receipt of India with Special Reference to Tax Revenue', *International Journal Of Marketing, Financial Services & Management Research*, Vol.3 (12) (December.), pp. 94-102.

[37] Bandyopadhyay, S. (2014) 'Critical Issues in Municipal Finance: A Summary for India', *American International Journal of Social Science*, Vol. 3, No. 4 (July), pp.134-146.

revenues were diverse, with differing trends in the growth patterns of revenues. Most of the cities had generated revenues much lower that their potentials. Assignments of revenues were not uniform, nor were grants transferred in the same way on the same heads. The study also found that the stage of development in which the city was in, whether it was a part of an agglomeration or had an independent identity, also affected the performance of its revenue generation. A good performance in municipal resource management could be the key to attract educated mass which, in turn, could bring about more revenues to the city. According to the study, given the industrial performance of the city, population growth, and employability, a good performance in municipal resource utilization and management can bring about a huge change in the city. The main finding of the study was that the process of decentralization is incomplete in India. The urban local bodies face the problems of inadequate revenue generation and expenditure shortfalls leading to poor service delivery.

3.1 INTRODUCTION

Taxation is an important tool to enhance the economic development and to finance the expenditure responsibilities of a government. However, excessive high and low rate of taxes can distort resource allocation and reduce the economic development and growth of the country. Hence, an ideal tax system[38] is essential to achieve a balance between resource allocation and economic growth with stability. It is crucial to note that an ideal tax system always has to compromise between the government's revenue and the economic development of the country.

An ideal tax system is considered Central for sustainable development because it can mobilize the domestic revenue base as a key mechanism to escape from aid or single natural resource dependency. Thus, it is important for the government to concentrate on establishing efficient and effective tax system for sustaining sound fiscal health in the long run. In this chapter, we give brief introduction about important features of Indian federal structure with regard to taxing power of the States, which is followed by federal transfer mechanism. And then a particular attention has been given to comparison and analyses of various revenue sources of the State.

[38] An ideal tax system is the one which is likely to maximize the sum total of its most desirable effects.

3.2 CONSTITUTIONAL PROVISION OF TAXING POWER IN INDIA

India has a federal structure, in which a clear distinction is made between the Union and State functions and sources of revenue. The essence of federalism lies in proper division of powers and functions among various levels of government to ensure adequate financial resources to each level of government and to enable them to perform their exclusive functions. For the successful operation of the federal form of government, financial independence and adequacy form the backbone. The most important aspect of fiscal federalism is the division of resources and functions between different levels of governments.

The taxation system in India is featured with a three (3) tier federal structures that comprises of the following; The Union government, the State governments, the Rural and Urban local bodies or Municipal jurisdictions. The Constitution of India has made a clear demarcation of responsibilities for different tires of government. Both the Central and State governments in the country have revenue raising power. The seventh schedule of the Indian Constitution determines the revenue sources of each jurisdiction by specifying the subject matter of different tiers of government as Union List (List I), State List (List II) and Concurrent List (List III).

The Centre has the exclusive powers to make laws in respect of matters given in the Union list (Article 246(1) of Indian Constitution) and State government has the exclusive jurisdiction to legislate on the matters containing in State list (Article 246(3) of Indian Constitution). With regard to the Concurrent list, both the Parliament and a State Legislature can make laws, but the laws made by the parliament shall prevail. The residuary functions, that is, those not listed in State list and union list, are vested with the Union. Thus, the Central government in India has supremacy over a wide range of legislature field including the power of taxation also.

Although, the States have been assigned certain taxes which are levied and collected by them, they also share in the revenue of certain union taxes, and there are certain other taxes which are levied and collected by the union but the proceeds of which wholly go to the States. The Union list includes: (i) Taxes on income other than agriculture income (entry 82), (ii) Customs duties (entry 83), (iii) Excise duties except on alcoholic liquors and narcotics not contained in medical or toilet preparations (entry 84), (iv) Corporation tax (entry 85), (v) Taxes on the capital value of assets exclusive of agricultural land, of individuals and companies (entry 86), (vi) State duties in respect of property other than on agricultural land (entry 87), (vii) Duties in respect of succession to property other than on agricultural land (entry 88),(viii)

Terminal taxes on goods or passengers carried by railways, sea or air (entry 89), (ix) Taxes other than stamp duties on transactions in stock exchanges and future markets (entry 90), (x) Rates of stamp duties on financial documents (entry 91), (xi) Taxes on sale or purchase of news papers and on the advertisements therein (entry 92), (xii) Taxes on the sale or purchase of goods in the course of inter-State trade (entry 92 A), (xiii) Taxes on the consignment of goods in the course of inter-State trade or commerce (entry 92 B), (xiv) Taxes on services (entry 92C), (xv) All residuary types of taxes not listed in any of the three lists of Seventh Schedule of Indian Constitution (entry 97). In fact, the Central government does not get revenue from all the above taxes.

The State list includes: (i) Land revenue (entry 45), (ii) Tax on agricultural Income (entry 46), (iii) Duties in respect of succession to agricultural land (entry 47), (vi) State duty on agricultural land (entry 48),(vii) Taxes on lands and buildings (entry 49), (viii) Taxes on mineral rights subject to any limitations imposed by the Parliament (entry 50), (ix) Excise duties on alcoholic liquors and narcotics (entry 51), (x) Taxes on the entry of goods into the local area (entry 52), (xi) Taxes on consumption and sale of electricity (entry 53), (xii) Taxes on the sale or purchase of goods other than newspapers (entry 54), (xiii) Taxes on advertisements other than advertisements published in newspapers and advertisements broadcast by radio or television (entry55), (xiv) Taxes on goods and passengers carried by road or inland waterways (entry 56), (xv) Taxes on vehicles for use on roads (entry 57), (xvi) Taxes on animals and boats (entry 58), (xvii) Tolls (entry 59), (xviii) Taxes on professions, trade, callings and employments (entry 60), (xix) Capitation taxes (entry 61), (xx) Taxes on luxuries, including taxes on entertainment, amusement, betting and gambling (entry 62), (xxi) Rate of stamp duty except those on financial documents (entry 63).

Although, the Constitution clearly provides the division of the tax powers between union and the State governments, such clear demarcation does not exist as regard to the distribution of tax powers between State and local governments. Provisions have been made by 73rd and 74th Constitutional Amendment, to levy, collect and appropriate taxes by Panchayat and Municipality. However the 73rd and 74th Constitutional Amendment has not been showing clearly the extent to which a local government and a municipal council can impose taxes. It is only subject to the provisions of State Legislature. Consequently, the power of local bodies to impose tax has not been uniform across the States.

Besides the exclusive power of taxation of the union and the State governments, the Constitution has provided the revenues for certain taxes on the union list to be allotted, partly or wholly to the

States. These provisions fall into various categories as follows: First, there are duties which are levied by the union government but, are collected and appropriated by the States (Article 268 of Indian Constitution). Stamp duties on bills of exchange, Excise duties on medicinal and toilet preparations fall in this category. Secondly, certain taxes are levied and collected by the union but the net proceeds of such taxes are distributed among the States (Article 269 of Indian Constitution). Each State gets that amount of the tax as is collected within its territory. Succession duty, State duty on property other than agricultural land, taxes on railway fares and freights, taxes on newspaper sales and advertisements etc. fall in this category. Thirdly, certain taxes are levied and collected by the union but the proceeds are distributed between the centre and the States (Article 270 of Indian Constitution). Taxes on non-agricultural incomes and Excise duties on items in the union list accept medicinal and toilet preparations fall in this category.

3.3 FISCAL TRANSFERS MECHANISM IN INDIA

India's federal system, as mentioned earlier, is distinguished by tax and expenditure assignments between the centre and States. The assignment of tax powers is based on the principle of separation, i.e., tax categories are exclusively assigned either to the centre or to the States. Most broad-based taxes have been assigned to the centre. Out of a long list of taxes assigned to the States, only the tax on the sale and purchase of goods has been significant for State revenues. The Constitution recognized that its assignment of tax powers and expenditure functions would create imbalances between expenditure needs and abilities to raise revenue. The imbalances could be both vertical and horizontal. Therefore, the Constitution provided for the assignment of revenues through sharing of the proceeds of certain Central levied taxes with the States and making grants to the States from the Consolidated Fund of India. Thus, the nature of assignments of tax power results in large vertical fiscal imbalances, which necessitated intergovernmental transfer system in India.

In India, intergovernmental transfers are the dominant source of revenue for sub-national governments especially for special category States (SCS). The design of this transfer is of critical importance for efficiency and equity of local service provision and fiscal health of State Governments. It is an important issue in federal countries like India, not only because State government often depend on these transfers to maintain their supply of public services, but also because of the fact that the various elements of the determination of transfers may have incentive effects for the sub-national governments. Since, expenditure of States in India usually exceeds their own revenue, inter-governmental transfers make an important and significant part of their total revenue.

Inter-governmental transfers are made under article 270, 275 and 280 of the Indian Constitution. The transfers in India takes place mainly through three main channels. First there is a Finance Commission appointed every five years by president of India to devolve tax shares and give grants. Secondly, we have a Planning Commission which dispenses funds by the way of grants, and finally there are Ministerial allocations which funds Central sector and Central sponsored schemes taken up in States.

The Finance Commission (FC) distributes the divisible taxes and provides grants-in-aid; Transfers made through FC serve two purposes. First, they address the issue of vertical imbalance and help sub-national governments with inadequate revenues to meet their expenditure liabilities and perform functional responsibilities. Second, they address the issue of horizontal imbalance by an attempt to remove disparities in revenue capacity of States and local bodies. The horizontal distribution of resources is based on some criteria which have been subjected to change over various Finance Commissions.

On the other hand, Planning Commission (PC) adopted a well-designed formula (known as Gadgil formula) for devolution of inter-governmental transfers in a rational manner without discretion for implementing development plans. This formula was constructed with inclusion of several factors like population, per-capita income of a State, tax effort defined as ratio of per-capita tax receipts to per-capita income, special problems of specific States etc. Gadgil formula has also been modified over time by changing the relative weights assigned to different components as well as with inclusion of new factors.

Assistance given by various Ministries to States through Central Sector Plan (CSP) and Central Sponsored Schemes (CSS) is in some respects the most controversial form of transfers. CSP and CSS are specific transfers from the Central Government to the State government to help the latter to plan and implement programmes that help in attaining national goals and objectives. These transfers are discretionary, which is not in itself a problem. However, there is a proliferation of ad hoc schemes, and their articulation with Planning Commission transfers is very poor, although they often are meant to serve similar or overlapping objectives.

3.4 STRUCTURE OF GOVERNMENT ACCOUNT IN INDIA

The structure of the government accounts is the same for the Central and the State governments, as laid out by the Constitution of India. The budget is divided into three components– Consolidated Fund, Contingency Fund, and Public Accounts.

Consolidated Fund: Under Article 266(1) of the Constitution of India, all revenue receipts, all loan raised by the issue of treasury bills, loans or ways and means advances and all money received in repayments of loans by the government of a State constitute one fund, known as, The Consolidated Fund of the State.

Contingency Fund: Article 267 of the Constitution provides that the Parliament and the State Legislature may by law establish a Contingency Fund for the centre and the State respectively. This Fund is like an imprest placed at the disposal of the government to meet urgent unforeseen expenditures which cannot be delayed. Legislative approval for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained and the amount spent from Contingency Fund is recouped to the fund.

Public Account: Apart from the normal receipts and expenditure of the government which relates to the Consolidated Fund, certain other transactions enter into government accounts. For instance, transactions relating to Provident Funds, Small Saving Collection, Depreciation and Reserve Funds of Government Departments, Postal Saving Banks, etc. belong to this category. This money, as a matter of fact, does not belong to the government and has to be paid back sometime or the other to the persons who deposited it. Money thus received is kept in the Public Account and payments from the Public Account, therefore, do not require corresponding disbursements from any other Fund.

The Consolidated Fund is the principal head in which resources flow and expenditures are incurred under the Revenue Account and Capital Account. The Revenue Account consists of Revenue Receipts and Revenue Expenditure. The Capital Account on the other hand includes Capital Receipts and Capital Expenditure. However, a detailed analysis of the expenditure side is not within the scope of the study and therefore we do not attempt any further analysis for it.

The total budgetary receipts of the Government of any State in India can be broadly divided into revenue receipts and capital receipts. All the receipts of the government which are non-redeemable in nature (with no future obligations or received against past transactions) may be termed as revenue receipts. The revenue receipts (State Own Revenue) of the State consist of tax and non-tax revenues. Tax revenues comprise State's own taxes and share in Central taxes while non-tax revenues comprise State's own non-tax revenue and grants from the Central government. Those receipts of the government which create liability or reduce financial assets are called capital receipts. The main components of such receipts are internal debt, loans and advances from the Centre, recoveries of loans and advances, and net receipts from public account. Internal debt covers market loans, loans from banks and financial institution, ways and means advances from Reserve Bank of India (RBI).

3.5. COMPOSITION OF REVENUE RECEIPTS OF THE STATE

Total revenue of a State government is composed of tax and non-tax revenues. In Indian context, total tax revenue of a State is made up of the State's own tax revenue and tax revenue devolved to the States from the Central pool. State’s own taxes are those, which are imposed, collected and used by the State governments. Share of Central taxes means share of taxes, which are imposed and collected by the Central government, but the proceeds are shared between centre and States.

Non-tax revenue of the State, on the other hand, is composed of non tax revenue mobilized by the State governments and revenue granted to the States by the Central government by way of grants-in-aid and contribution. Thus, total revenue receipts have four components viz., own tax revenue, own non-tax revenue, share in Central taxes and grant-in-aid. Of these the main contributor to total revenue receipts is grant-in aid, whose share varied between 70 per cent and 79 per cent during the study periods. The peak of 2009-10, with 78.79 per cent has never been touched again since then.

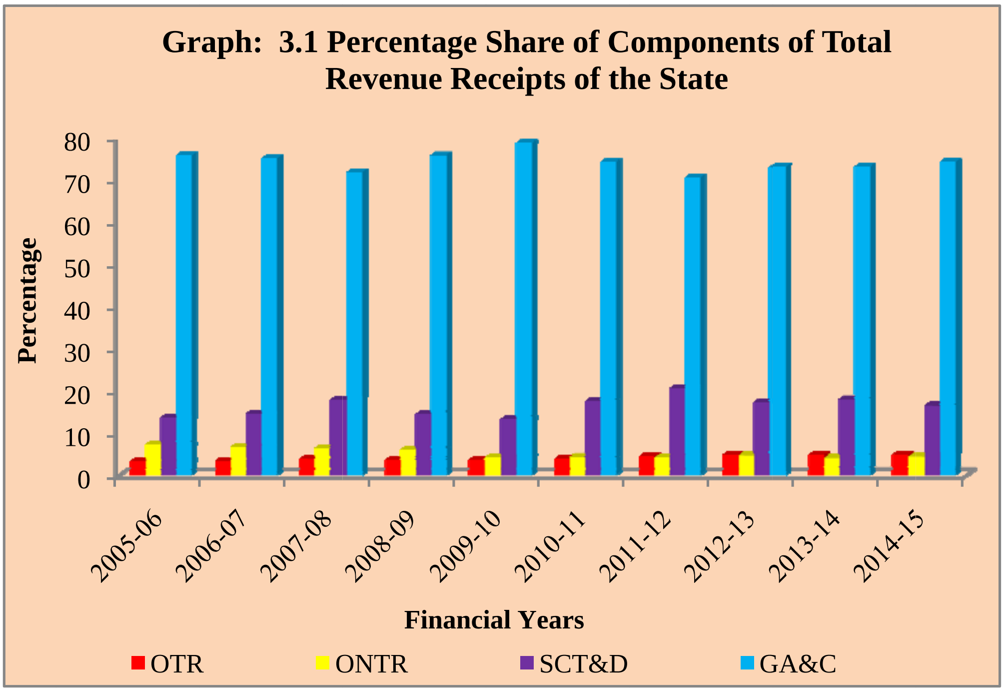
The composition, trends and percentage share of various components of revenue receipts of the State of Mizoram is presented in table 3.1 and graph 3.1 below.

Table 3.1 Percentage Share of Various Components of Revenue Receipts of Mizoram in Total Revenue Receipts

(₹ in lakhs)

Years	State's Own Revenue			Transfer from the Central		
	OTR	NOTR	Total	SCT&D	GA&C	Total
2005-06	3.33	7.26	10.59	13.66	75.75	89.41
2006-07	3.43	6.77	10.20	14.63	75.16	89.80
2007-08	3.80	6.39	10.19	17.81	72.00	89.81
2008-09	3.57	5.98	9.55	14.45	76.00	90.45
2009-10	3.63	4.27	7.90	13.31	78.79	92.10
2010-11	3.85	4.35	8.20	17.51	74.29	91.80
2011-12	4.45	4.19	8.65	20.63	70.72	91.35
2012-13	4.92	4.69	9.61	17.32	73.07	90.39
2013-14	4.82	4.08	8.90	18.01	73.09	91.10
2014-15	4.84	4.39	9.23	16.52	74.25	90.77

*Note: ORT=Own Tax Revenue, NOTR=Non-Own Tax Revenue, SCT&D=Share in Central Taxes and Duties, GA& C= Grants in Aid & Contribution.
Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Note: ORT=Own Tax Revenue, NOTR=Non-Own Tax Revenue, SCT&D=Share in Central Taxes and Duties, GA& C= Grants in Aid & Contribution.
Source: Annual Financial Statement, Finance Department, Government of Mizoram.

Table 3.1 shows the relative share of the various components of revenue receipts of the State. It can be observed that all the components of total revenue of government of Mizoram have been consistently increasing during the study periods. It is clear from table 3.1 that significant part of the State's revenue comes from the Central government. It clearly reveals that lion's share of the Revenue receipts of the State is from grant-in-aid and contribution followed by share in Central taxes and duties, showing State high dependency on Central government. The contribution of own tax revenue and non-own tax revenue (i.e. State's own revenue) also increased though only negligently.

The analysis shows that the contribution of State's own revenues to total revenue has increased only slightly and fluctuated between a low range of 7 per cent and 11 per cent over the study periods, reflecting low tax base of the State, while that of the Central transfer has been increasing. As regard to own tax revenue, the contribution is very low and almost remained unchanged. It varied between 2 per cent to 4 per cent. In case of non-own tax revenue the performance is better as compared to own tax revenue, but not showed a satisfactory performance and varied between 4 per cent and 8 per cent during the study period. As noted above, it is clear that lion's share of the revenue receipts is from grant-in-aid. The dramatic performance of grant-in-aid in total revenue receipts is mainly due to the special category status nature of our State. Although, grant-in-aid is the main contributor of the total revenue receipts of the State, yet its relative shares in total revenue showed a declining trend up to 2007-08 during the study periods by varying certain percentage points, in part, reflecting the changing performance of the State in collecting own revenue resources. The share of Central taxes has a tendency of continuous increase till 2007-08. It is the second largest contributor of total revenue receipts of the State. Its share varied between 13 per cent and 21 per cent, the highest being 20.63 per cent in 2011-12 and the lowest 13.31 per cent in 2009-10.

From the analysis, when we consider the sources of the revenue receipts of the State we see that grant-in-aid always dominated the revenue receipts of the State, 72 per cent being the least contribution in all periods under study. The largest contribution of State's own revenue was 10.59 per cent in 2005-06 and lowest in 2009-10 with just 7.9 per cent of the total revenue receipts. The most important factor for the low contribution of State's own revenue is considered to be narrow tax base. There are a variety of reasons making the tax bases narrow like: the fragmented Constitutional assignment, wide ranging exemptions, concessions and deductions, complications and ambiguities in the tax laws and the poor capacity of tax administration including the information system to effectively administer and enforce the taxes.

3.5.1 State's Own Revenue Receipts

State's own revenue refers to the revenue mobilized by the State itself. It is the real source of income for the State. The performance of State's own revenue shows the strength and power of the State's economy. It also reflects the extent to which how efficiently the State is able to collect revenue from its available resources. Since, the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of resources was better assessed in terms of its own resources comprising own tax and non-tax sources. The consumption, production and distribution activities of the economy are also reflected on the own revenue receipts of the State.

In case of Mizoram, State's own revenue constitute only a negligible share in the total revenue resources, the maximum share of State's own tax revenue being 4.92 per cent in 2012-13 and that of non-tax revenue 7.26 per cent in 2005-06. The small share of tax and non-tax revenue has been an area of concern for the State government. The State's performance with reference to own tax and own non-tax revenue has increased in absolute terms. However, their share in total revenue receipts has not shown a satisfactory improvement. Low percentage share of State's own revenue in total revenue reveals the domination of State's fiscal position by the Central government.

Table 3.2 and graph 3.2 show the share of States' own revenue receipts in total revenue receipts. Although, own revenue receipts of the State have increased in absolute term, their relative share in total revenue has not shown a satisfactory performance and declined marginally up to 2010-11. Thereafter, a little improvement was seen but negligently. On the whole, the share of State’s own revenue in total revenue receipts has remained more or less constant, hovering around 9 per cent throughout the study periods. The highest record being 10.59 per cent in 2005-06 and 7.9 per cent in 2009-10 was the lowest.

Own tax revenue as a percentage of total revenue receipts showed an increasing trend, though only marginally over the study period. It increased from 3.33 per cent in 2005-06 to 4.84 per cent in 2014-15. It has recorded an increase of less than 2 percent within a period of ten years. Meanwhile, the performance of own non-tax revenue as a percentage of total revenue receipts during the study period showed initially a declining trend up to 2009-10 and thereafter, it has witnessed an annual fluctuation throughout the remaining periods. It declined from 7.26 per cent in 2005-06 to 4.27 in 2009-10, registering a decrease of more than three per cent. The performance of own non-tax revenue has been deteriorated over the last five years. The bad performance and declining share of the non-tax revenue has been an area of concern for the State government.

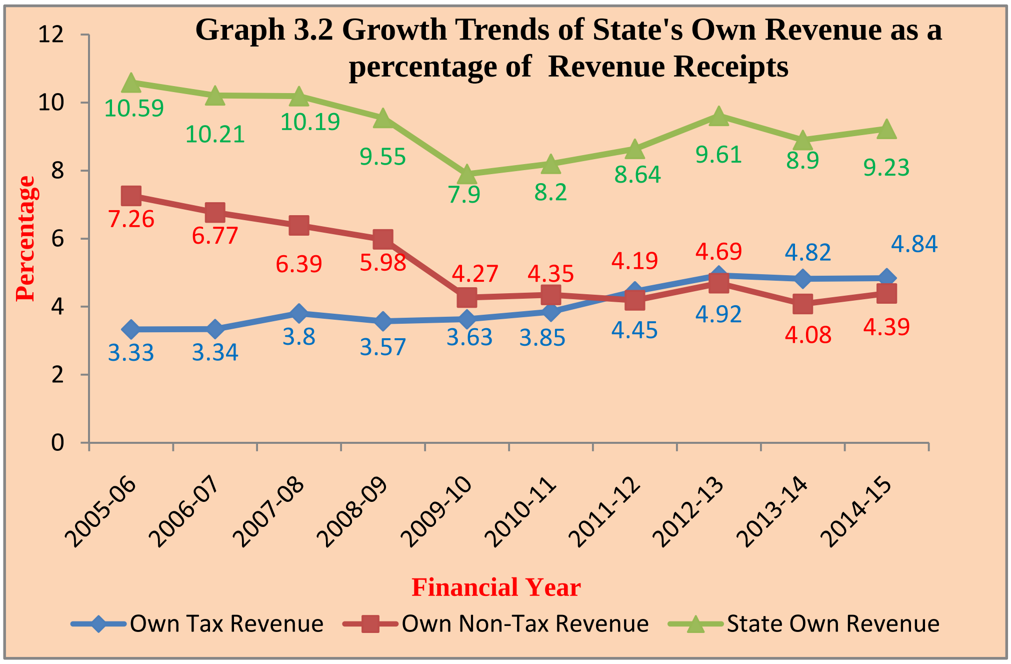
Table 3.2 State's Own Revenue Receipts as a Percentage of Total Revenue

(₹ in Lakhs)

Years	State's Own Revenue			Total Revenue Receipts
	OTR (A)	ONTR (B)	Total (A+B)	
2005-06	5505.57 (3.33)	12008.86 (7.26)	17514.43 (10.59)	165365.27
2006-07	6762.2 (3.34)	13338.01 (6.77)	20100.21 (10.21)	196894.75
2007-08	7751.54 (3.80)	13029.83 (6.39)	20781.37 (10.19)	203974.23
2008-09	9461.61 (3.57)	15867.33 (5.98)	25328.94 (9.55)	265313.03
2009-10	10757.53 (3.63)	12650.24 (4.27)	23407.77 (7.90)	296350.48
2010-11	13007.64 (3.85)	14670.83 (4.35)	27678.47 (8.20)	337471.13
2011-12	17866.77 (4.45)	16803.47 (4.19)	34670.24 (8.64)	401181.16
2012-13	22314.60 (4.92)	21280.04 (4.69)	43594.64 (9.61)	453674.30
2013-14	22977.96 (4.82)	19426.10 (4.08)	42404.06 (8.90)	476484.61
2014-15	26653.10 (4.84)	24196.34 (4.39)	50849.44 (9.23)	551110.50

*Note: Figures in Parenthesis indicate percentage share to total revenue receipts, ORT=Own Tax Revenue, NOTR=Non-Own Tax Revenue,

Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram

3.5.2 Central Transfers to the State

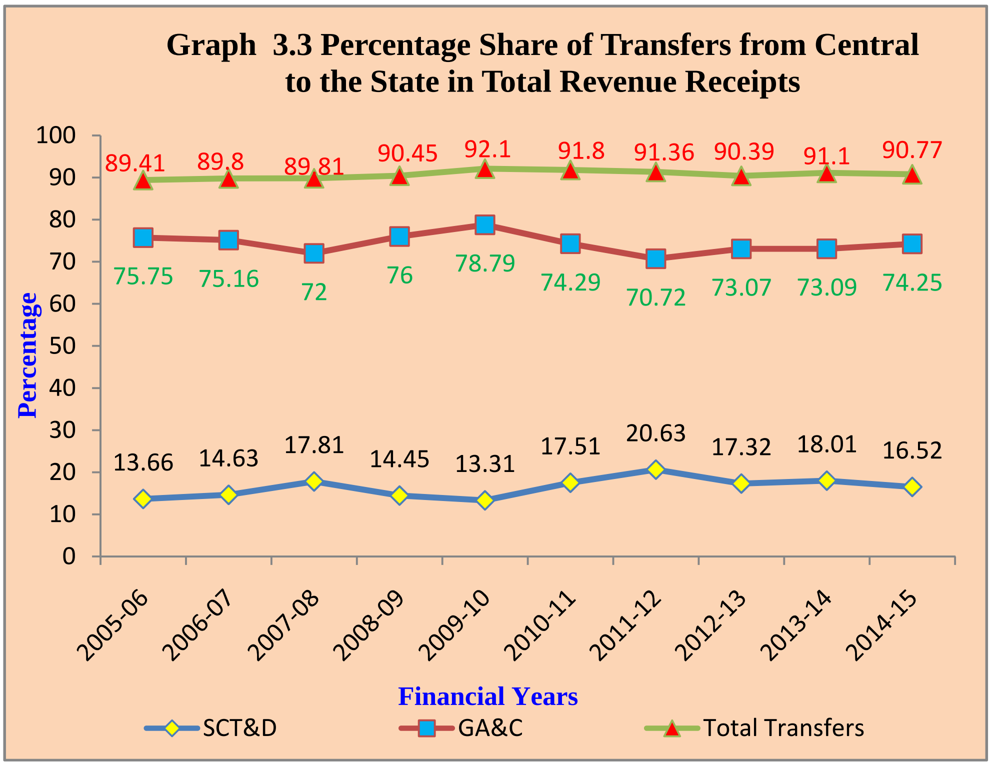
Revenue receipts of the State depend on the transfers from the Central government and the collection from its own available resources. In India, State governments are enjoying the tax share and grants from the Central government. In addition, State governments have access to Central plan funds through variety of Central sponsored schemes and assistance to State plans. Share of transfers from the centre to the State in revenue receipts of the State shows the extent to which the State depends on the Centre for the funds to fulfil its expenditure requirements. In Mizoram, Central transfers have constituted majority of the State's revenue, indicating Mizoram is one of the most dependent States on central funding.

Table 3.3 Trends and Compositions of Central Transfer and Its Percentage Share in State Revenue Receipts.

(₹ in lakhs)

Years	SCT&D		GA & C		Aggregate Transfer from the Central	
	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)
2005-06	22583.00	13.66	125267.84	75.75	147850.8	89.41
2006-07	28805.00	14.63	147989.54	75.16	176794.5	89.80
2007-08	36336.00	17.81	146856.86	72.00	183192.9	89.81
2008-09	38339.00	14.45	201645.09	76.00	239984.1	90.45
2009-10	39453.00	13.31	233489.25	78.79	272942.3	92.10
2010-11	59078.00	17.51	250714.66	74.29	309792.7	91.80s
2011-12	82778.22	20.63	283732.70	70.72	366510.9	91.36
2012-13	78596.00	17.32	331483.66	73.07	410079.7	90.39
2013-14	85808.00	18.01	348272.55	73.09	434080.5	91.10
2014-15	91066.34	16.52	409194.72	74.25	500261.1	90.77

*Note SCT&D = Share in Central Taxes and Duties, GA& C = Grants in Aid & Contribution.
Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram

Table 3.3 and Graph 3.3 clearly show the share of transfers from the Central to the State in total revenue receipts of the State. It has already been stated that the State received around 90 percent (on an average) of its total revenue receipts in the form of Central transfers (shared taxes and grants in aid). It is clear from table 3.3 that during the study periods, revenue received from shared taxes had consistently increased in absolute term throughout all the years. However, a careful perusal of the year-wise data reveal that there have been fluctuations in the percentage contribution of shared taxes in revenue receipts of the State, which were much sharper than those fluctuations in the relative contribution of grants-in-aid. Actually, the share of grants-in aid in total revenue receipts has remained static around 72- 78 per cent over the periods.

Fluctuations in the relative contribution of shared taxes were mainly due to the rising contribution of grants-in aid, instead of any decrease in transfers of shared taxes.

Grants-in-aid, which is the major contributor of the revenue receipts of the State, as Stated earlier has increased significantly in absolute terms. It increased from ₹ 125267.84 lakhs in 2005-06 to ₹ 409194.72 lakhs in 2014-15. The changes in percentage share of both Grants-in Aid and Shared taxes in revenue receipts of State is not much affected by the performance of State’s own revenue, which are more or less remained almost unchanged and they constituted only a negligible share in the total revenue receipts. Thus, the changes in percentage share of both Grant-in-aid and Shared taxes in revenue receipts of State depends on the increase or decrease in Central transfers to the State.

An important observation from the analysis is that there has been a steady increase in fund transfers from the Central to the State both in absolute and relative terms, which may be taken as an increasing dependency of the State on the Centre. However, it could signify an improvement of State initiatives to some extent. Transfers from Planning Commission in form of Grant-in-aid are formula based and depend on various factors like population, per-capita income of a State, tax effort , special problems of specific States, index of infrastructure, fiscal discipline etc. Similarly, transfers from Finance Commission are also largely formula based. For formula based transfers, the States can possibly make efforts to achieve financial and other outcomes that could raise its share in the total resources. Thus, increasing share of Central transfers in total revenue receipts may also show achievement of State initiatives in various fields.

3.6 GROWHT PERFORMANCE OF STATE'S OWN REVENUE

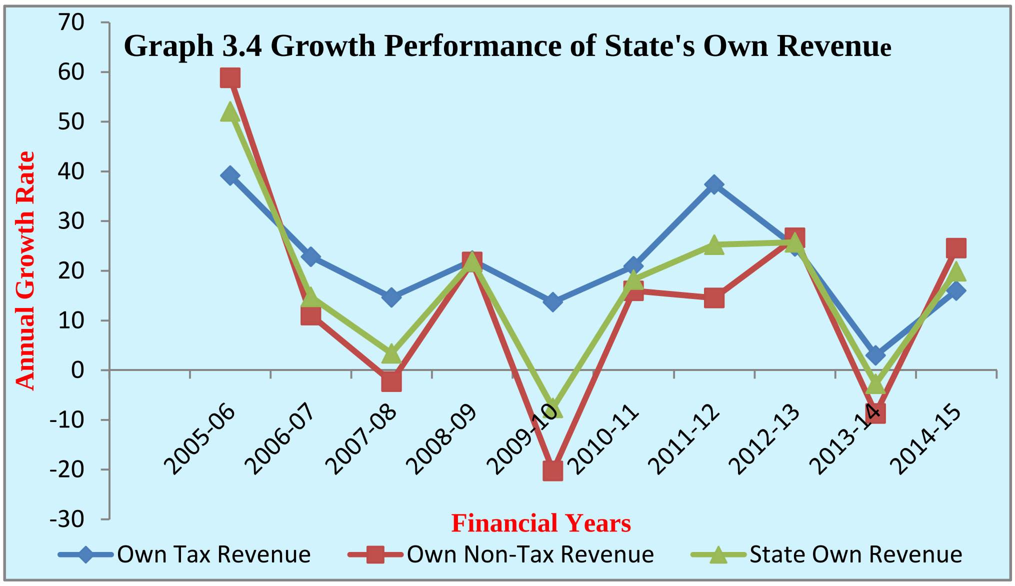
Growth of State's own revenue variables are studied in annual growth rates. Table 3.4 and graph 3.4 below show the annual growth rate of State's own revenue receipts and its components during the study period.

Table 3.4 Annual Growth Rate of State Own Revenue

(in percent)

Years	Own Tax Revenue	Own Non-Tax Revenue	State Own Revenue
2005-06	39.16	58.84	52.08
2006-07	22.82	11.08	14.76
2007-08	14.63	-2.31	3.39
2008-09	22.06	21.78	21.88
2009-10	13.69	-20.27	-7.58
2010-11	20.92	15.97	18.24
2011-12	37.36	14.54	25.26
2012-13	24.89	26.64	25.74
2013-14	2.97	-8.71	-2.73
2014-15	16.00	24.56	19.91
Average	21.45	14.21	17.09

Source: Annual Financial Statements, Finance Department, Government of Mizoram.



Source: Annual Financial Statements, Finance Department, Government of Mizoram

From table 3.4, it can be observed that growth in State's own revenue receipts fluctuated sharply over the periods. The growth rate of own tax revenue of the State had witness a wide fluctuation and varied between 2.97 per cent in 2013-114 and 39.16 per cent in 2005-06. In case of own non-tax revenue, the performance had worsen as compared to own tax revenue and varied between a negative growth rate of -20.27 per cent in 2009-10 and a maximum record of 58.84 per cent in 2005-06. On an average, own tax revenue of the State grew by 21.45 per cent annually and that of own non-tax revenue by 14.21 per cent. The total own revenue receipts witnessed a yearly growth rate of 17.09 per cent during the study periods. The sharp fluctuations in State's own revenue imply that there are certain underlying factors of instability in the mode of collection of revenue. This is indicative of systematic weakness and a sub-optimal resource mobilization within the State.

3.7 COMPARATIVE STUDY OF TOTAL REVENUE, STATE'S OWN REVENUE AND TRANSFERS FROM THE CENTRE TO STATE:

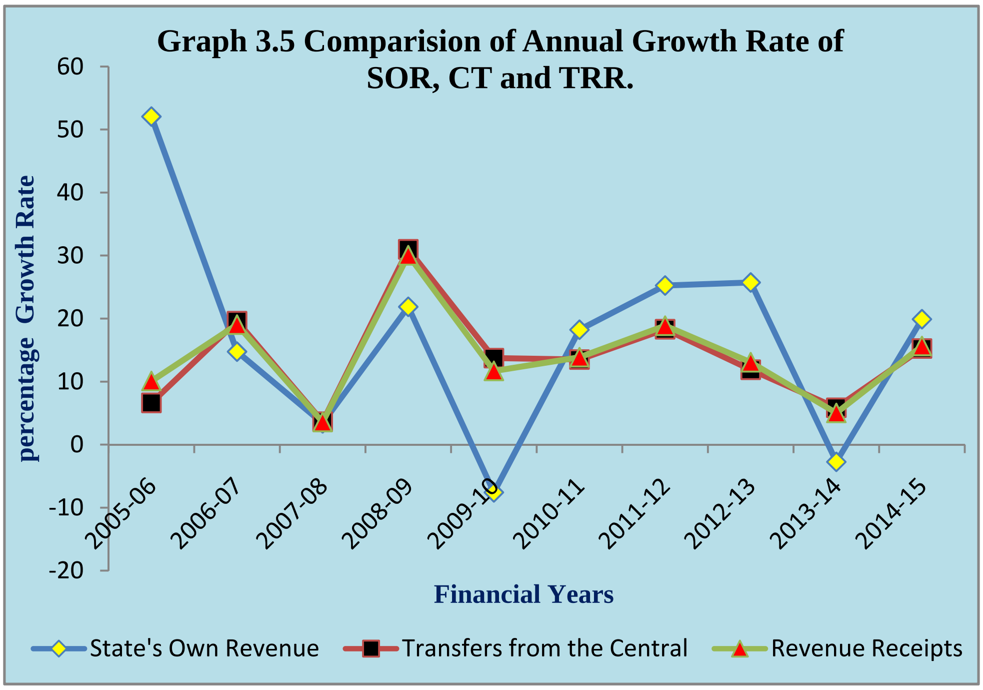
As Stated earlier, the total revenue receipts of the State largely depend on financial transfers from the centre. There is poor resource mobilization in the State, which is one of the fiscal problems of the State. In this section an attempt has been given to the annual growth rate of State's own revenue, funds transfers from the Central and total revenue receipts of the State to clearly reveal the strength and health of fiscal position of the State and highlight the extent to which the State depends on the Central government.

Table 3.5 Annual Growth Rate of Total Revenue Receipt and Its Components

(in percent)

Years	State's Own Revenue (SOR)	Transfers From the Central to State (CT)	Total Revenue Receipt (TRR)
2005-06	52.08	6.62	10.10
2006-07	14.76	19.58	19.06
2007-08	3.39	3.62	3.59
2008-09	21.88	31.00	30.07
2009-10	-7.58	13.73	11.70
2010-11	18.24	13.50	13.88
2011-12	25.26	18.31	18.88
2012-13	25.74	11.89	13.08
2013-14	-2.73	5.85	5.03
2014-15	19.91	15.25	15.66
Average	17.09	14.00	14.10

Source: Annual Financial Statement, Finance Department. Government of Mizoram



Source: Annual Financial Statement, Finance Department. Government of Mizoram.

As seen in table 3.5, the annual growth rate of State's own revenue and Central transfers to the State showed wide variations. The resultant fluctuation can be seen in revenue receipts of the State. The average annual growth rate of the State own revenue was 17.09 per cent in absolute term which was higher than the average yearly growth rate of both Central transfers to the State and total revenue receipts of the State which were 14.00 and 14.10 per cent respectively over the periods. The annual growth rate of State's own revenue varied between 52.08 per cent in 2005-06 and a negative growth rate of - 7.58 per cent in 2009-10. From the analysis, the following trends become visible. First, high and low growth rate of State's own revenue did not have any correlation with total revenue receipts. This implies that with an improvement in the growth rate of State’s own revenue, there is no corresponding improvement in total revenue receipts of the State and vice versa. For example, the annual growth rate of State’s own revenue receipts had made an impressive jump from negative growth rate of -7.58 per cent in 2009-10 to 18.24 per cent in 2010-11, registering an increase of more than 26 per cent just in one year. But, the annual growth rate of total revenue receipts was 11.70 per cent in 2009-10, which increased to 13.88 per cent in 2010-11, an increase of only 2 per cent in one year. Likewise, in 2005-06 the State’ own revenue receipts has witness a maximum growth rate of 52.08 per cent, while the annual growth rate of total revenue receipts was only10.10 per cent during the same period.

Second, the growth pattern of the aggregate revenue receipts and fund transfers from the Central are almost similar to each other over the periods. This implies that there is strong correlation between Central transfers and total revenue of the State. This means that the increase or decrease in transfers from the Central to the State is responsible for the corresponding increase or decrease in aggregate revenue of the State. This is indicative of State dependency on the Central and its inability to raise revenue for meeting its necessary expenditure. The State does not have any influence over its aggregate revenue receipts during the study period due to its low contribution.

3.8 PERFORMANCE OF OWN TAX REVENUE RECEIPTS OF SELECTED STATES IN INDIA

In a country like India with a federal structure of governance the constituent States have their own tax jurisdiction defined by the Constitution and the States can decide on their own how much of their taxable capacity[39] they will exploit. Given the taxable capacity, a State's actual tax revenue collection will depend, among other things, on the tax effort[40] made, efficiency of the tax collection machinery and the performance of the State economy.

To compare the tax performances of States, the tax-GSDP ratio is often used as the summary measure in India. However, tax-GSDP ratio has certain limitations for some States like special category States. This is mainly because of the fact that the tax revenue of special category States is dominated by Central shared taxes. Thus, tax efforts of the States are better judged from the ratio of own tax revenue to GSDP as it excludes share in Central taxes. The ratio of own tax revenue in GSDP for selected special category States and general category States are presented in table 3.6 and 3.7 respectively. However, the study used data relating to the first six years of the study periods and excluded the remaining periods due to non-availability of data for each State.

[39] Taxable Capacity denotes to which extent government can possibly draw funds from its available resources.
[40] Tax effort denotes to which extent government is actually exploiting its available resources.

Table 3.6: Own Tax Revenue as a Percentage of GSDP for Special Category States

Sl. No	Special Category States (SCS)	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Arunachal Pradesh	2.21	2.29	2.04	2.40	2.32	2.38
2	Assam	5.59	5.41	4.73	5.12	4.20	6.78
3	Tripura	3.15	3.31	3.14	3.26	3.42	3.48
4	Manipur	1.88	2.25	2.17	2.30	2.37	2.92
5	Mizoram	2.02	2.21	2.03	2.07	2.05	2.04
6	Average	2.97	3.09	2.82	3.03	2.87	3.52
7	All States	7.41	7.78	6.88	6.65	6.51	6.95

Source: Fiscal Indicators of the States Submitted along with Book of Estimates for Annual Plan 2014-15 & RBI- A Study of Budgets

.

Table 3.6 shows the performance of selected special category States in term of percentage share of own tax revenue in GSDP. The share of own tax revenue in GSDP for Special Category States have shown a deteriorating trend and fluctuated between 1 per cent and 7 per cent during the reference periods. Among special category States, Assam has occupied the highest position in term of own tax revenue as proportion of GSDP followed by Tripura. Mizoram has witnessed a sharp dip in the percentage share of own tax revenue in GSDP as compared to other special category States in Indian and had always maintained last position all throughout the years except the year 2005-06, Manipur has occupied the last position. This clearly reveals the fact that Mizoram has lower revenue raising power as compared to other special category States.

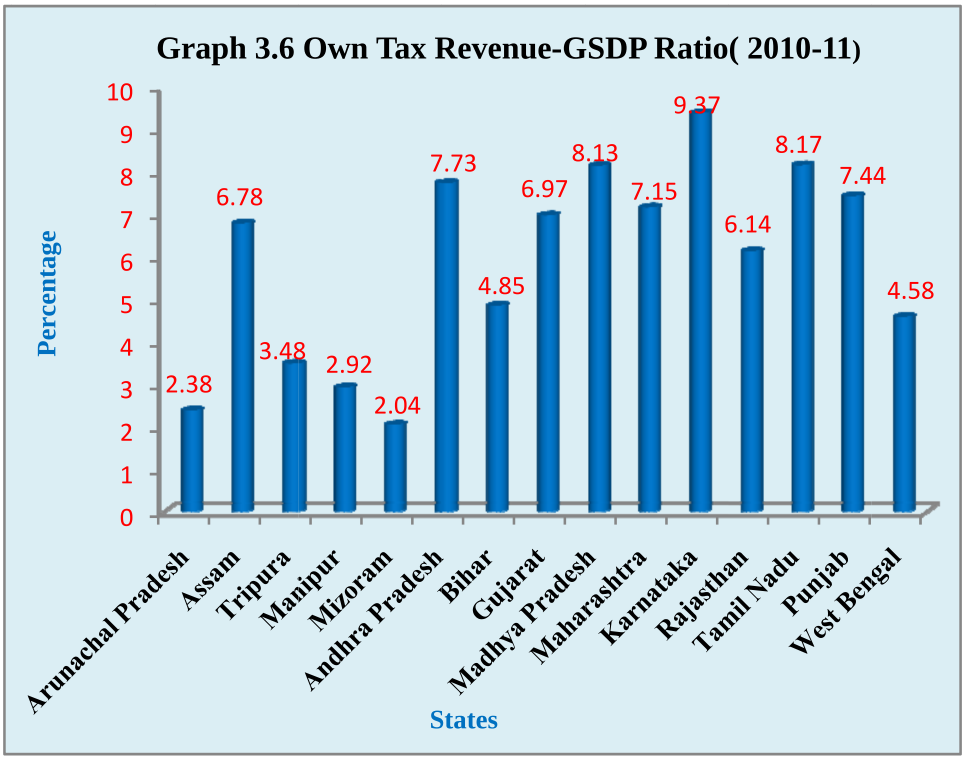
On the average, the percentage share of own tax revenue in GSDP for special category States is much lower than the all India average. For instance, in 2005-06, the average percentage share of own tax revenue in GSDP for Special Category State was just 2.97 per cent, while it was 7.41 per cent at the all India level. It would be very difficult to identify the main factor responsible for low percentage share of own tax revenue in GSDP for special category States. However, one of the major structural problems faced by special category States in tax revenues has been the extremely narrow tax base which forces them to experience a relatively low percentage share of tax revenue in GSDP as compared to non-special category States.

Table 3.7 Own Tax Revenue as a Percentage of GSDP for General Category States

Sl.No	General Category States (GCS)	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Andhra Pradesh	8.01	8.63	7.89	7.82	7.38	7.73
2	Bihar	4.49	4.05	4.47	4.34	4.97	4.85
3	Gujarat	7.00	7.03	6.65	6.40	6.20	6.97
4	Madhya Pradesh	7.75	7.87	7.44	6.90	7.59	8.13
5	Maharashtra	7.64	8.91	6.94	6.90	6.91	7.15
6	Karnataka	10.14	11.32	9.60	8.91	9.06	9.37
7	Rajasthan	7.68	7.57	6.81	6.47	6.17	6.14
8	Tamil Nadu	9.93	10.03	8.44	8.39	7.62	8.17
9	Punjab	8.27	7.44	6.50	6.41	6.10	7.44
10	West Bengal	4.53	4.16	4.38	4.22	4.24	4.58
11	Average	7.5	7.7	6.9	6.7	6.6	7.5
12	All States	7.41	7.78	6.88	6.65	6.51	6.95

Source: Fiscal Indicators of the States submitted along with Book of Estimates for Annual Plan 2014-15 & RBI- A Study of Budgets.

It is obvious from table 3.7 that the performance of general category States is far better than that of special category States. The share of own tax revenue in GSDP for special category States fluctuated between 1 per cent to 7 per cent during the period of 2005-06 to 2010-11, while that of non-special category States was of the order of 4 per cent to 12 per cent for the same period. This reflects the weakness of special category States' ability in rising tax revenue as compared to non-special category States. Among the non-special category States, Karnataka had occupied the first position throughout all the selected years followed by Tamil Nadu. Bihar and West Bengal were always the last among the general category States. On an average, the performance of general category States has been better than the All India average in all the selected years. For instance, in 2005-06, the average percentage share of own tax revenue in GSDP for general category States was just 7.51 per cent, while it was 7.41 per cent at the all India level. On the whole, the performance of selected general category States compared to special category States was quite satisfactory. A careful perusal of the data reveals that share of own tax revenue in GSDP for general category States was above 6.5 per cent all throughout the years, while that of special category States was below 4 per cent. The ratio of own tax revenue-GSDP for the year 2010-11 is presented in graph 3.7 below.



Source: Fiscal Indicators of the States submitted along with Book of Estimates for Annual Plan 2014-15 & RBI- A Study of Budgets

.

4.1 INTRODUCTION

As economy grows, the role and functions of the State Government also grow both in terms of more extensive coverage and in terms of intensity, which in turn, increase the activities of the State government. Increasing activities or functions of the State government involve rising expenditures as naturally, the States have to spend increasing amounts for satisfying collective wants. Spending is not possible without managing equal amount of receipts and hence, the government has to raise public revenue to meet corresponding public expenditure. Taxation is an important instrument to raise domestic revenue without creating any liability or obligations.

In this chapter, attempts have been given to examine trends and compositions of own tax revenue receipts of the State of Mizoram in some detail with the intention of bringing out the relative importance of own tax revenue as an important source of government income. It focuses on the compositions and trends of State's own tax revenue and gives the details of all the necessary fiscal variables. The performance and sources of components of State's own tax revenue like taxes on income and expenditure, taxes on property and capital transactions and taxes on commodities and services are examined. Computations and comparisons of buoyancy and annual growth rates are also attempted.

4.2 OWN TAX REVENUE RECEIPTS AS A RATIO OF STATE'S OWN REVENU RECEIPT

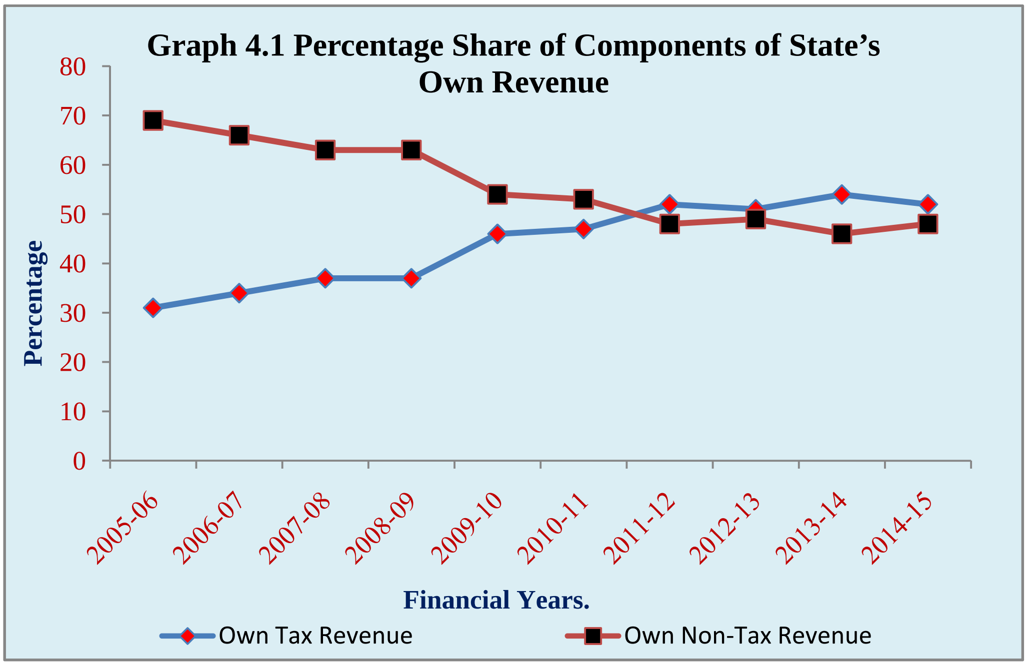
State's own revenue can be classified into two main groups: State's own tax revenue and State's own non-tax revenue. State's own tax revenues are those funds raised by the State government by way of taxation. It is imposed, collected and used by the State governments. Own non-tax revenue of the State, on the other hand, is revenue mobilized by the State governments other than taxes. Table 4.1 gives the trends of own tax revenue and own non-tax revenue of the State, while graph 4.1 gives percentage share of own tax revenue and own non-tax revenue in State's own revenue.

Table 4.1 Percentage Share of Components of State's Own Revenue Receipts

(₹ in crore)

Years	State's Own Revenue			
	OTR		ONTR	
	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)
2005-06	55.06	31	120.09	69
2006-07	67.62	34	133.38	66
2007-08	77.52	37	130.30	63
2008-09	94.62	37	158.67	63
2009-10	107.58	46	126.50	54
2010-11	130.08	47	146.71	53
2011-12	178.67	52	168.03	48
2012-13	223.15	51	212.08	49
2013-14	229.78	54	194.26	46
2014-15	266.53	52	241.96	48

Source: Annual Financial Statement, Finance Department, Government of Mizoram



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

As can be seen in table 4.1, both tax revenue and non-tax revenue has been increasing in absolute term during the study periods. However, the percentage share of components of State's own revenue receipts (tax revenue and non-tax revenue) underwent a significant change over the years. While the percentage share of own tax revenue is increasing, the corresponding decrease in percentage share is visible in the case of own non-tax revenue. This highlighted the fact that the performance of State government in collecting tax revenue has been improved steadily in recent years. The share of own tax revenue impressively increased from 31 per cent in 2005-06 to 52 per cent in 2014-15, while non-tax revenue declined from 69 per cent in 2005-06 to a low level of 48 per cent in

2014-15. The increase in the percentage share of own tax revenue can be attributed to the introduction of VAT in 2005 and revision of other tax rates over the years, which increase the contribution of tax revenue in State's own revenue. The decline in the percentage share of own non-tax revenue, on the other hand, is partly because of State government's failure in mobilising resources through various non-tax revenue sources and the continuous increase in the collection of own tax revenue on the others. As can be seen from table 4.1, own non- tax revenue is the main source of State's own revenue till 2010-11, as such, a fall in its relative percentage shares should be given special attention.

4.3 BUOYANCY ESTIMATES OF OWN TAX REVENUE RECEIPT OF MIZORAM

Tax buoyancy can be defined as the ratio of the percentage change in actual tax collections to the percentage change in the tax base gross of changes in the tax system - e.g., changes in tax rates or introduction of a new tax. Buoyancy of taxes could be taken as indicators of overall performance of tax structure of the State. Tax revenue depends upon its base and any possible changes in tax rate. The tax structure determines the extent to which the tax actually covers the designated base. The widest possible tax base for a State level tax would normally be the Gross State Domestic Product (GSDP), since the base of any State level tax would be a part of the GSDP.

Buoyancy coefficient represents the increase in tax revenue on account of not only increases in the tax base (usually GSDP) but also due to discretionary changes. Changes in the tax base or rates of tax are known as ‘discretionary changes’. A tax is said to be buoyant if the coefficient is more than 1 and vice versa. If the tax series is cleaned from discretionary changes, we get, what is known as ‘elasticity’ of the tax with respect to change in tax base (i.e. GSDP) only. However, the adjustment of tax series to be free from discretionary changes was not a simple task. As such, the estimation and detail analysis of tax elasticity was not included within the scope of the present study. Therefore, an attempt has not been made for it. As a practical matter, measures of tax buoyancy tend to vary a lot from year to year. Thus, it is more useful to measure buoyancy over a longer period - perhaps five or ten years at a time. Buoyancies of various components of own tax revenue during the study period is given in table 4.2.

Table 4.2 Estimates of Tax Buoyancy in Mizoram

Items	**Coefficients**
1.Taxes on Income and Expenditure	1.07
2.Taxes on Property and Capital Transactions	1.64
3.Taxes on Commodities and Services	1.32
4.Own Tax Revenue	1.31

Source: Annual Financial Statement, Finance Department, Government of Mizoram

The estimates of buoyancy of own tax revenue, and its major components for the period 2005-06 to 2014-15 can be found in table 4.2. It is evident from the table that the regression coefficient for taxes on income and expenditure, though more than unity, was the lowest among the various components of State's own tax revenue. It happens to be 1.07, which indicates that every unit increase in GSDP is associated with more than one unit increase in taxes on income and expenditure. The buoyancy estimate for taxes on property and capital transaction was the highest, and almost touch two units (1.64) indicating a stronger positive link between GSDP and the specific base for these taxes. The buoyancy estimates for taxes on commodities and services and own tax revenue as a whole are almost same and have been assigned a buoyancy coefficient of 1.32 and 1.31 respectively.

The overall conclusion is that the estimates of tax buoyancy for own tax revenue and its components are positively significant and are more than unity during the study period. From these results it can be comprehend that, on the average, a one percent increase in GSDP accompanies with more than one percent increase in State's own tax revenue and its various components. Further, it can be understood that the average propensity to tax (ratio of OTR to GSDP) was increasing with the increase in GSDP. Thus, in order to improve the tax collection of the State, increasing tax rates and broadening tax base is a must.

4.4 TRENDS AND COMPOSITIONS OF OWN TAX REVENUE OF THE STATE

The State's own tax revenue can be categorized under three heads: Taxes on income and expenditure, Taxes on property and capital transactions and Taxes on commodities and services. Each of these tax categories is further broken down into sub-categories as follows: (i) Taxes on income and expenditure which include taxes on professions, trades, callings and employment. (ii) Taxes on property and capital transaction which include land revenues and stamps and registration fees; (iii) Taxes commodities and services which include a variety of taxes like; VAT, state excise, motor vehicle taxes, passenger taxes, etc.

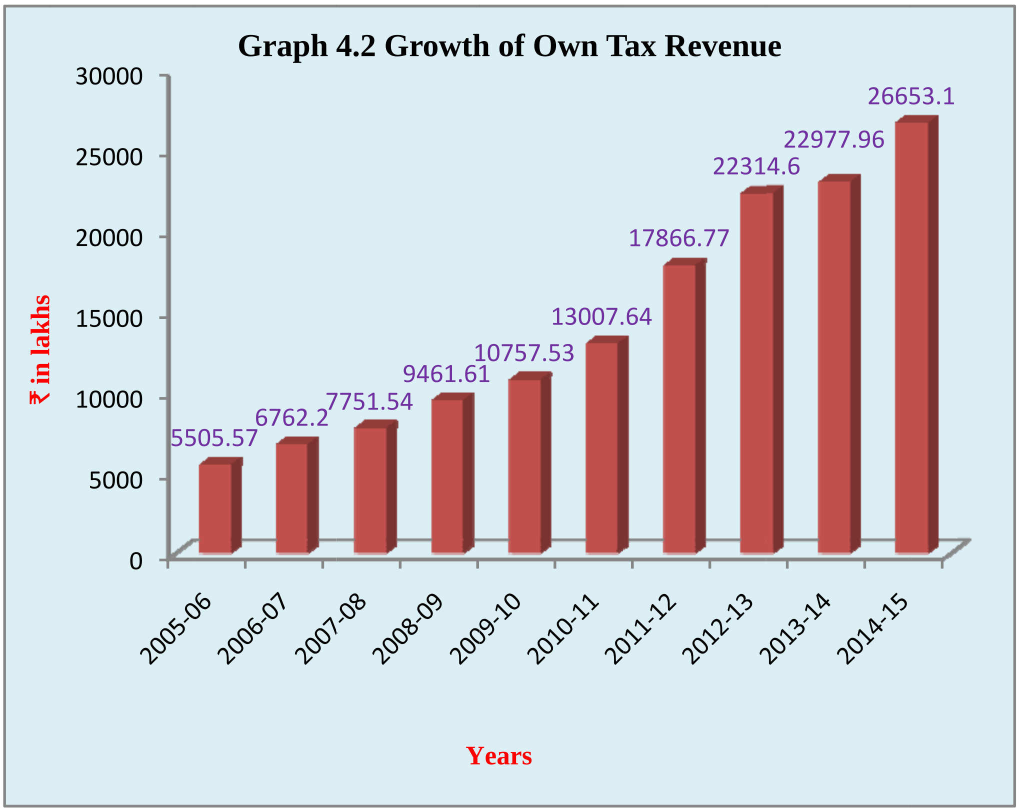
Table 4.3: Trends and Composition of Own Tax Revenue of Mizoram

(₹ in lakhs)

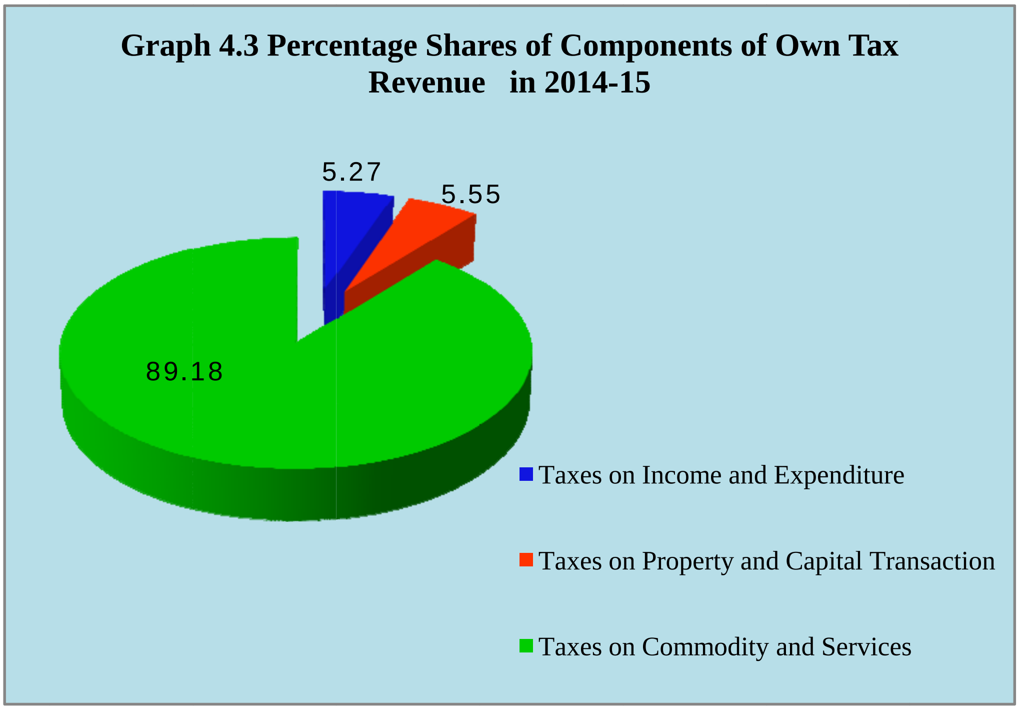
Years	Taxes on Income & Expenditure		Taxes on Property and Capital Transaction		Taxes on Commodities and Services		Total Own Tax Revenue
	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)	
2005-06	452.81	8.22	176.16	3.20	4876.6	88.58	5505.57
2006-07	499.95	7.39	93.61	1.38	6168.64	91.52	6762.20
2007-08	532.28	6.87	171.04	2.21	7048.22	90.93	7751.54
2008-09	592.86	6.27	209.07	2.21	8659.68	91.52	9461.61
2009-10	793.03	7.37	314.82	2.93	9649.68	89.70	10757.53
2010-11	839.47	6.45	467.68	3.60	11700.49	89.95	13007.64
2011-12	1186.15	6.64	321.01	1.80	16359.61	91.56	17866.77
2012-13	1368.18	6.13	368.60	1.65	20577.82	92.22	22314.60
2013-14	1473.52	6.41	606.59	2.64	2089785	90.95	22977.96
2014-15	1404.46	5.27	1478.46	5.55	23770.18	89.18	26653.10
CAGR	**16.18**		**25.86**		**19.72**		**19.72**
Buoyancy	**1.07**		**1.64**		**1.32**		**1.31**

*Note: CAGR = Compound Annual Growth Rate

Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

The trend and composition of own tax revenue of Mizoram during the period 2005-06 to 2014-15 is shown in table 4.3 and graph 4.2. Whereas graph 4.3 shows the percentage share of components of own tax revenue in the last one year of the study period. From Table 4.3, it is clear that the total own tax revenue has increased consistently over the study period. It recorded only ₹ 5505.57 lakhs in 2005-06, which was increased to ₹ 26653.10 lakhs in 2014-15, registering an increase of more than four (4.84) times. It has recorded an annual growth rate of 19.72 per cent and buoyancy of more than unity (1.31 per cent) during the study period. From table 4.3, the following broad trends in the changing composition of State's own tax revenue are revealed:

Taxes on income and expenditure have continuously increased with every year except for the last one year. For instance, the amount of revenue collection from Taxes on income and expenditure was of the order of ₹ 452.81 lakhs in 2005-06, this had increased to ₹ 793.03 lakhs in 2009-10 and ₹ 1473.52 lakhs in 2013-14. Although, taxes on income and expenditure has constantly increased in absolute term, yet its relative contribution to total own tax revenue of the State declined consistently over the study period. For instance, the contribution of taxes on income and expenditure in the total own tax revenue was 8.22 per cent in 2005-06, which declined to 5.27 in 2014-15, showing certain variations in term of its contribution in total own tax revenue. This can be attributed to the rising percentage share of taxes on commodities and services in the total own tax revenue. It recorded a compound annual growth rate of 16.18 per cent during the study period, which was the lowest growth rate among the components of own tax revenue. As regard to buoyancy, the recorded coefficient was greater than unity (1.07, which is quite satisfactory.

Taxes on property and capital transaction have been fluctuating up to 2011-12 ranging between ₹ 93.61 lakhs in 2006-07 to ₹ 467.68 lakhs in 2010-11. But from 2011-12 onwards, there has been a steady improvement in revenue receipt from taxes on property and capital transaction. It increased from ₹ 321.01 lakhs in 2011-12 to ₹1478.46 lakhs in 2014-15. On the whole, taxes on property and capital transaction have made an impressive jump from ₹ 93.61 lakhs in 2006-07 to ₹ 1478.46 lakhs in 2014-15, which registered an increase of almost sixteen (15.8) times. The relative contribution of receipt from taxes on property and capital transaction to total own tax revenue was almost negligible, hovering around 2 per cent. However, the performance has been much improved in last one year (2014-15) with the maximum record of 5.55 per cent of the total own tax revenue receipts. Although, taxes on property and capital transaction has contributed only a marginal share in the State's own tax revenue, it performance in term of annual growth rate and buoyancy is unexpectedly quite impressive. The buoyancy estimated for taxes on property and capital transaction was almost two units (1.64), indicating a strong response to change in GSDP. It also recorded the highest annual growth rate of 25.86 per cent per year among the three components of State's own tax revenue.

Revenue receipt from taxes on commodities and services are the main sources of own tax revenue over the study period in Mizoram. It showed a steady increase from ₹4876.6 lakhs in 2005-06 to ₹ 23770.18 lakhs in 2014-15, registering an increase of more than four (4.87) times. Throughout the study period (2005-06 to 2014-15), the average share of taxes on commodities and services was 90.61 per cent of the total own tax revenue of the State, indicating its dominance in terms of contribution to own tax revenue. It relative contribution to own tax revenue of the State almost remained constant. It marginally varied between 89 - 91 per cent over the study period which is quite satisfactory. The estimated buoyancy and annual growth rate of taxes on commodities and services was exactly the same as that of State's own tax revenue during the study period. The similarity between the two can be attributed to the dominance of Taxes on commodities and services over State's own tax revenue, since any sharp increase or decrease in other components did not affect the relative share of taxes on commodities and services in State's own tax revenue.

4.5 TAXES ON INCOME AND EXPENDITURE

Taxes on income and expenditure in Mizoram mainly comprises of Tax on Profession, Calling & Employment, and other receipts. Professional tax is the main contributor of revenue from this source. Since, professional tax is the single most important and dominant factor that determines the amount of taxes on income and expenditure, for simplicity, receipts other than professional tax are possible to leave out of our analysis as they constitute only a small portion of taxes on income and expenditure.

Professional tax is a tax which is levied by the State on the income earned by way of profession, trade, calling or employment. The power to levy professional tax has been given to the States by Clause (2) of Article 276 of the Indian constitution, to make additional resources to revenue of the States. This tax is levied based on slab rates depending on the income of the individual. Although it is not a part of income tax, yet it is just like income tax except for the fact that income tax is collected by the Central government and professional tax is collected by the State government. Accordingly, it is calculated on the basis of income received by salaried people or those engaged in any profession. Anyone earning an income from salary or anyone practicing a profession such as chartered accountant, lawyer, doctor etc. are required to pay this professional tax.

Different States have different rates and methods of collection. When this tax was first introduced in India, the maximum limit on the tax to be collected was ₹ 250 per annum. However this limit was revised in 1998 to ₹ 2500 per annum through an amendment of the constitution. For the past few years, State Governments have been requesting the Parliament to raise this ceiling from ₹ 2500 to ₹ 7500. However, their request has not been accepted and the maximum amount of Professional tax that can be levied by any States is ₹ 2500 only till today.

In Mizoram, the levy and collection of tax on professions, trades, callings and employment is governed by the *Mizoram Professions, Trades, Callings and Employments Taxation Act*, 1995. The Act extent to the whole of Mizoram excluding three Autonomous District Councils namely: Lai Autonomous District Council, Mara Autonomous District Council and Chakma Autonomous District Council. Under the Act, the rates of profession tax for various categories of persons and occupations were clearly defined with the maximum limit of ₹ 2500 per annum. These rates were further revised and increased in 2011 by Department of Taxation, Government of Mizoram. There are about 15 categories of professions which are subject to profession tax. The rates of professional tax for different categories of persons are given table 4.4 below.

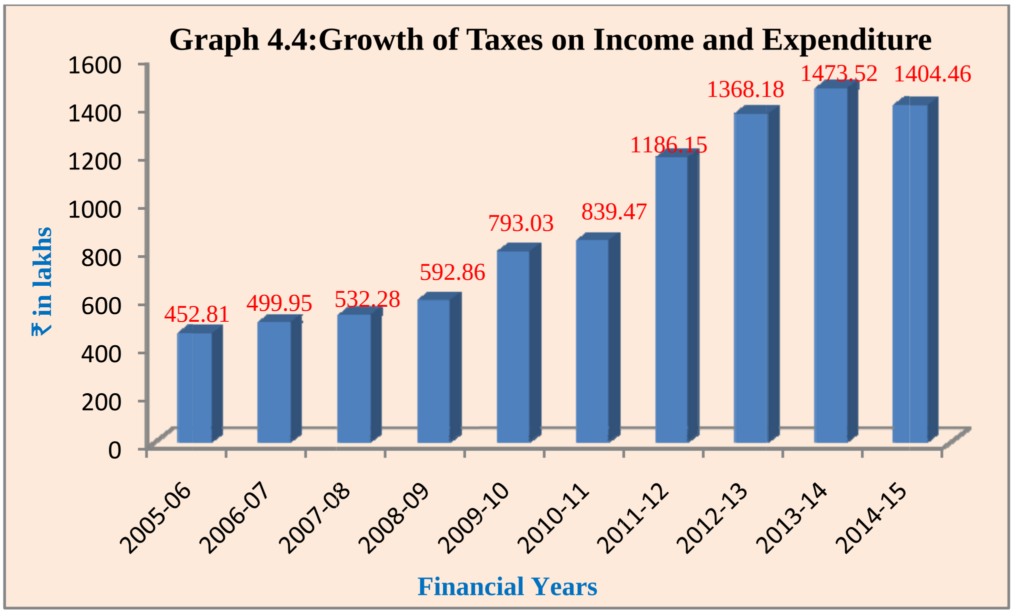
Table 4.4 Rates of Professional Tax in Mizoram

S/No	Categories	Base for taxation/rate
1	Salary and wage earners.	Slab of annual income: No tax on income up to ₹ 10000 per annum. Rate of tax ranges from ₹ 100 to maximum of ₹ 2500 per year.
2	(a) Legal practitioners, solicitors and notary public. (b) Medical practitioners including medical consultants and dentists. (c) Technical professional consultants.	Number of years in profession; rate ranges from ₹ 350 for 3 years or less to ₹ 1000 for 10 years and above in profession.
3	Chief agents, Principal agents, Insurance agents, and Surveyor or Loss assessors registered or licensed under the insurance Act, 1938.	Number of years in profession, but no tax if in profession for 3 years or less. Rate ranges from ₹ 250 for 3-5 years to ₹ 1000 for 10 years and above in profession.
4	(a) State agents or Promoters or Brokers or Commission agents or Delcredere agents or mercantile agents (b) Directors (other than nominated by Government) of Companies registered under the Companies Act,1956	₹ 1000 per annum
5	(a) Contractors of description or classes engaged in any works (b) Suppliers of all descriptions engaged in any supply work	0.5% of the total contracted amount subject to maximum of ₹ 2500 per annum.
6	(1) Dealer in goods if sales less than ₹ 20000 per annum	Nil
	(2) Dealer in Goods	0.5% of the gross business in a year subject to a maximum of ₹ 2500 per annum.
7	(1)Owner or lessees of petrol/diesel filling stations and service stations agents and distributors including retail dealers of liquefied petroleum gas.	₹ 1200 per annum
	(2)Mill owners of Rice/Atta/Flour/Oil/ and cottage and tiny units as notified by Government.	₹ 500 per annum
	(3)Owner occupier of distilleries, breweries and bottling plants	₹ 1200 per annum
	(4)Employer of residential hostels below three starred category	₹ 1000 per annum
	(5)Owner of Restaurants/hotels (where food is served)	₹ 500 per annum
8	(a)Video parlours and video rental libraries	₹ 500 per annum
	(b) Cinema houses and theatres	₹ 1500 per annum
	(c) Cold storages	₹ 1000 per annum

9	(a) In respect of auto rickshaws for hire	₹ 250 per annum
	(b) In respect of taxis or LCVs for hire	₹ 300 per annum
	(c) In respect of trucks or buses used hire	₹ 500 per annum
10	Individuals, clubs or associations, organisations or institutions conducting chit funds and lotteries	₹ 1000 per annum
11	Banking companies as defined in the Banking Regulations Act, 1949	₹ 2500 per annum
12.	Companies registered under the Companies Act and engaged in profession, trade or callings	₹25500 per annum
13.	Partnership firms engaged in professions, trade or calling	₹ 2500 per annum
14	Persons other than mention in any professions, trade, calling or employment and in respect of whom notification is issued under section 3 of the Act	Rate as may be notified, subject to a maximum of ₹ 2500 per annum.

Source: ADB, Report of Mizoram Public Resource Management Programme

From table 4.4, we can observe that the revenue from this tax has been less than its potential as a result of low tax base. The income of several potential taxpayers like self employed is not brought into the tax net, indicating the existence of tax exemption. This result in a wider tax gaps: that is the different between what they could collect and what they actually collect. To improve the performance of taxes on income and expenditure, the tax base should be broaden. Besides, the Government has to revise the rate for various taxes frequently. Graph 4.4 presents the growth trends of taxes on income and expenditure.

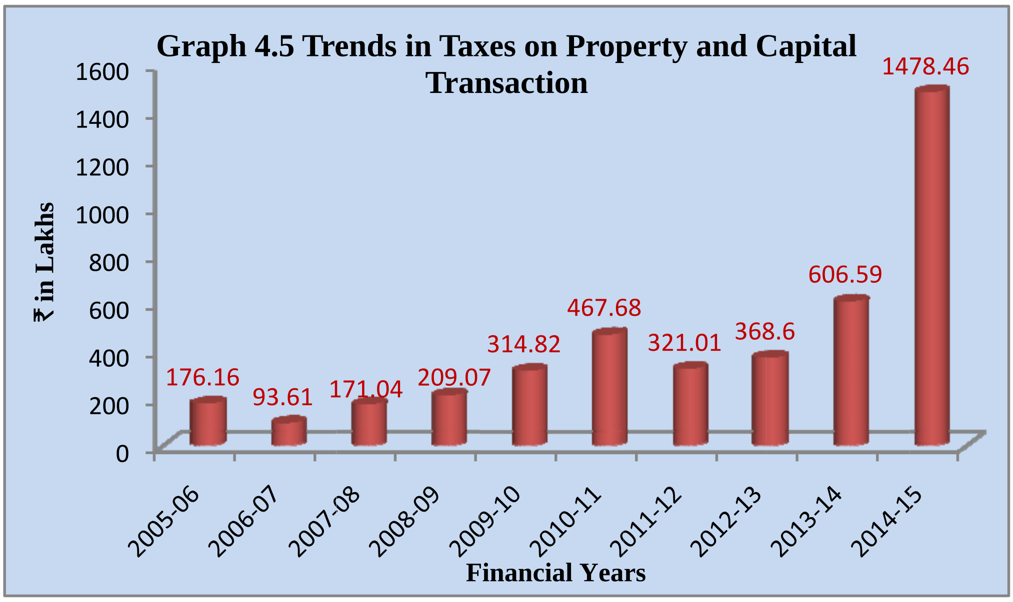


Source: Annual Financial Statement, Finance Department, Government of Mizoram.

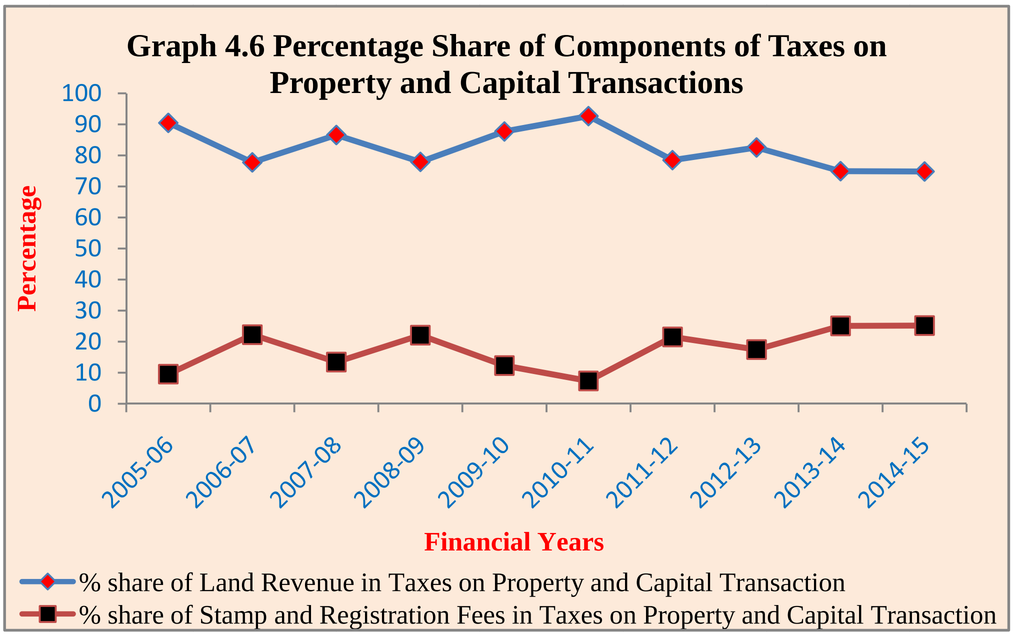
4.6 TAXES ON PROPERTY AND CAPITAL TRANSACTION

The main source of taxes on property and capital transaction in Mizoram comprises of Land Revenue and Stamps and Registration Fees. Surprisingly, the performance of these two sources of revenue is quite impressive despite their little contribution in State's own tax revenue. On the whole, taxes on property and capital transaction have an irregular upward trend. It increased from ₹ 159.38 lakhs in 2005-06 to ₹ 1106.15 lakhs in 2014-15, registering nearly seven times increase during the study period. The maximum yearly increase went to 2014-15 in which the increase was more than two folds over the previous year. The broad trend and composition of Taxes on property and capital transaction is given in table 4.5 below and graph 4.5 shows its growth trends.

Percentage share of components of Taxes on property and capital transaction (i.e. Land revenue and stamps and registration fees) is shown in graph 4.6.



Source: Annual Financial Statement, Finance Department, Government of Mizoram



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

4.6.1 Land Revenue

The levy and collection of Land Revenue in Mizoram is governed by *The Mizoram Taxes on Land, Building and Assessment of Revenue Act*, 2004 and *The Mizoram Taxes on Land, Building and Assessment of Revenue Rules*, 2005. The Act applies to whole of Mizoram excepting areas under the Autonomous District Councils of Chakma, Lai and Mara. The rates of land revenue and its related fees were revised in the year of 2005, 2006, and 2011. Thereafter, the Act was again revised in 2013 and *The Mizoram (Land Revenue) Act*, 2013 became the latest Act amended by the State government.

The following taxes and fees are levied and collected under *The Mizoram (Taxes on Land, Building and Assessment of Revenue) Act*, 2004; (a) Taxes on property that includes Land tax, Building tax and House tax (b) Zoram chhiah or tolls on persons living within the State (c) Tax on farms (d) Taxes on shop, stall or private markets (e) Mutation fees and (f) Fees on transfer of ownership of property. The Department of Land Revenue and Settlement is responsible for levying and collecting these taxes and fees. The tax base for this tax in Mizoram includes all recorded land whether it is a Pass or Sites or Land Settlement Certificate (LSC) and includes agricultural land and non-agricultural land, garden, fish pond and farms.

The tax net also covers all buildings situated on any settle land. Land revenue/taxes payable per annum is assessed according to the rates fixed by the government for each grade of land as shown in the Land Holding Certificate or Patta Document or the new rate/grade as notified in the official gazette. Payment of land revenue exempts a person from payment of house tax if his/her house is situated within the settled land but he/she is not exempted from payment of other taxes assessable within his/her land such as stall tax, shop tax etc.

Table 4.5: Trend and Composition of Taxes on Property and Capital Transaction

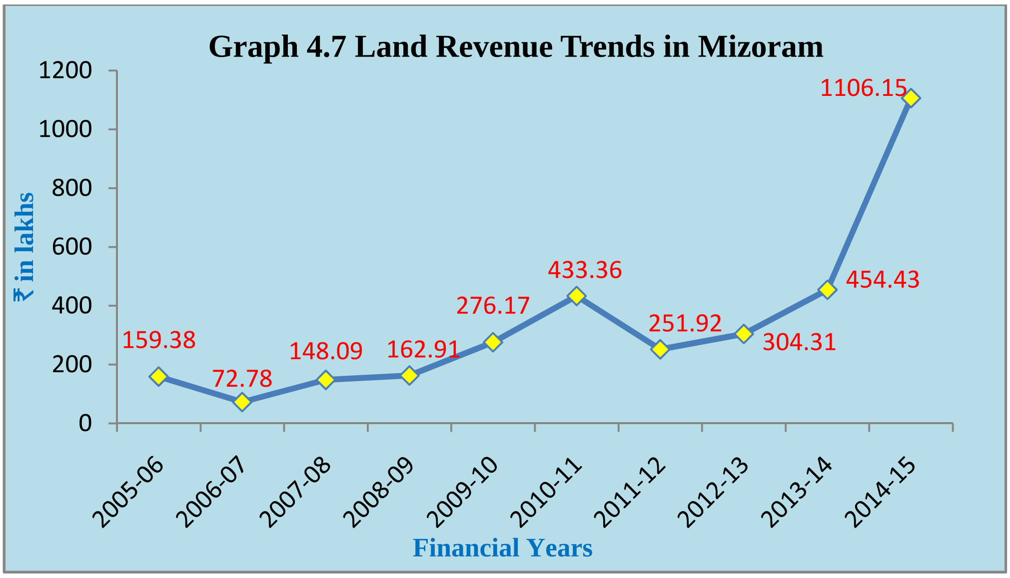
(₹ in lakhs)

Trend and Composition of Taxes on Property and Capital Transaction					
Years	**Land Revenue**		**Stamps and Registration fees**		**Taxes on Property and Capital Transaction**
	Amount (₹)	**Percent (%)**	**Amount (₹)**	**Percent (%)**	
2005-06	159.38	90.47	16.78	9.53	176.16
2006-07	72.78	77.75	20.83	22.25	93.61
2007-08	148.09	86.58	22.95	13.42	171.04
2008-09	162.91	77.92	46.16	22.08	209.07
2009-10	276.17	87.72	38.65	12.28	314.82
2010-11	433.36	92.66	34.32	7.34	467.68
2011-12	251.92	78.48	69.09	21.52	321.01
2012-13	304.31	82.56	64.29	17.44	368.60
2013-14	454.43	74.92	152.16	25.08	606.59
2014-15	1106.15	74.82	372.31	25.18	1478.46
CAGR	**23.37**		**33.64**		**25.86**
Buoyancy	**1.55**		**2.03**		**1.64**

*Note: CAGR = Compound Annual Growth Rate
Source: Annual Financial Statement, Finance Department, Government of Mizoram.

Table 4.5 shows the trends and composition of taxes on property and capital transaction. It clearly reveals that taxes on property and capital transaction consist of land revenue and stamps and registration fees. It can be understood from table 4.5 that land revenue has been fluctuating both in absolute and relative terms. The revenue collected from these sources was ₹159.38 lakhs in 2005-06. In the next year, it sharply declined to ₹ 72.78 lakhs, a fall of ₹ 86.60 lakhs, indicating 54.33 per cent decline in a single year. Again, after touching ₹ 433.36 lakhs in 2010-11, the amount of revenue collected from these sources declined to ₹ 251.92 lakhs in the next year, a decline of ₹181.44 lakhs in just one year. Such wide fluctuations in land revenue collection in certain years were a major factor in the variation of taxes on property and capital transaction. However, after 2011-12, the performance of land revenue has witness a steady increasing trends.

The relative contribution of land revenue to taxes on property and capital transaction also showed certain fluctuations. It has witnessed annual fluctuations till 2012-13, thereafter; it slightly declined over the years. It declined from 82.56 per cent in 2012-13 to 74.82 per cent in 2014-15. It has recorded an annual growth rate of 23.37 per cent per year with buoyancy of more than unity (1.5) during the study period. Graph 4.7 gives the broad trends of land revenue in Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

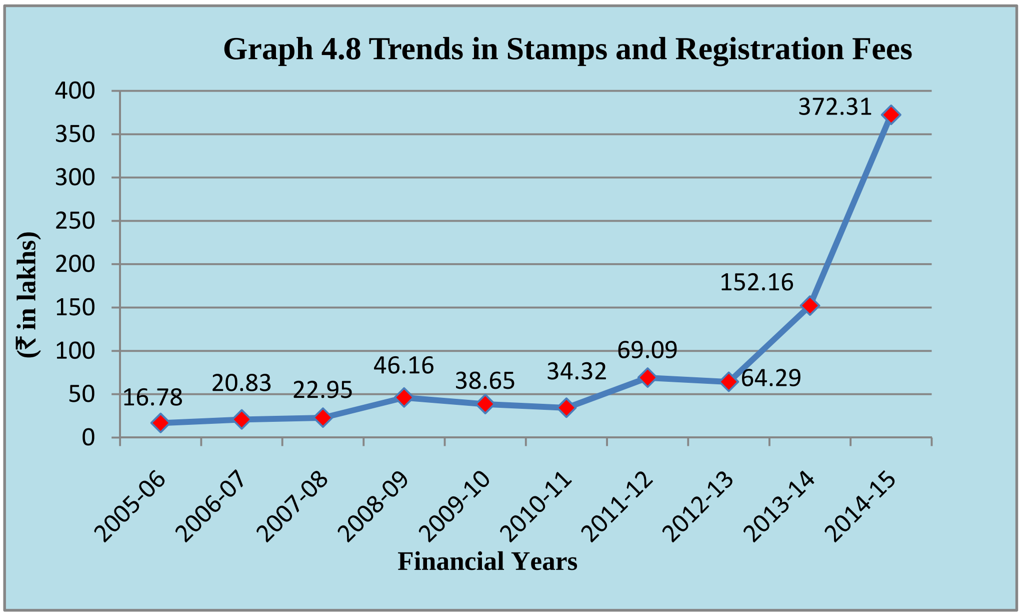
4.6.2 Stamps and Registration Fees

A stamp duty is a tax on the value of instruments used in various business transactions. Within this broad definition of stamp duty, there are two sub-classifications: judicial stamp duties and non- judicial stamp duties. Judicial stamp duties are fees collected from litigants in courts, and are best viewed as court fees. For most States, judicial stamp duties are relatively small in magnitude, although there are some exceptions. Non-judicial duties are typically a one-time charge on the transfers of immovable property; because the charge is a one-time payment whose tax base is the value of the transactions. Stamp duties are imposed under the Indian Stamp Act 1899, as amended several times over the years at the Central government level. The Indian Stamp Act, 1899 is a fiscal statue laying down the law relating to tax levied in the form of stamps on instruments recording transactions and stamp duties on instruments specified in Entry 91 of the Union list. Stamp duties on instruments other than those mentioned in Entry 91 of the Union list above are collected by the States as per Entry 63 of the State list. Under the Indian Stamp Act, 1899, each State has the authority to enact its own stamp duties, so that the specific features of the stamp duties, while broadly similar across the States, also take on State specific characteristics. Stamp duty may be fixed or ad valorem.

In Mizoram the rate of stamp duties on various instruments is governed by *The Indian Stamp Act* 1899, as amended by *The Indian Stamp (Mizoram Amendment) Act,* 1996 and *The Indian Stamp (Mizoram Amendment) Amending Act,* 2007. It was last amended in 2011. Stamp duties contribute an insignificant amount to the revenue of Government of Mizoram. In contrast, a registration fee is a payment made for a specific service provided by the government in recording contracts and deeds, and so is more closely related to a user charge. The government maintains a registry of deeds in return for a fee. The fees for registration of documents (such as Conveyances, bills of sale, deeds of gifts settlements, deeds of mortgages etc.) in Mizoram are charged under *The Indian Registration Act,* 1908. Registration fee is regulated on an ad valorem scale of one percent subject to maximum of Rs. 5000/- to be calculated according to the value of right, title and interest affected.

Data provided in table 4.5 above reveals that revenue collection from Stamps and registration fees indicated a sharp improvement over the study period. It rose from ₹ 16.78 lakhs in 2005-06 to ₹ 372.31 lakhs in 2014-15; registering more than twenty two times increase. It is, however, evident from table 4.5 that the performance of Stamps and registration fees had a sharp improvement only in the last two years. As regard to its relative contribution to taxes on property and capital transaction, Stamps and registration fees has oscillated between a wide range of 7.34 per cent in 2010-11 and 25.18 per cent in 2014-15, indicating wide fluctuation in its contribution to taxes on property and capita transaction. For instance, between the periods of 2005-06, the relative contribution of stamps and registration fees to taxes on property and capital transactions was 9.53 per cent, which increased to 22.25 per cent in 2006-07.But, in the next year, the contribution had sharply declined to 13.42 per cent. Again, in the year 2008-09, the relative contribution of stamps and registration fees touched a high percentage of 22.08, but declined to low level of 7.34 per cent in 2010-11.

One important finding from the analysis is that both the annual growth rate and buoyancy estimates of stamps and registration fees are quite impressive and satisfactory even though their contributions are negligible. It witnessed an annual growth rate of 33.64 per cent per year with buoyancy coefficient of 2.03. On the whole, the growth performance and buoyancy estimates of Land revenue and Stamps and registration fees during the study period can be considered as quite satisfactory despite their little contribution in own tax revenue of the State. Graph 4.8 below gives trends in stamps and registration fees in Mizoram during the study period.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

4.7 TAXES ON COMMODITIES AND SERVICES

Taxes on commodity and services have been the most important sources of own tax revenue for Mizoram government. It consists of : i)State Excise ii) Taxes on sale, Trade, etc. iii) Taxes on Vehicles, iv) Other Taxes on Goods and Passengers, and v) Other Taxes on commodities and services.

Referring to table 4.3 it is clear that among the three groups of State's own tax revenues, taxes on commodities and services contribute bigger share than the other two groups of taxes. It is the largest sources of own tax revenue to the State. It continues to have the highest contribution to State own tax revenue over the study periods ranging between 88 per cent and 92 per cent. Out of the total State's own tax revenue of ₹ 26653.10 lakhs in the fiscal year 2014-15, the revenue from taxes on commodities and services accounted for ₹ 23770.18 lakhs (80% of own tax revenue). Thus, both in relative and absolute term, it dominated own tax revenue of the State. The level and compositions of taxes on commodities and services are presented in table 4.6, while graph 4.9 presents its growth trend.

Table 4.6 Level and Composition of Taxes on Commodities and Services

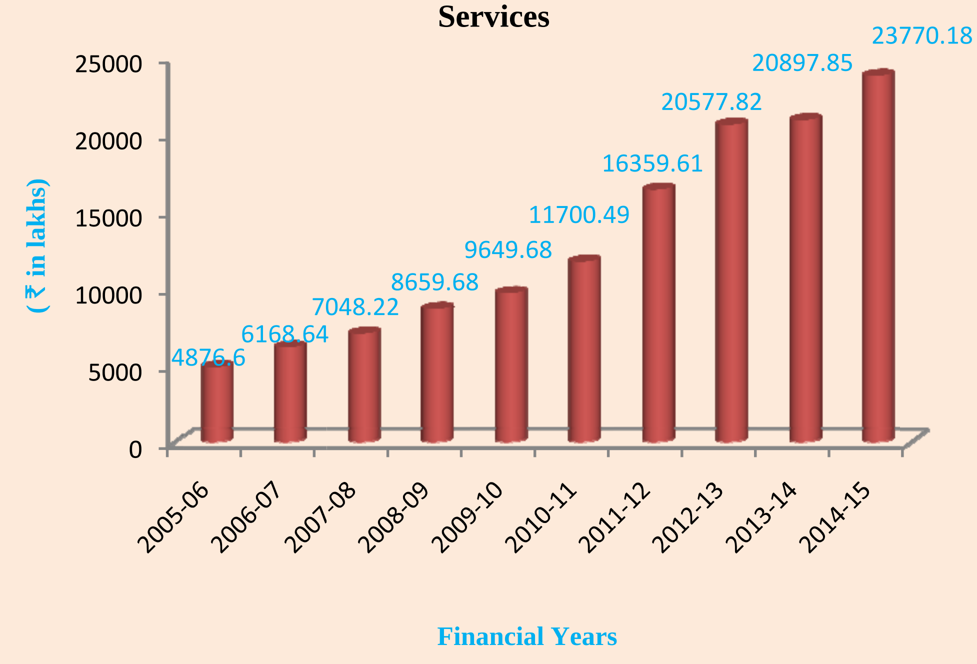
(in percent)

Years	**Compositions of Taxes on Commodities and Services**				
	S.E	TS&T	TV	OTGP	OCS
2005-06	3.00	85.29	8.92	2.04	0.76
2006-07	2.68	87.08	8.13	1.59	0.52
2007-08	2.40	88.02	7.61	1.52	0.45
2008-09	2.16	89.51	6.35	1.66	0.32
2009-10	2.18	89.06	6.95	1.44	0.37
2010-11	2.05	89.48	6.60	1.47	0.40
2011-12	1.41	86.90	10.21	1.25	0.23
2012-13	1.38	85.47	11.10	1.83	0.23
2013-14	1.49	87.73	9.29	1.26	0.23
2014-15	2.07	89.17	7.16	1.08	0.53

Note: S.E = State Excise, TS&T = Taxes on Sale, Trade etc, TV = Taxes on Vehicles OTGP = Other Taxes on Goods and Passengers OCS = Other Taxes and Duties on Commodities and Services

Source: Annual Financial Statement, Finance Department, Government.

Graph 4.9 Growth Trend of Taxes on Commodities and Services



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

From table 4.6, it is clear that sales tax alone has made a remarkable contribution in taxes on commodities and services, constituting an average share of about 80 per cent, while other sources contributed less than 20 per cent. It percentage share has been increasing till 2010-11 from 85.29 % in 2005-06 to 89.48 % in 2010-11. Thereafter, it started falling for two subsequent years and then rise again till the last year of the study period. Thus, it is clear that Sales tax is the main driver of growth in taxes on commodities and services which was followed by taxes on motor vehicles and State excise duties. A detail analysis of the various components of taxes on commodities and services is given in the subsequent sections.

4.7.1 State Excise Duty

Excise taxes are consumption taxes levied on selected goods as an ad valorem tax (as a percentage of the good's value) or a specific tax (at a fixed level, independent of the good's value). Such levies are applied for a variety of reasons, the main one being their ability to raise substantial revenue for government at relatively low administrative costs. The other reason for the imposition of these taxes is to correct for negative externalities arising from the consumption of the taxed products. For instance, the consumption of certain products, like excessive drinking of beer and alcoholic beverages, is harmful not only to the individual, but also to society at large. Therefore, the application of excise tax is thought to be helpful to raise revenue on the one hand and to discourage their consumption on the other. Excise duties are very important as the price elasticities of the excisable goods are relatively low. This coupled with strict administrative controls by tax authorities normally results in substantial tax revenue.

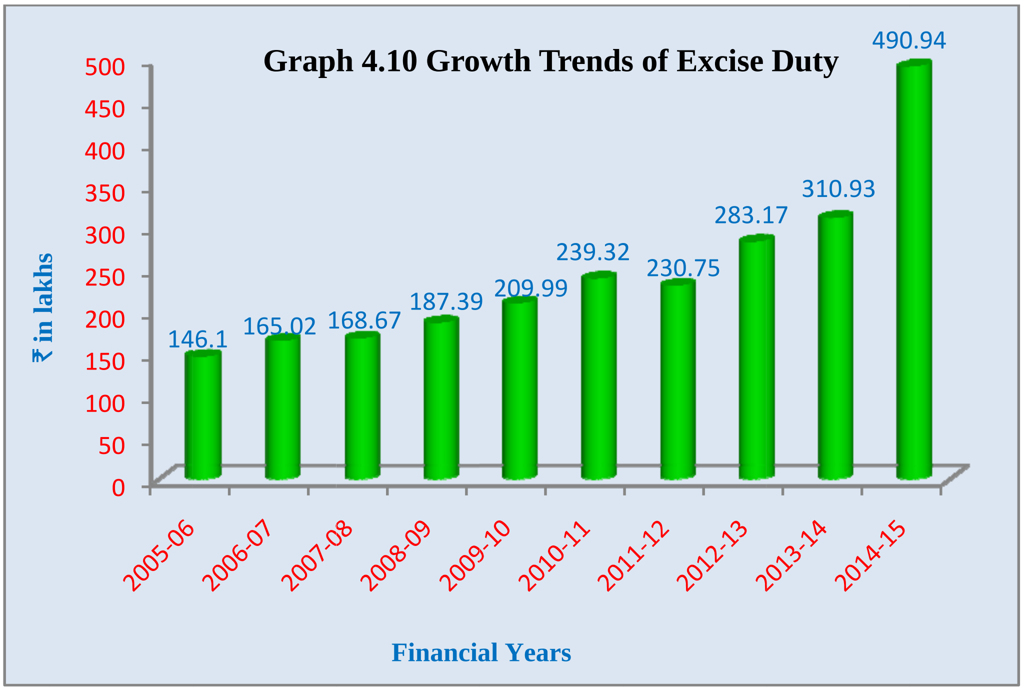
The Central Government has the power to levy excise duty by Entry No.84 of Union List. The rates for various Central Excise duties were governed by *The Central Excise Act*, 1944 and *The Central Excise Tariff Act,* 1985. In recent years, Central Excise duties have been extended to a large number of goods. However, there are certain commodities on which States government impose Excise duties (as for instance, on liquor and drugs). These commodities are exempted from Central excise duties. The power of the State government to levy and collect the State Excise duties is derived from Entry 51 of State list, which give each State the exclusive power to levy and collect Excise duties on alcoholic liquors and narcotics. Thus, Excise duties on small number of goods (on alcoholic liquors and narcotics) other than those mentioned in Entry 84 of the Union list above are collected by the State as per Entry 51 of the State list.

In Mizoram, Excise duties were levied and collected by Excise and Narcotics Department under *The Mizoram Excise Act* 1992 and *Narcotic Drugs and Psychotropic Substances (NDPS) Act* 1985. During the early 1990s, a general sense of need for prohibition of Liquor arose. Prohibition in the State has been supported by Non- Government Organisations in the State like: YMA, MUP, and MHIP on ground that there was increase in domestic violence, crime, accident and poverty with liquor consumption. The GoM, therefore, felt necessary to take stringent measures to fight against alcoholism. *The Mizoram Liquor Total Prohibition Act* 1995, was thus, came into existence to provide for total prohibition of import, transport, manufacture, possession, sale and consumption of liquor in the State. Table 4.7 and graph 4.10 presents the growth performance of Excise duty in the State, while graph 4.11 shows excise duty as a percentage of taxes on commodities and services.

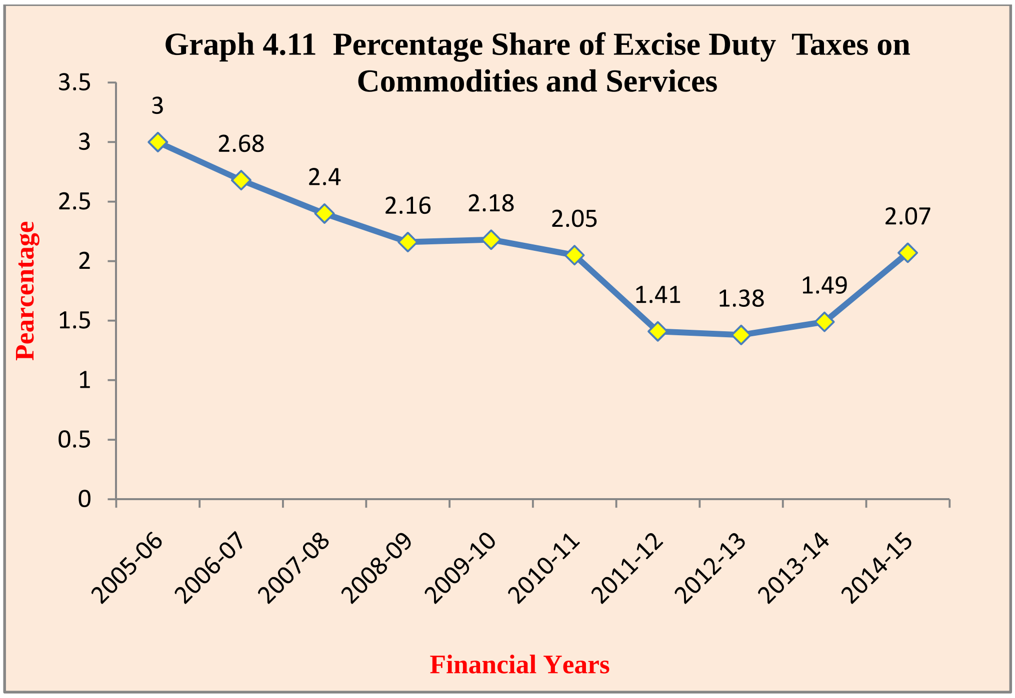
Table 4.7 Growth Trend of Excise Duty.

Years	State Excise Duty (₹ in lakhs)	Percentage Share to Taxes on Commodities and Services
2005-06	146.1	3.00
2006-07	165.02	2.68
2007-08	168.67	2.40
2008-09	187.39	2.16
2009-10	209.99	2.18
2010-11	239.32	2.05
2011-12	230.75	1.41
2012-13	283.17	1.38
2013-14	310.93	1.49
2014-15	490.94	2.07
CAGR	**11.63**	
Buoyancy	**0.8**	

Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram

As can be seen in table 4.7 above, State excise duties is showing an increasing trend during the study period. The total tax receipts from Excise duties have increased by more than three times (3.36) in absolute term. It increased from ₹ 146.1 lakhs in 2005-06 to ₹ 490.94 lakhs in 2014-15. While contribution of the State excise duty in the total taxes on commodities and services have consistently increased in absolute term, the relative contribution had a tendency to fall till 2012-13, from 3.00 per cent in 2005-06 to a low level of 1.38 per cent in 2012-13. Thereafter, it increased slightly over the years. Thus, as a percentage of taxes on commodity and services, the performance of excise taxes has been even worse than in absolute term. However, the decline in the percentage share of excise duty to taxes on commodities and services was only marginal, indicating a slight and gradual increase in the percentage share of others components of taxes on commodities and services. The bad performance of excise taxes in percentage term during the study period can be attributed to the State inability to expand the excise tax base to cover other products, while the relative tax bases of other taxes were expanded to some extent.

4.7.2 Taxes on Sale, Trade, etc.

Sales Tax in India is a form of tax that is imposed by the Government on the sale or purchase of a particular commodity within the country. Sales tax is imposed under both, Central government and State government legislation. Under the Indian Constitution, States have the exclusive power to tax sales and purchases of goods other than newspaper. The Central government, on the other hand has exclusive power to tax sales and purchases of goods in the course of inter-state trade but the proceed of such tax will be collected and retained by the States in which the movement of the goods commences. Generally, each State follows its own sales tax act and levies tax at various rates. Sales tax acts as a major revenue-generator for the various State governments. It is an indirect tax and is charged at the point of purchase or exchange of certain taxable goods. It is usually charged as a percentage of the total value of the product.

From 1st April, 2005, most of the States in India have supplemented sales tax with a new Value Added Tax (VAT).The State of Mizoram also introduced VAT on 1st April 2005, in tandem with other States in India. VAT unlike sales tax is a tax charged at each level of the production and distribution chain whenever the value is added to the product. It is a multipoint tax and is applied within the jurisdiction of the State. The main arguments for shifting to VAT are ;i) It is a neutral tax since it does not influence the organisation of production. ii) It is spread over a large number of firms, instead of being concentrated on a single point in the chain of production as is the case of sales tax. iii) VAT cannot be easily evaded and there is minimum loss of revenue.

The levy and collection of VAT on goods and products in Mizoram is governed by *The Mizoram Value Added Tax Act*, 2005. Under *The Mizoram Value Added Tax Act*, 2005 the various goods and commodities were classified into eight categories when implemented. VAT is then applied as per different schedules and provisions. The various categories along with the revised rates of tax were: *Schedule I*- it includes list of 56 exempted goods. *Schedule II (A)* - it includes four items of zero-rated goods, *Schedule II (B)* - it includes five items of goods taxable at 1%. *Schedule II (C)* - it includes 110 items of goods taxable at 5%. *Schedule II (D)*- it includes all other goods not covered by Schedule I, Schedule II (A), Schedule II (B), Schedule II (C), Schedule

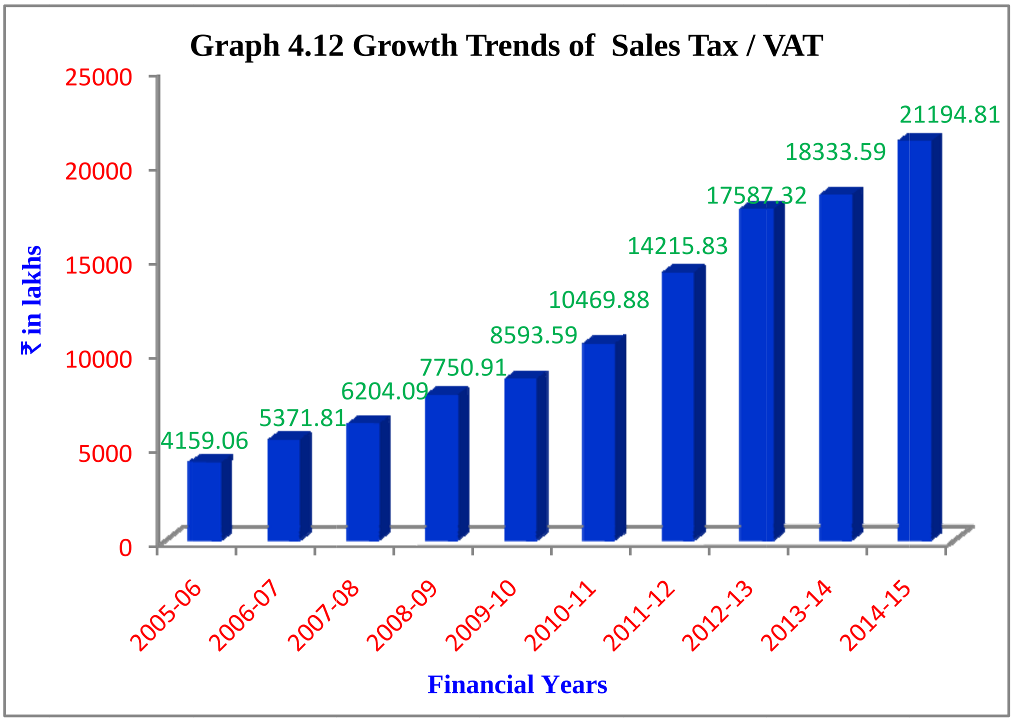
II (D), The goods under Schedule II (D) are taxable at 13.5%. *Schedule II (E)* - it includes goods sold by Canteen Store Department run by Army, Assam Rifles, Para Military Forces, and Project Pushpak stationed in the State of Mizoram. The Rates of Tax range from 5% to 13.5%. *Schedule III* - it includes all kinds of works Contract taxable at 13.5%. *Schedule III (A)* - under this schedule various types of Works Contracts such as; plant and machinery installation, building construction, programming of computer softwares etc. from which certain percentage to be deducted are listed. The percentage of deduction is usually 30%. Besides these, Tax on sale of petroleum and petroleum products is also collected under *The Mizoram (Sale of Petroleum and Petroleum Products, including Motors and Lubricants) Act* 1973.

VAT is currently the most important sources of own tax revenue in Mizoram and their dominance has increased considerably over the years. For instance, during the study period, about 90% of own tax revenue was collected from taxes on commodities and services of which VAT was the core component; constituting more than 80 per cent of taxes on commodities and services. VAT has recorded growth rate of 19.7 per annum which is fourth highest record among the various components of own tax revenue. The growth trend and performance of VAT was showed in table 4.8 and graph 4.12, whereas graph 4.13 shows VAT as a percentage of commodity taxes.

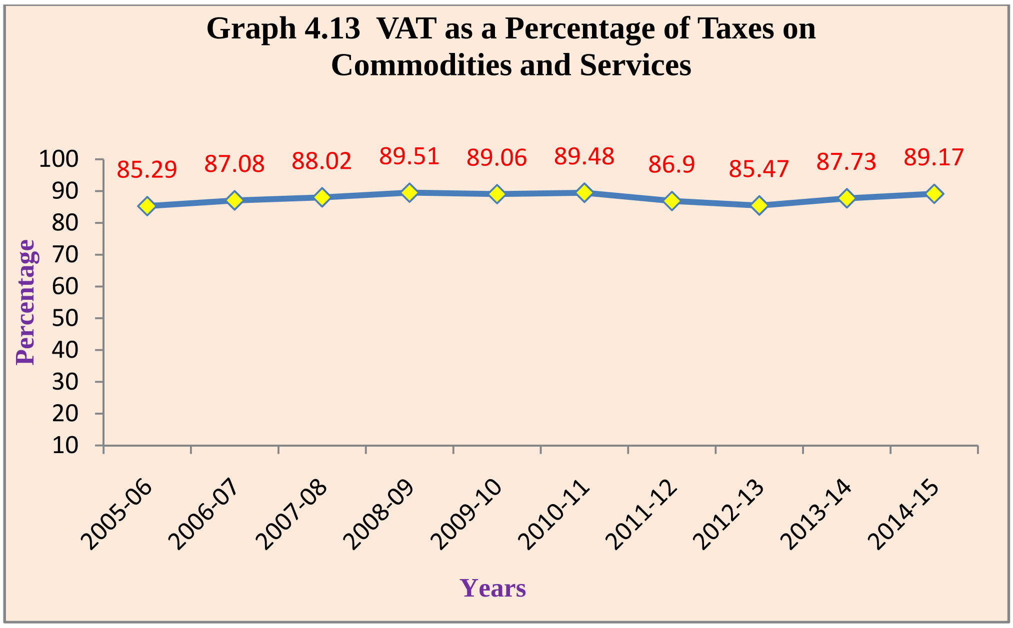
Table 4.8 Growth Trend of Sales Tax/ VAT

Years	Taxes on Sales, Trade, etc.	
	(Amount in ₹)	% share of Total
2005-06	4159.06	85.29
2006-07	5371.81	87.08
2007-08	6204.09	88.02
2008-09	7750.91	89.51
2009-10	8593.59	89.06
2010-11	10469.88	89.48
2011-12	14215.83	86.90
2012-13	17587.32	85.47
2013-14	18333.59	87.73
2014-15	21194.81	89.17
CAGR	**19.7**	
Buoyancy	**1. 33**	

Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

An important fact revealed by table 4.8 is that the collection of revenue from sales tax/VAT has been continuously increasing over the years. For instance, in 2005-06, the revenue collected from taxes on sales, trade, etc. was merely ₹ 4159.06 lakhs, but it went up to ₹ 21194.81 lakhs in 2014-15. However, in relative term, the performance has not shown much improvement and almost remained static. The average percentage share of VAT in total taxes on commodities and services is 88 per cent, showing the dominance of VAT in taxes on commodities and services in relative terms. The dramatic performance of sale tax during the study period can be attributed to the expansion of the tax base to cover more products. Performance has also been increased as a result of the upward adjustment of tax rates.

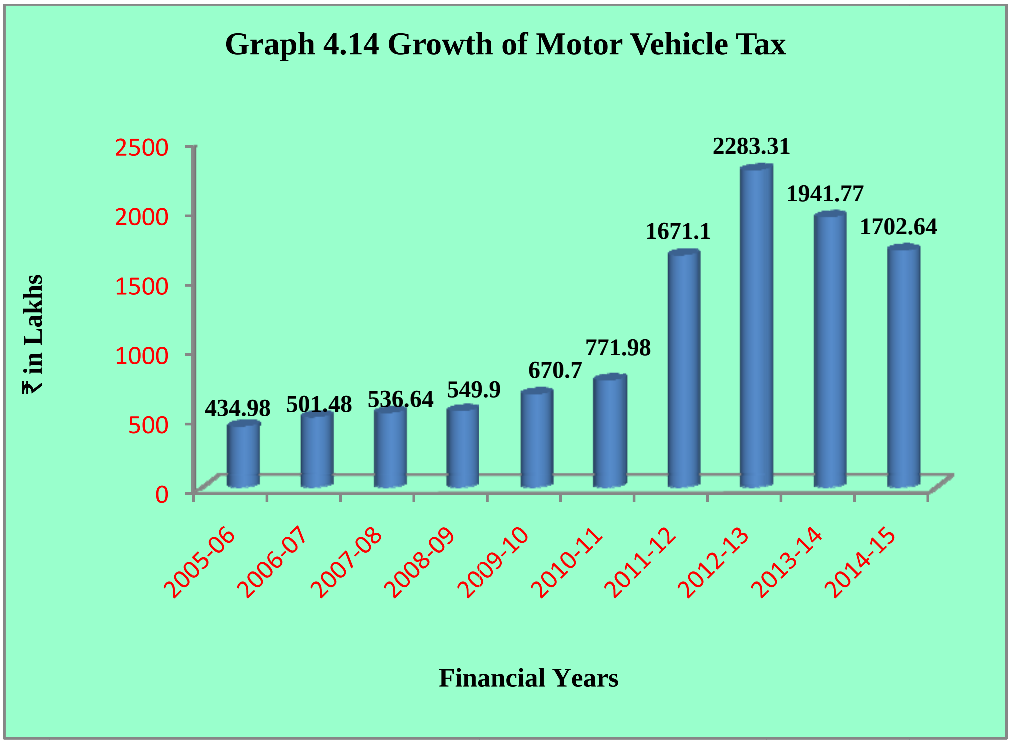
4.7.3 Motor Vehicles Tax

Under the Constitution, the powers of the State government for levy of ‘taxes on vehicles’ whether mechanically propelled or not, suitable for use on roads are derived from entry 57 of list II of Seventh Schedule. In Mizoram, motor vehicle tax is levied under *The Mizoram Vehicle Taxation Act,* 1996 on the registration of vehicles, for obtaining a drivers license, transferring of ownership of vehicles, issuance of trade certificate to the manufacturers and dealers, and on issuance of permits and certificates for the fitness of transport vehicles. Tax rates for motor vehicles vary from state to state depending upon the types of vehicle.

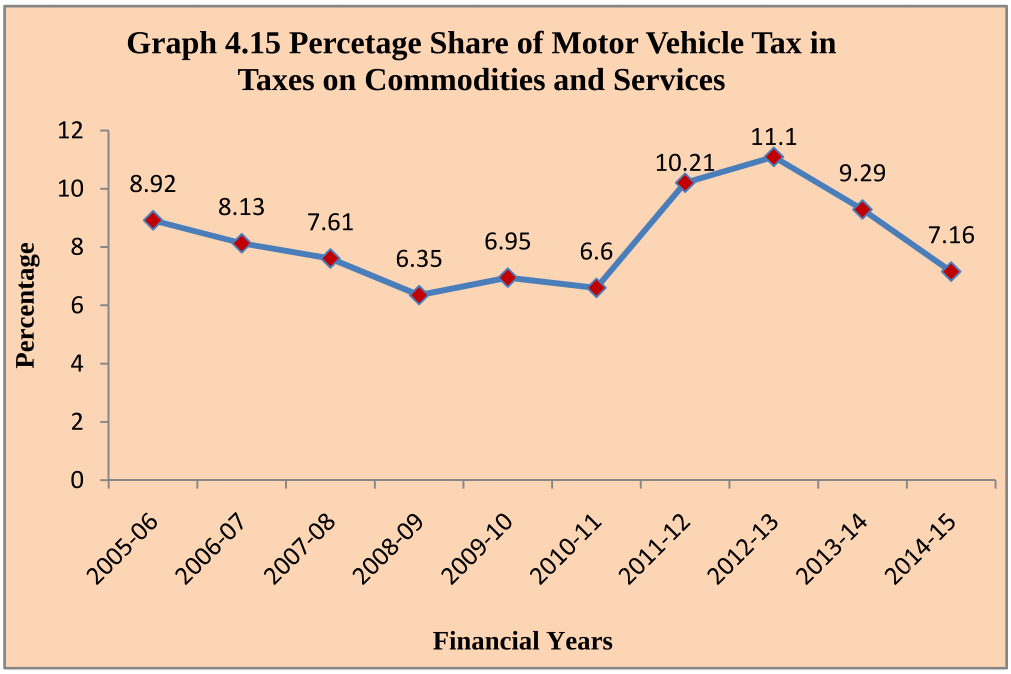
Table 4.9 Growth Trend of Motor Vehicle Tax

Years	Motor Vehicles Tax	
	(Amount in ₹)	**% share to Commodity Tax**
2005-06	434.98	8.92
2006-07	501.48	8.13
2007-08	536.64	7.61
2008-09	549.90	6.35
2009-10	670.70	6.95
2010-11	771.98	6.60
2011-12	1671.10	10.21
2012-13	2283.31	11.10
2013-14	1941.77	9.29
2014-15	1702.64	7.16
CAGR	**21.77**	
Buoyancy	**1.41**	

Source: Annual Financial Statement, Finance Department, Government of Mizoram



Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram

The motor vehicles tax is levied on the following categories of vehicles: (i) two- wheelers with registered laden weight as the basis of the tax: (ii) three- wheelers and four wheelers, including cabs, on the basis of seating capacity (iii) Buses: (iv) Trucks and (v) Others vehicles. The growth trend of motor vehicle tax was shown in table 4.9 and graph 4.14, whereas graph 4.15 present its percentage share in taxes on commodities and services

Table 4.9 shows that the revenue from motor vehicle tax has been increasing steadily over the years. It increased from ₹ 434.98 lakhs in 2005-06 to ₹ 1702.64 lakhs in 2014-15, registering an increase of almost four (3.91) times. However, motor vehicles tax as a ratio of taxes on commodities and services has not shown an increasing trend during the study periods. It has been fluctuating over the years. For instance, in 2005-06, its percentage share in taxes on commodities and services was 8.92 per cent, which sharply declined to 6.35 per cent in 2008-09. Similarly, in the year, 2012-13, it has touched a maximum of 11.10 per cent, which again sharply declined to 7.16 per cent in 2014-15. The reason for this declining trend could be the relative increase in the rates of other taxes and extensive coverage of VAT. The recorded annual growth rate is 21.77 per cent – third highest position among the various components of own tax revenue, with buoyancy of more than unity (1.41).

4.7.4 Other Taxes on Goods and Passengers

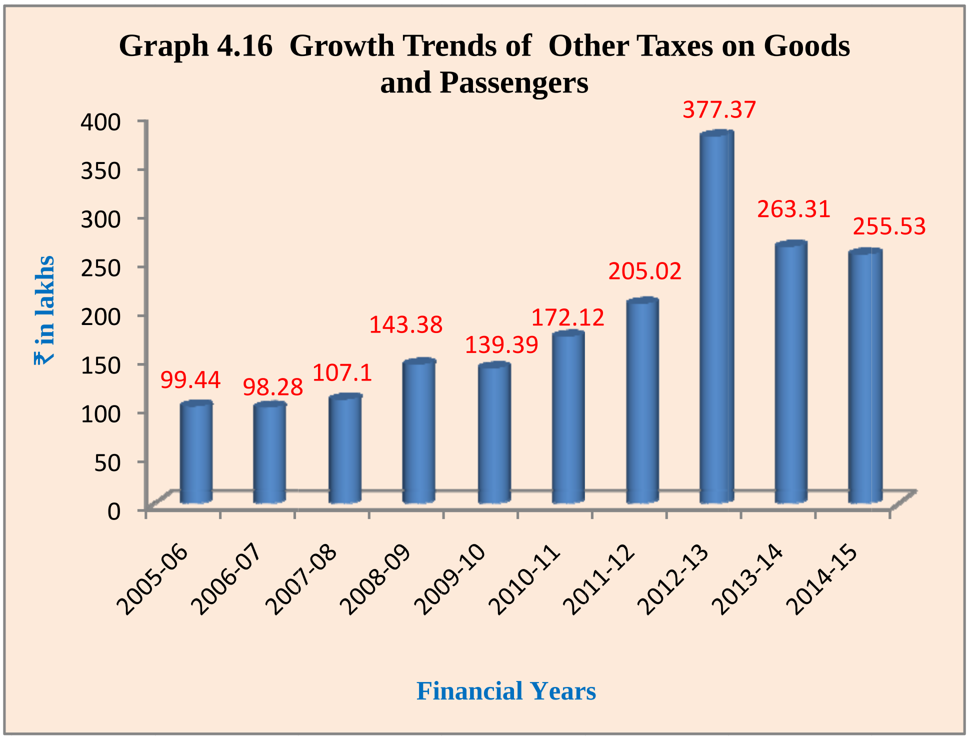
In India, the right to levy taxes on goods and passengers carried by road is conferred on the States by entry 56 of the Seven Schedule of the Indian Constitution. Thus, States have the exclusive power to levy taxes on goods and passengers. Generally, each State follows its own Act and Rules to levy taxes on goods and passengers. Consequently, the rates of this tax are not uniform as between different States. Each State levies taxes on goods and passengers at various rates.

In Mizoram taxes on passengers and goods are collected by the Department of Taxation, Government of Mizoram, under *The Mizoram Passengers and Goods Taxation Act*, 1998. Goods and passengers taxes are levied on the movement of goods and persons from one place to another. In some States, the passengers and goods tax is levied as a percentage of the gross revenues from passenger fares and goods freight of transport companies, but in other, it is levied as a lump sum tax calculated on the basis of the seating capacity of the vehicles and length of the routes. Table 4.10 provides data about growth in taxes on passengers and goods along with its percentage share in the total taxes on commodities and services during the study period. The growth trend and percentage share of taxes on passengers and goods presented in table 4.10 are shown in graph 4.15 and graph 4.16 respectively.

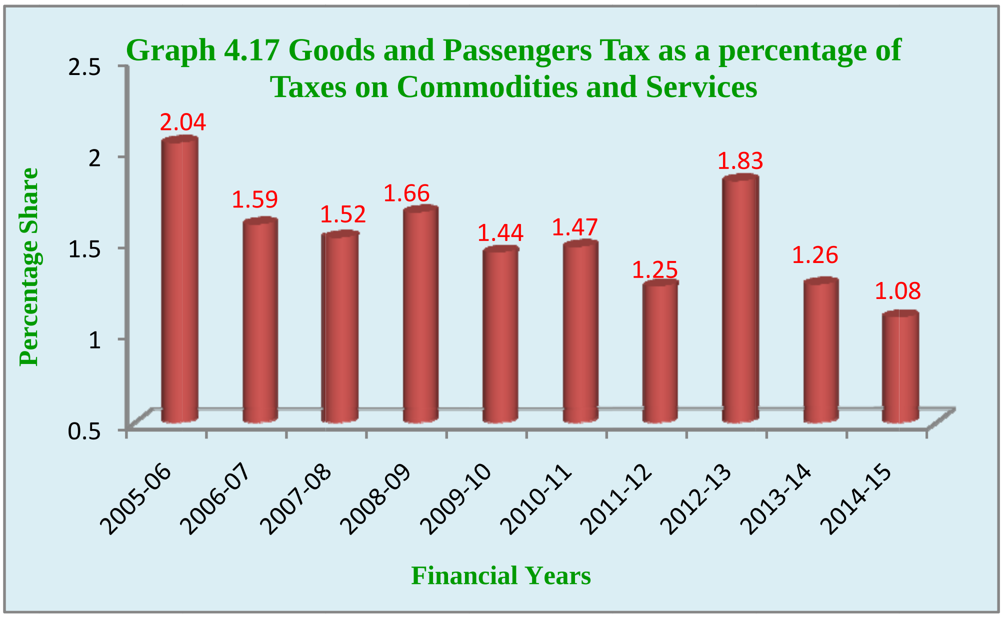
Table 4.10: Growth Trend of Passengers and Goods Tax.

Years	Other Taxes on Passengers and Goods	
	(Amount in ₹)	% share of Total
2005-06	99.44	2.04
2006-07	98.28	1.59
2007-08	107.1	1.52
2008-09	143.38	1.66
2009-10	139.39	1.44
2010-11	172.12	1.47
2011-12	205.02	1.25
2012-13	377.37	1.83
2013-14	263.31	1.26
2014-15	255.53	1.08
CAGR	**14.91**	
Buoyancy	**1**	

Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram.

It is evident from table 4.10 that passengers and goods tax has been continuously increasing over the study periods. It increased from ₹ 99.44 lakhs in 2005-06 to ₹ 255.53 lakhs in 2014-15, registering an increase of more than two times (2.57) during the study period. However, in term of relative share to total taxes on commodity and services, the passengers and goods tax has almost remained static around 1.5 per cent over the years. It remained below 2 per cent all throughout the years except 2005-06. This situation reflects two noticeable points: i) there has not been much improvement in the administration of passengers and goods tax, ii) there has been increase in the relative contribution of other taxes like VAT. It has recorded compound annual growth rate of 14.91 per cent with buoyancy of unity.

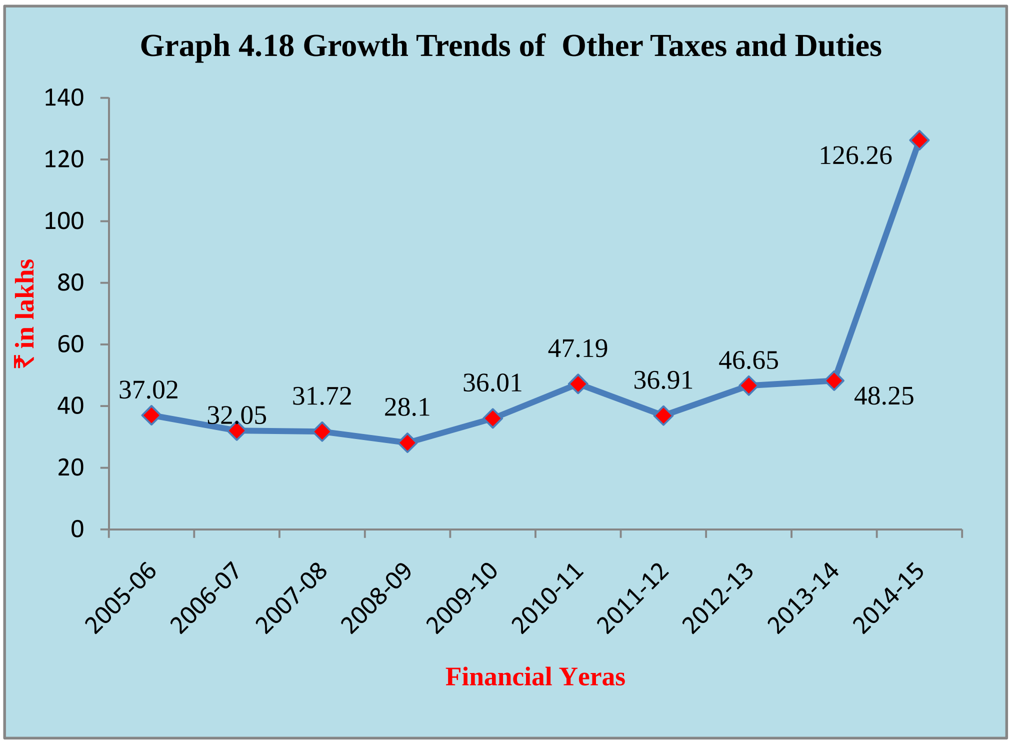
4.7.5 Other Taxes and Duties on Commodities and Service

Other taxes and duties on commodities and services in Mizoram include entertainment tax, betting tax, foreign travel tax, and Inland Air travel tax. Revenue from these sources has contributed only marginal shares in total taxes on commodities and services and followed a declining trend. The main contributor of these sources of taxes was the entertainment tax. *The Assam Amusement and Betting Tax Act*, 1939 was operative in Mizoram for levy and collection of entertainment tax. The performance of revenue from these sources of taxes depends on economic development of the State to a large extent.

Table 4.11 Trends of Other Taxes on Commodities and Services

Years	Other Taxes on Commodities and Services (₹ in lakhs)	Percentage Share to Taxes on Commodities and Services (Per cent)
2005-06	37.02	0.76
2006-07	32.05	0.52
2007-08	31.72	0.45
2008-09	28.10	0.32
2009-10	36.01	0.37
2010-11	47.19	0.40
2011-12	36.91	0.23
2012-13	46.65	0.23
2013-14	48.25	0.23
2014-15	126.26	0.53
CAGR	**10.8**	
Buoyancy	**0.7**	

Source: Annual Financial Statement, Finance Department, Government of Mizoram.



Source: Annual Financial Statement, Finance Department, Government of Mizoram

Table 4.11 reveals that revenue collected from other taxes on commodities and services, though little compared to other sources of taxes, have shown slight improvement after 2009-10. In the last fiscal year (i.e.2014-15), there was a dramatic increase in the revenue collection from other taxes and duties on commodities and services from ₹ 48.25 lakhs in 2013-14 to ₹ 126.26 lakhs in 2014-15, registering an increase of almost three (2.6) times just in one year. However, this increase has not shot up its percentage share in taxes on commodities and services. The recorded compound annual growth rate is 10.8 per cent, which is the lowest record among the various components of own tax revenue. It has recorded buoyancy coefficient of 0.7. Both the recorded compound annual growth rate and buoyancy coefficient of other taxes and duties on commodities and services are quite unsatisfactory, indicating that other taxes and duties on commodities and services was very unproductive.

Another important feature that needs special attention is that the percentage share of revenue from this source in taxes on commodities and services has practically remained static and has always remained below 1 percent. The low percentage share of revenue from this source can be attributed to narrow tax base and the introduction of VAT in 2005. With the introduction of VAT, sales tax revenue increased so rapidly that other sources of taxes could not increase their share of contribution in total own tax revenue receipts in spite of increase in their absolute terms.

MAJOR FINDINGS

1. Own tax revenue of the State has consistently increased over the study period. It recorded only ₹ 5505.57 lakhs in 2005-06, which increased to ₹ 26653.10 lakhs in 2014-15, registering an increase of more than four (4.84) times. It has recorded a compound annual growth rate of 19.72 per cent per annum, while the yearly growth rate had witnessed wide fluctuations and varied between 2.97 per cent in 2013-14 and 39.16 per cent in 2005-06. The increase in own tax revenue collection can be attributed to various measures undertaken by the State government like: Introduction of *The Mizoram Value Added Tax Act (VAT)* on 1st April, 2005; Upward revision of profession tax rates in 2011-12 for all classes of categories of persons within its bracket; *The Amendment of Indian Stamp (Mizoram) Act*, 1996 in the year 2007; Revision of rates in respect of LPG, Motor Spirit, and High Speed Diesel (HSD); Property taxes have also been levied and collected. (*Objective No. 1)*

2. As a ratio of State's own revenue receipts, own tax revenue has increased consistently from 31 per cent in 2005-06 to 52 per cent in 2014 -15, while the corresponding decrease in percentage share is visible in the case of own non-tax revenue. Own non- tax revenue declined from 69 per cent in 2005-06 to a low level of 48 per cent in 2014-15. The increase in the percentage share of own tax revenue can be attributed to

the introduction of VAT in 2005 and revision of other tax rates over the years, which rapidly increased the contribution of tax revenue in State's own revenue receipts. The decline in the percentage share of own non-tax revenue, on the other hand, is partly because of State government's failure in mobilising resources through various non-tax revenue sources and the continuous increase in the collection of own tax revenue on the others. (*Objective No. 1)*

3. Own tax revenue as a percentage of total revenue receipts showed only a slight increase, almost remain static over the study period. It increased from 3.33 per cent in 2005-06 to 4.84 per cent in 2014-15. It has recorded an increase of less than 2 per cent within a period of ten years. Meanwhile, the performance of own non-tax revenue as a percentage of total revenue receipts had worsen and showed a declining trend up to 2009-10. Thereafter, it has witnessed an annual fluctuation throughout the remaining years. It declined from 7.26 per cent in 2005-06 to 4.27 in 2009-10, registering a decrease of more than three per cent. On the whole, the share of State's own revenue (tax and non-tax revenue) in total revenue receipts has remained more or less constant, hovering around 9 per cent throughout the study periods. The highest record being 10.59 per cent in 2005-06 and lowest was 7.9 per cent in 2009-10. Since, State's own revenue constituted only a negligible share (i.e. hovering around 9 %) in the total revenue receipts, it is clear that

lion's share (more than 90 %) of the revenue receipts of the State is from grant-in-aid and share in Central taxes and duties. This is indicative of State high dependency on the Central government. (*Objective No.2)*

4. The share of own tax revenue in GSDP (OTR-GSDP ratio) for Special Category States have shown a deteriorating trend and fluctuated between 1 per cent and 7 per cent during the study periods. As a proportion of own tax revenue to GSDP, Assam has occupied the highest position among special category States, followed by Tripura. Mizoram had always maintained last position all throughout the years except 2005-06 in which Manipur has recorded 1.88 per cent which is lower than Mizoram record of 2.02 per cent. The average own tax revenue-GSDP ratio (OTR-GSDP ratio) for special category State is much lower than the all India average all throughout the years. For instance, the average own tax revenue-GSDP ratio for special category States in 2005-06 is 2.97 per cent which is much lower than the all India average of 7.41 per cent during the same period. This reflects the weakness of special category States' ability in raising tax revenue as compared to general category States. Among the general category States, Karnataka occupied the first position throughout all the selected years followed by Tamil Nadu. On an average, the performances of General Category States in term of own tax revenue to GSDP (OTR-GSDP ratio) ratio has been better than the all India average. OTR-GSDP

ratio for general category States was above 6.5 per cent all throughout the years, while that of special category States was below 4 per cent. Mizoram has never touched a record of more than 2.5 per cent over the years. The highest record being 2.21 per cent in 2006-07, which was not even half of the lowest record of Karnataka (lowest record of Karnataka was 8.91 % in 2008-09). *(Objective No.3).*

5. The growth performance of the State economy in term of GSDP has been increasing continuously over the years. As on 2005-06, GSDP of the State amounted to only ₹ 297115 lakhs, but the amount persistently increased to ₹ 980500 lakhs in 2014-15.With the increase in GSDP, own tax revenue of the State also increase and has witnessed an increasing trends over the years. It increased from ₹ 5505.57 lakhs in 2005-06 to ₹ 26653.10 lakhs in 2014-15, registering a growth rate of 19.72 per cent per annum. The estimate of buoyancy for own tax revenue is 1.31 which implies that own tax revenue is positively significant and more than unity during the study periods. From these results it can be comprehend that one per cent increase in State income (Gross State Domestic Product) accompanies with more than one percent increase in State's own tax revenue. Further it can be understood that the average propensity to tax was increasing with the increase in GSDP during the study periods. (*This placates to our Hypothesis that there is significant relationship between own tax revenue and GSDP).*

6. Taxes on income and expenditure have constantly increased in absolute term from ₹ 452.81 lakhs in 2005-06 to ₹ 1404.46 lakhs in 2014-15. However, the relative contribution of taxes on income and expenditure to total own tax revenue of the State declined consistently over the study periods. For instance, its contribution in the total own tax revenue was 8.22 per cent in 2005-06, which declined to 5.27 per cent in 2014-15. Taxes on property and capital transaction have been fluctuating up to 2011-12, ranging between ₹ 93.61 lakhs in 2006-07 and ₹ 467.68 lakhs in 2010-11. But from 2011-12 onwards, there has been a steady improvement. Taxes on Commodities and Services showed a steady increase from ₹ 4876.6 lakhs in 2005-06 to ₹ 23770.18 lakhs in 2014-15, registering an increase of more than four (4.87) times. (*Objective No. 1)*

7. There has been a steady increase in fund transfers from the Central to the State both in absolute and relative terms, which may be taken as an increasing dependency of the State on the Centre. However, it could signify an improvement of State initiatives to some extent. This is because of the fact that transfers from Planning Commission and Finance Commission are formula based and depend on various factors like population, per-capita income of a State, tax effort , index of infrastructure, fiscal discipline etc. For formula based transfers, the States can possibly make some efforts to achieve financial and other outcomes that could raise its share in the total resources.

8. The yearly growth patterns of own revenue receipts and total revenue receipts of the State are not similar to each other over the study periods. This implies that with an improvement in the growth rate of State's own revenue, there is no corresponding improvement in total revenue receipts of the State and vice versa. For example, the annual growth rate of State's own revenue receipts has made an impressive jump from negative growth rate of -7.58 per cent in 2009-10 to 18.24 per cent in 2010-11, registering an increase of more than 26 per cent just in one year. But, the annual growth rate of total revenue receipts was just 11.70 per cent which increased to 13.88 per cent during the same period, registering an increase of only about 2 per cent in one year. Likewise, in 2005-06 the State' own revenue receipts has witnessed a maximum growth rate of 52.08 per cent, while the annual growth rate of total revenue receipts was only10.10 per cent during the same period. This clearly reveals that State's own revenue did not have any correlation with total revenue receipts of the State.

9. The yearly growth pattern of the aggregate revenue receipts and fund transfers from the Central are almost similar to each other over the periods. This implies that there is strong correlation between Central transfers and total revenue of the State. For instances, the yearly growth rate of transfers from the Central to the State was 19.58 %, 13.50%, 5.58% and 15.25% in 2006-07, 2010-11, 2013-14 and 2014-15

respectively, while that of the corresponding total revenue receipts was 19.06, 13.88%, 5.03% and 15.66% during the same periods. This clearly shows that the yearly growth rate of revenue receipts of the State highly depends on the Central transfers. This means that the increase or decrease in transfers from the Central to the State is responsible for the corresponding increase or decrease in aggregate revenue receipts of the State. This is indicative of State dependency on the Central transfers and its inability to raise revenue for meeting its necessary expenditure. The State does not have any influence over its aggregate revenue receipts during the study periods due to its low contribution. (*Objective No.2)*

10. Revenue receipt from taxes on commodities and services are the main sources of own tax revenue over the study period in Mizoram. Throughout the study period (2005-06 to 2014-15), the average share of taxes on commodities and services was 90.61 per cent of the total own tax revenue of the State, indicating its dominance in terms of contribution to own tax revenue. It relative share almost remained constant and varied marginally between 89 - 91 per cent over the study period which is quite satisfactory. It showed a steady increase from ₹ 4876.6 lakhs in 2005-06 to ₹ 23770.18 lakhs in 2014-15, registering an increase of more than four (4.87) times.

11. One important finding from the analysis is that both the annual growth rate and buoyancy estimates of stamps and registration fees are quite impressive and satisfactory despite their marginal contributions (below 1 per cent except the last one year – (i.e 2014-15) in State's own tax revenue. It witnessed an annual growth rate of 33.64 per cent per annum with buoyancy coefficient of 2.03. Both compound annual growth rate and buoyancy estimates of stamps and registration fees are the highest records among the various components of State's own tax revenue.

12. Most of the components of State's own tax revenue are buoyant except State excise and other taxes and duties on goods and services; which recorded buoyancy estimates of 0.79 and 0.7 respectively. This indicates that State excise and other taxes on goods and services are more unproductive than other sources of State own tax revenue during the study periods despite their increase in absolute terms. The bad performance of excise taxes in percentage term during the study period can be attributed to the State inability to expand the excise tax base to cover other products, while the relative tax bases of other taxes like sales tax , were expanded to some extent.

13. Land revenue has been fluctuating both in absolute and relative terms. The revenue collected from these sources was ₹ 159.38 lakhs in 2005-06**.** In the next year it sharply declined to ₹ 72.78 lakhs,(a fall of ₹ 86.60 lakhs), indicating 54.33 per cent decline in a single year. Again, after touching ₹ 433.36 lakhs in 2010-11, the amount of revenue collected from these sources declined to ₹ 251.92 lakhs in the next year, a decline of ₹ 181.44 lakhs in just one year. Such wide fluctuations in land revenue collection in certain years were a major factor in the variation of taxes on property and capital transaction during the study periods. However, after 2011-12, the performance of Land revenue has witnessed steady increasing trends. The relative contribution of land revenue to taxes on property and capital transaction also showed certain fluctuations. It has witnessed annual fluctuations till 2012-13, thereafter; it slightly declined over the year. It declined from 82.56 per cent in 2012-13 to 74.82 per cent in 2014-15. It has recorded an annual growth rate of 23.37 per cent per year with buoyancy of more than unity (1.5) over the periods. The main reason for the fluctuations in revenue collection from land revenue can be attributed to weak tax administration and people ignorance about paying tax.

14. Revenue collection from Stamps and Registration Fees indicated a sharp improvement over the study period. It rose from ₹ 16.78 lakhs in 2005-06 to ₹ 372.31 lakhs in 2014-15; registering more

than twenty two times increase. It is, however, evident from the analysis that the performance of Stamps and registration fees had a sharp improvement only in the last two years. As regard to its relative contribution to taxes on property and capital transaction, Stamps and Registration Fees has oscillated between a wide range of 7.34 per cent in 2010-11 and 25.18 per cent in 2014-15, indicating wide fluctuations in its contribution to taxes on property and capita transaction. For instance, between the periods of 2005-06, the relative contribution of stamps and registration fees to taxes on property and capital transactions was 9.53 per cent, which increased to 22.25 per cent in 2006-07.But, in the next year, the contribution had sharply declined to 13.42 per cent. Again, in the year 2008-09, the relative contribution of stamps and registration fees touched a high percentage of 22.08, but declined to low level of 7.34 per cent in 2010-11.

15. State Excise duties is showing an increasing trend during the study periods. The total tax receipts from Excise duties have increased by more than three times (3.36) in absolute term. It increased from ₹ 146.1 lakhs in 2005-06 to ₹ 490.94 lakhs in 2014-15. While contribution of the State Excise Duty in taxes on commodities and services have consistently increased in absolute term, the relative contribution had a tendency to fall till 2012-13, from 3.00 per cent in 2005-06 to a low level of 1.38 per cent in 2012-13. Thereafter, it increased slightly. Thus,

as a percentage of taxes on commodity and services, the performance of excise taxes has been even worse than in absolute term. However, the decline in the percentage share of excise duty to taxes on commodities and services was only marginal; indicating a slight and gradual increase in the percentage share of others components of taxes on commodities and services. The bad performance of excise taxes in percentage term during the study periods can be attributed to the State's inability to expand the excise tax base to cover other products, while the relative tax bases of other taxes were expanded to some extent.

16. The collection of revenue from sales tax/VAT has been continuously increasing over the years. For instance, in 2005-06, the revenue collected from taxes on sales, trade, etc. was merely ₹ 4159.06 lakhs, but it went up to ₹ 21194.81 lakhs in 2014-15. However, in relative term, the performance has not shown much improvement and almost remained static. The average percentage share of Sales tax/ VAT in total taxes on commodities and services is 88 per cent, showing the dominance of sales tax/ VAT in taxes on commodities and services in relative terms. The dramatic performance of sale tax during the study periods can be attributed to the expansion of the tax base to cover other products. Performance has also been increased as a result of the introduction of VAT in 2005 and the upward adjustment of tax rates.

17. The revenue from motor vehicle tax has been increasing steadily over the years. It increased from ₹ 434.98 lakhs in 2005-06 to ₹ 1702.64 lakhs in 2014-15, registering an increase of almost four (3.91) times. However, motor vehicles tax as a ratio of taxes on commodities and services has not shown an increasing trend during the study periods. It has been fluctuating over the years. For instance, in 2005-06, its percentage share in taxes on commodities and services was 8.92 per cent, which sharply declined to 6.35 per cent in 2008-09. Similarly, in the year, 2012-13, it has touched a maximum of 11.10 per cent, which again sharply declined to 7.16 per cent in 2014-15. The reason for this declining trend could be the relative increase in the rates of other taxes and extensive coverage of VAT. The recorded annual growth rate is -21.77 per cent with buoyancy of more than unity 1.41.

18. Passengers and Goods tax has been continuously increasing over the study periods. It increased from ₹ 51.41 lakhs in 2000-01 to ₹ 139.39 lakhs in 2009-10, registering an increase of more than two times (2.73) during the study period. However, in term of percentage share to total taxes on commodity and services, the passengers and goods tax has witnessed declining trends. It declined from 5.20 per cent in 2000-01 to 1.44 per cent in 2009-10. This indicates the declining contribution of revenue collection from taxes on passengers and goods during the study periods. This situation reflects two noticeable points: i) there has not

been much improvement in the administration of passengers and goods tax ii) there has been increase in the relative contribution of other taxes like VAT. It has recorded compound annual growth rate of 14.91 per cent with buoyancy of unity.

19. The revenue collected from other taxes on commodities and services, though little compared to other sources of taxes, have shown slight improvement after 2009-10. In the last fiscal year (i.e.2014-15), there was a dramatic increase in the revenue collection from other taxes on commodities and services from ₹ 48.25 lakhs in 2013-14 to ₹ 126.26 lakhs in 2014-15, registering an increase of almost three (2.6) times just in one year. However, this increase has not shot up its percentage share in taxes on commodities and services. An important feature that needs special attention is that the percentage share of revenue from this source in taxes on commodities and services has practically remained static and has always been below 1 percent. The recorded compound annual growth rate of 10.8 per cent and buoyancy of 0.7 indicated that other taxes on commodities and services was very unproductive. The low percentage share of revenue from this source can be attributed to the introduction of VAT in 2005. With the introduction of VAT, sales tax revenue increased so rapidly that other sources of taxes could not increase their share of contribution in total own tax revenue receipts in spite of increase in their absolute terms.

SUGGESSTED MEASURES

There has been some progress in the performance of Own tax revenue of the State. However, this was only the beginning and considerable distance in reforming the tax system was yet to be covered. The suggested measures, in some cases, may violate the norms of equity. But considering the revenue need and low rate of growth of tax revenue in the State, measures for raising the productivity of the taxes may be held as more urgent than the consideration for equity. Following suggestions were thought to be helpful in improving the tax system of the State:

1. Strengthening Tax Administration: Although, State's own tax revenue as a whole has increased consistently, yet sharp fluctuations in some components (e.g., land revenue and stamps and registration fees) were seen during the study period implying that there are certain underlying factors of instability in the mode of collection of revenue. This is indicative of systematic weakness and a sub-optimal resource mobilization within the State. Strengthening tax administration is thus a prerequisite conditions for improving the performance of own tax revenue in the State. This may be in the form of more staff, training, reduction of cost of collection, efficient system of tax collection, etc. These measures were needed to remove wide fluctuations in revenue collection to pave ways for optimum internal resource mobilization.

2. Broadening the Tax Base: On the basis of the econometric analysis, most of the components of State's own tax revenue are buoyant except State excise and other taxes and duties on goods and services; indicating that the tax system as a whole was buoyant. In such case, the productivity of tax or tax yield can be improved by broadening the tax base and increasing tax rates. Tax base can be increased by extending existing taxes and introduction of new taxes. There is more scope for extending existing taxes to new activities. For example, under professional taxes number of self employed persons can be included. Likewise, the coverage of VAT can also be increased as there is a long list of exempted goods. Broadening the tax base by extending existing taxes will increase efficiency of the tax system and hence higher tax yield will be the obvious result.

3. *Introduction of new taxes:* Tax base can also be increase by introduction of new taxes. The main shortcoming of State's tax structure has been its over-dependence on a small number of sources of tax revenue. The tax structure is still limited while there are scopes for widening the tax base like toll tax, entry taxes, property taxes, environmental taxes etc. Broadening the tax base by introduction of new taxes will not only increase revenue collection of the State, but can also generate surpluses in the revenue account which can reduce the borrowing requirements of the Sate.

4. Upward revision of existing tax rates: High rate of taxes may lead to tax evasion and violate the norms of equity. However certain tax rates in the State are lower than those in other States. In order to augment revenue potential of the State, tax rates which are lower than the neighbouring States should be increased. For example; POL tax rate imposed by Government of Mizoram is low as compared to neighbouring States. Besides increasing the tax rate on POL items, it is a high time to have an upward revision of existing tax rate like entertainment tax, stamp and registration fees etc.

5. Upward revision of land revenue and related fees: Land revenue rate and other associated rates/fees should periodically revised by linking the rate with some land price indices of a particular locality/area of municipality. Land revenue rates for unproductive purpose and non-residence should be progressive tax based. This will increase the revenue of the State government on the one hand and will protect the acquisition of land for unproductive purpose and non-residence since holding of land would now be a burden as land revenue rates is progressive unless if a particular land is used efficiently and effectively.

6. Removal of Professional Tax ceiling: Professional tax ceiling presently in fixed at ₹ 2500 per annum. Profession tax may be handed to State Government and ceiling on it may be removed from those who do not pay income tax. This will call for Constitutional amendments i.e. Article 276 clause 2 of the India Constitution needs to be amended. There is consensus about removal or raising the upper limit of professional tax among the States and request also had been made for the past few years to raise the limit of professional tax. The State governments, therefore have to urge vehemently the Centre to suitably amend Article 270 of the Indian Constitution as the income of professionals had increased manifold after 1998

7. Revision of VAT List and Its Rates: Revision of VAT list is the need of an hour since there is a long list of exempted goods. Number of goods which presently are exempted from being taxed should be brought under tax net. Besides, the tax rates for certain goods need to be revised e.g., some goods under 5 percent may be put under 13.5 percent. Since, VAT is the main source of tax revenue for the State, revision of VAT list and its rate will ensure higher growth rate of own tax revenue in the State.

8. Simplifying Tax System; Simplifying the tax system encourages voluntary compliance. Simple taxation law that can be understood and comprehended by even illiterate persons should be developed. The payment method should be simple and easy for the taxpayers. Simple channel and easy payment methods can increase the level of voluntary payments. Simplifications of tax laws, removal of loopholes in the tax system and proper processing of information can be best tool for improving the State tax system. There is a need for creating transparent, friendlier and less discriminatory administrative system. Further there is also a need to educate the people about tax laws and create such an environment in which they pay their due taxes, do not evade the tax and feel proud in discharging their duty to pay the taxes.

9. Modernisation and Use of Electronic Channel: To improve the efficiency and reduce costs of collection, modernisation and digitisation of the tax administration is the need of an hour. One way to improve efficiency in digital tax and revenue collection is to make the online process easier for the tax payers. This will reduced the administration burden on the taxpayers, promote voluntary compliance, reduce costs of collection, reduce time consuming for taxpayers, improve auditing process and lead to easy payment method. Introduction of electronic channels such as internet facilities, mobile-payment options, therefore, is necessary to achieve tax system which generates revenue on a sustained basis.

CONCLUSION

In conclusion, it could be stated that there is ample opportunities to improve revenue collection from own tax revenue by increasing the efficiencies of the existing State tax system. Since, State's responsibilities and functions have been increasing over the years, it utmost important for the State Government to generate larger amount domestic revenue to enhance its capacity to carry out its various developments works and reduce over dependency on Central transfers.

Aamir, Muhammad, et.al (2011), 'Determinants of Tax Revenue: A Comparative Study of Direct Taxes and Indirect Taxes of Pakistan and India', *International Journal of Business and Social Science,* Vol. 2, No. 19 (October), pp. 173-178.

Acharya, Shakar (2005), 'Thirty years of Tax Reform in India', *Economic and Political Weekly*, Vol. 40, No. 20 (May).

Ajaz, Tahseen & Ahmad Eatzaz (2010), 'The Effect of Corruption and Governance on Tax Revenue', *The Pakistan Development Review,* Vol. 49, No.4, (December), pp. 405 – 417.

Amarjothi, P. & Azhakarraja, C. (2013), 'A Study on Indian Revenue Generators', *IOSR Journal Of Humanities And Social Science (IOSR-JHSS),* Vol. 12, No. 2 (May-June), pp. 1-7.

Archana, R. Dholakia (2000), 'Fiscal Imbalance in Gujarat: Non-Tax Revenue and Subsidies', *Economic and Political Weekly,* Vol. 35/36, pp. 3217 – 3227.

Bahl R.W. (1971), 'A Regression Approach to Tax Effort and Tax Ratio Analysis', *IMF Staff Papers,* Vol.18, No. 3 (November).

Bagchi, Amresh (1995), 'VAT and States: Misconceived Fears', *The Economic Times*, February 8, p.6.

Bandyopadhyay, S. (2014), 'Critical Issues in Municipal Finance: A Summary for India', *American International Journal of Social Science,* Vol. 3, No. 4(July), pp.134-146.

Bansal, R.K. (2001),'Budgetary Trends and Revenue Deficits in Different States', in *Fiscal Deficits of States in India, Atlantic, J.R. (ed.),* Publishers and Distributors, New Delhi.

Bernardi, Luigi & Angela, Fraschini (2005), 'Tax System and Tax Reforms in India', *Department of Public Policy and Public Choices Working Paper*,No. 51.

Bhargava, P.K. (1984),'The Indian Tax System-Need for Rationalization', *India Journal of Economic,* Vol.65, No. 1.

Bird, R. (2008). 'Tax Challenges Facing Developing Countries', *Institute for International Business Working Paper* 12 (March), University of Toronto, Toronto.

Buiter, William H. and Urjit R. Patel (1992), ‘Debt, Deficit and Inflation: An Application to the Public Finances in India’, *Journal of Public Economics,* Vol.47, pp 171-205.

Bhargava, P.K. (2006), ‘Why State Level Fiscal Reform are Necessary’, in *State Level Fiscal Reform in Indian Economy,* D.K Srivastava and M Narasimhulu (ed.), Deep Publication Pvt. Ltd., New Delhi.

Bhatia, H.L. (1980), *Public Finance (5th Rvisied Edition),*Vikas Publishing House Pvt. Ltd., New Delhi.

Bhujabala, Sarbeswar, et.al (2006), ‘Relative Tax Revenue Performance of The State in India’, in *State Level Fiscal Reform in the Indian Economy 2,* D.K. Srivastava and M Narasimhulu (ed.), Deep and Deep Publication Pvt. Ltd., New Delhi.

Breton, Albert (1965), ‘A Theory of Government Grants’, *Canadian Journal of Economics and Political Science*, Vol. 31, No.2, pp. 175-87.

Bruce, Donald, et.al. (2006), ‘Tax Base Elasticities: A Multi-State Analysis of Long - Run Dynamics’, *Southern Economics Journal,* Vol. 73, No. 2 (October), pp. 315 – 341.

Burgess, R. et.al (1995), 'Value- Added Tax Options for India', *International Tax and Public Finance*, Vol. 2, No. 1 (February), pp. 109-141.

Chand, S.N. (2008), *Public Finance,* Atlantic Publisher and Distributors Pvt. Ltd., New Delhi.

Chatterjee, Biswadeb (1997), *Tax performance in Indian States: A comparative Study*, Mittal Publications, New Delhi.

Chaudhuri, Kausik and Sengupta, Bodhisattva (2009), 'Revenue Expenditure Nexus for Southern States: Some Policy Oriented Econometric Observations', *Madras School of Economics, Working Paper* No. 48 (April).

Chawhan, M. (2010), 'A Study of Agriculture Taxation in India', *International Research Journal,* Vol. I, No.7, pp. 50-51.

Chelliah, R.J. and Sinha, Narian (1983), *Measurement of Tax Effort of State Governments* 1973-1976, National Institute of Public Finance and Policy, New Delhi.

Chelliah, R.J. (1999), ‘Economic Reform Strategy for the Next Decade’, *Economic and Political Weekly,* Vol. 34, No. 36.

\

Chelliah R.J. (1971), ‘Trends in Taxation in Developing Countries’, *IMF Staff Papers*, Vol. 18, No. 2, (July).

Chipeta, C. (1998), **‘**Tax Reform and Tax Yield in Malawi’, *African Economic Research Consortium Research Paper* 81, Southern African Institute for Economic Research, Zomba, Malawi.

Chowdhury, et.al (1988), ‘Tax Structure of Bangladesh: An Overview’, *The Bangladesh Development Studies,* Vol. 16, No .4(December), pp.65-91.

Chow, G.C. (1960) ‘Tests of Equality Between Sets of Coefficients in Two Linear Regressions’, *Econometrica*,Vol.28, No.3.

Coondoo, Dipankor, et.al.(2001), ‘Relative Tax Performances: Analysis for Selected States in India’, *Economic and Political Weekly,*Vol.36, No.40 (October), pp.3869-3871.

Dalton, H (1949), *Principles of public finance,* Routledge & Kegan Paul Ltd., London.

Datt, Rudder & Sundharam,K.P.M. (1965), *Indian Economy (64th Revised Edition)*, S. Chand & Company Ltd., New Delhi.

Dhanasekaram, Kasthuri Bai (2006), 'Sustaining the Finances of State Governments', in *State Level Fiscal Reforms in the Indian Economy* 2,D.K. Srivastava and M Narasimhulu (ed.), Deep and Deep Publication Pvt. Ltd., New Delhi.

Dhanasekaran, K (2001), 'Government Tax Revenue, Expenditure and Causality: the Experience of India', *Indian Economic Review,* New Series, Vol. 36, No. 2 (July-December), pp. 359-379.

Dhingra, Navjot (2005), *Tax Reforms and Administration*, Deep and Deep Publications Pvt. Ltd., New Delhi.

Dholakia, Archana R. (1998), 'Growth and Structure of Tax and Non-Tax Revenue of Gujarat', *Indian Journal of Regional Science*, Vol. 30, No.1.

Dholakia, Archana R (2000), 'Fiscal Imbalance in Gujarat: Non-Tax Revenue and Subsides', *Economic and Political Weekly*, Vol.35, No.35/36 (August-September), pp. 3217-3219+3221-3227.

Dutta, P. & Dutta, M.K. (2014), ‘Fiscal and Debt Sustainability in a Federal Structure: The Case of Assam in North East India’, *Romanian Journal of Fiscal Policy,* Vol.5, No. 1(8), (January-June), pp. 1-19.

Fjeldstad, OH. (2013), ‘Taxation and Development: A review of Donor Support to Strengthen Tax Systems in Developing Countries’, *World Institute for Development Economics Research (WIDER) Working pape*r, No.010 (February).

Ganguly, Kaushik (2009), ‘Issues in State Finances’, *Economic and Political Weekly,* Vol.44, No. 30 (July), pp.65-67, 69-71.

Garg, S., et.al (2014), ‘Why Tax Effort Falls Short of Capacity in Indian States: A Stochastic Frontier Approach’, *Indira Gandhi Institute of Development Research Working Paper*, No.032 (August), Mumbai.

Ghaus, Aisha, et.al (1988), ‘Buoyancy of Provincial Tax Revenues in Pakistan’, *Pakistan Economic and Social Review*, Vol.26, No. 2, pp.127-149.

Government of India, Ministry of Finance, Report of Thirteenth Finance Commission, Aklank Publications, New Delhi.

Government of India (1994), Ministry of Law, Justice and Company Affairs, The Constitution of India (Supplement to the Third Edition).

Government of India, Ministry of Law, Justice and Company Affairs, The Constitution of India, Seventh Schedule, List 1.

Government of India, Ministry of Law, Justice and Company Affairs, The Constitution of India, Seventh Schedule, List II.

Government of Mizoram (various years) *Annual Financial Statement,* Finance Department, Aizawl.

Government of Mizoram (various years) *Economic Survey*, Planning & Programme Implementation Department, Aizawl.

Government of Mizoram (various years) *Statistical Handbook*, Economics and Statistics Department, Aizawl.

Gupta, J.R. (2007), *Public Economics in India: Theory and Practice*, Atlantic Publishers & Distributors, New Delhi.

Gupta, K.L. and Harvinder, Kaur (2004), *New Indian Economy and Reforms*, Deep and Deep Publishers, New Delhi.

Gurumurthi, S. (1998), ‘Intergovernmental Fiscal Relations: Three Faces of Tax Sharing’, *Economic and Political Weekly,* Vol.33, No.38 (September), pp. 2484-2488.

Hajra, Kumudini, et.al (2008), ‘Issues Before the Thirteenth Finance Commission: Correction of Horizontal and Vertical Imbalances’, *Economic and Political Weekly*, Vol. 43, No. 12/13, pp.89-95.

Haque, Atiqul.A.K.M. (2011), *Determinants of Low Tax Efforts of Developing Countries*, Department of Business Law and Taxation, Monash University.

Hassim, S.R. (1992), ‘Forty Years of Indian Economy: Structure and Dimension of Growth’, in *Economic Crisis Management and Challenges, Restructuring the Indian Economy*, Sinha, RK (ed.), Deep and Deep Publishers, New Delhi.

Jena, P.R. & Gupta, Manish (2008), ‘Revenue Efforts of Panchayats: Evidence from Four States’, *Economic and Political Weekly*, Vol. 43, No. 30 (July- August), pp. 125 – 130.

Joseph, Mathew (2004), ‘Performance of the Northern States: A Comparative Analysis’, *Economic and Political Weekly,* Vol. 39, No.6 (February), pp. 564-579.

Kapila, Uma (2003*), Fiscal Reforms in India: Policy Measures and Development, Indian Economy since Independence,* Academic Foundation Publication, New Delhi.

Karagöz, K. (2013), 'Determinants of Tax Revenue: Does Sectoral Composition Matter?', *Journal of Finance, Accounting and Management,* Vol. 4 (2), (July), pp.50-63.

Kothari, C.R. (2004), *Research Methodology: Methods and Techniques (2nd Revised Edition),* New Age International Publishers (P) Ltd., New Delhi.

Krishnamoorthy, A (2001), 'An Assessment Study on Own Tax Revenue in Tamil Nadu', *International Referred Research Journal,* Vol.3, No.27 (December), pp.83-85.

Kurian, N.J. (1999), 'State Government Finances; A Survey of Recent Trends', *Economic and Political Weekly*, Vol. 34, No.19 (May), 1999.

Lahiri, Ashok K. (2000), 'Sub-National Public Finance in India', *Economic and Political Weekly,* Vol.35, No.18 (April-May), pp. 1539-1549.

Lahiri, Ashok K. (2000), ‘Budget Deficits and Reforms’, *Economic and Political Weekly*, Vol.35, No.46.

Purohit Mahesh C. & Purohit Vishnu K. (2009), ‘Mobilising Non –Tax Revenue: An Empirical Analysis of Trends in States’, *Economic and Political Weekly*, Vol.44, No.5 (January-February), pp.54-62.

Michael (2000), ‘VIVAT, CVAT and All That: New Forms of Value Added Tax for Federal Systems’, *IMF Working Paper*,No.00/83, (April).

Mishra, B. (2006), *Fiscal Policy in North-East India*, Akansha Publishing House, New Delhi.

Mody, R.J. (1992), ‘Fiscal Deficit and Stabilization Policy’, *Economic and Political Weekly*, Vol. 27, No.7.

Muhleisen, M. (1998), ‘Tax Revenue Performance in the Post-Reform Period in India: Selected Issues’, *IMF Staff Country Report* No.98/112.

Mukhopadhyay, S. (2002), ‘Value Added Tax: How Implementation is Going Wrong ?’, *Economic and Political Weekly*, Vol. 37, No. 36 (September), pp. 3700-3703.

Murti, M.N. (1995), ‘Value Added Tax in a Federation: Commodity Tax Reforms in India’, *Economic and Political Weekly,* Vol. 30, No. 11 (March), pp. 579-584.

Musgrave, Richard A. (1959*), The Theory of Public Finance*, Mc-Graw-Hill Book Co., New York.

Musgrave, Richard A. and Musgrave Peggy B (1989), *Public Finance in Theory and Practice,* 5th Edition, McGraw Hill Book Company, Boston.

Nambiar, K.V. & Rao, M. Govinda (1972), ‘Tax Performance of States’, *Economic and Political Weekly*, Vol. 7, No.21, (May), pp. 1036-1038.

Neelam,Timsina (2007), ‘Tax Elasticity and Buoyancy in Nepal: A Revisit’, *NRB Economic Review* 19, pp.9-21.

Oommen, M.A. (1987), ‘Relative Tax Effort of States’, *Economic and Political Weekly,* Vol. 22, No.11 (March), pp. 446-470.

Olson, Mancur (1969), ‘The Principle of Fiscal Equivalence’, *American Economic Review*, Vol. 59, No.2.

Pauly, M.V. (1973), 'Income Redistribution as a Local Public Good', *Journal of Public Economics*, Vol. 2, No.1 (February), pp. 35-58.

Purohit, Mahesh C. (1993), 'Adoption of Value Added Tax in India: Problems and Prospects', *Economic and Political Weekly*, Vol. 28, No.10 (March), pp. 393-404.

Purohit, Mahesh C. (1995), *Structure and Administration of Sales Taxation in India: An Economic Analysis*, Gayatri Publications, New Delhi, pp. 42-60.

Rangarajan, C & Srivastava D.K. (2005), *Fiscal Deficits and Government Debt in India: Implications for Growth and Stabilisation*, http://www.nipfp.org.in/ Retrieved on 23/10/2015.

Rangarajan C. and. Srivastava, D. K. (2008), 'Reforming India's Fiscal Transfer System: Resolving Vertical and Horizontal Imbalances', *Madras School of Economics Working Papers*, No. 31, Chennai.

Rao, M. Govinda (1979), 'Economic and Political Departments of States Tax Revenue: A study of Four States', *Economic and Political Weekly*, Vol.14, No. 47 (November), pp. 1925-1932.

Rao, M. Govinda (1992), 'Proposals for State-Level Budgetary Reforms', *Economic and Political weekly,* Vol.27, No.5 (February), pp.211-222.

Rao, M. Govinda (2000), 'Tax Reform in India: Achievements and Challenges', *Asia-Pacific Department Journal,* Vol. 7. No. 2.

Rao, M. Govinda (2002), 'State Finances in India: Issues and Challenges', *Economic and Political Weekly,* Vol.37, No.31 (August), pp. 3261-3271.

Rao, M. Govinda (2005), 'Tax System Reform in India: Achievements and Challenges Ahead',*NIPFP Working Paper*, No.18/2, pp.1-19.

Rao, M. Govinda & Nirvikar, Singh (1998), 'The Assignment of Taxes and Expenditure in India', *Stanfort Centre for International Development Working Paper*, No.30a., Stanfort.

Rao, M. Govinda & Rao, R. Kavita (2006), 'Trends and Issues in Tax Policy and Reform in India',*NIPFP Working Paper,* No.1, pp. 1-68.

Rao, M Govinda & Vaillancourt, Francois(1994), 'Inter-State Tax Disharmony in India: A Comparative Perspective', *Publius,* Vol. 24, No. 4, pp. 99-114.

Rao, R. Kavita (2004), ‘Impact of VAT on Central and State Finances',
Economic and Political Weekly, Vol. 29, No. 26 (June), pp. 2773-2777.

Rao, M.L. Kantha and Sugunamma, G., (1989), ‘Tax Structure and Economic Development – A Case Study of Andra Pradesh’, in *Tax Structure and Economic Development in Indi,* M.L. Kantha Rao (Ed.), Criterion Publication, New Delhi.

Rath, S.S. (2005), ‘Fiscal Development in Orissa: Problems and Prospects’, *NIPFP Working Pap*ers, No. 32, New Delhi.

Raut, D. Keshao (2011), ‘Structural Problems and Fiscal Management of States in India’, *Reserve Bank of India Occasional Papers,* Vol. 32, No.1.

Reddy, K.N. (1975), ‘Inter-State Tax Effort’, *Economic and Political Weekly,* Vol. 10, No. 50 (December), pp. 61-67.

Reserve Bank of India, (1991-2012). State Finances: A Study of Budgets. Reserve Bank of India, Mumbai.

Roy, P. & Raychaudhuri, A. (2009), ‘Intergovernmental Transfer Rules, State Fiscal Policy and Performance in India’, in *New Enduring Themes in Development Economics*, edited by B.Dutta et.al, World Scientific Publishing Co., Pvt. Ltd., Singapore.

Saravanan, R. & Meganathan, M. (2014), ‘Analysis of Revenue Receipt of India with Special Reference to Tax Revenue’, *International Journal Of Marketing, Financial Services & Management Research,* Vol.3 (12), (December), pp. 94-102.

Sarma, Atual, et.al (1973),‘Gujarat's State Tax Revenue, Growth, Responsiveness, Determinants and Projection’, *Anvesak*, Vol.11, No.1, pp.226-237.

Sarda, N.K. (1986), *State Finances and Regional Development in India,* Deep & Deep Publications Pvt. Ltd., New Delhi.

Shome, Parthasarathi (1988), ‘On the Elasticity of Developing Country Tax Systems’, *Economic and Political Weekly,* Vol. 23, No.34 (August), pp. 1750-1754.

Singh, S.K. (2008), *Public Finance in Theory and Practices,* S.Chand and Comp. Ltd., New Delhi.

Srivastava, D.K., & Narasimhulu, N. (2006), *State Level Fisca; Reforms in the Indian Economy*, Deep & Deep Publications Pvt. Ltd., New Delhi.

Sury M.M. (2007), *Fiscal Policy Developments in India: 1947 to 2007*, New Century Publications, New Delhi.

Taylor, Philip, E (1961), *The Economic of Public Finance*, Macmillan Co., New York.

Thimmaiah, G (1989), 'Elasticity of State Taxes: A Decomposition Analysis', in *Tax Structure and Economic Development in India*, M.l. Kantha Rao (Ed), Criterion Publication, New Delhi.

Upender, M. (2008), 'Degree of Tax Bouyancy in India : An Empirical Study', *International Journal of Applied Econometrics and Quantitative Studies*, Vol. 5-2, pp. 59-70.

Viboonthanakul, S. (2009), 'Smuggling via E-Commerce: Effect on Tax Revenue'. *Journal of International Trade Law and Policy*, Vol. 8, No.3, pp. 272-290.

Wadhwa,Lalit & Pal,Virender (2012), 'Tax Evasion in India: Causes and Remedies', *International Journal of Applied Engineering Research*, Vol.7, No.11.

Yadav, Banarasi (2006), ‘Tax and Non-Tax Revenue as Sources of State Finance’ in *State Level Fiscal Reforms in the Indian Economy 2,* D.k. Srivastava and Narahimmhulu, M (ed.) Deep and Deep Publication Pvt. Ltd., New Delhi.

Yasmin, Iffat (2004), *Sales Taxation in Jammu & Kashmir,* Mohit Publications, New Delhi.

Yitzhaki, S. (1979), ‘A Note on Optimal Taxation and Administrative Costs, *American Economic Review*, Vol. 69, No. 3, pp. 475-80.

Appendix-I

STATE LEVEL TAX POWERS SPECIFIED IN SEVENTH SCHEDULE OF THE INDIAN CONSTITUTION (STATE LIST- ARTICLE 246)

1. Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues. (entry 45)

2. Taxes on agricultural income. (entry 46)

3. Duties in respect of succession to agricultural land. (entry 47)

4. Estate duty in respect of agricultural land. (entry 48)

5. Taxes on lands and buildings. (entry 49)

6. Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development. (entry 50)

7. Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India:— (a) alcoholic liquors for human consumption; (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry. (entry 51)

8. Taxes on the entry of goods into a local area for consumption, use or sale therein. (entry 52)

9. Taxes on the consumption or sale of electricity. (entry 53)

10. Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92A of List I. (entry54)

11. Taxes on advertisements other than advertisements published in the Newspapers and advertisements broadcast by radio or television. (entry55)

12. Taxes on goods and passengers carried by road or on inland waterways. (entry 56)

13. Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List III. (entry 57)

14. Taxes on animals and boats. (entry 58)

15. Tolls. (entry 59)

16. Taxes on professions, trades, callings and employments. (entry 60)

17. Capitation taxes. (entry 61)

18. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling. (entry 62)

19. Rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty. (entry 63)

20. Offences against laws with respect to any of the matters in this List. (entry 64)

21. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List. (entry 65)

22. Fees in respect of any of the matters in this List, but not including fees taken in any court. (entry 66)

Appendix-II

SCHEDULE - I
The Mizoram Value Added Tax Act, 2005

LIST OF EXEMPTED GOODS

Sl.No.	**Name of Commodity**
1	AED items such as sugar, textiles
2	Agricultural implements manually operated or animal Driven
3	Aids & implements used by handicapped persons
4	All bangles except those made of precious metals
5	All kinds of pulses including Dal, Chana, Badam, etc.
6	All Text books, exercise books, graph books and laboratory notebook
7	Animal feeds including aquatic feed, poultry feed and cattle feed, grass, hay and straw including other supplements, concentrates, additives, wheat bran and de-oiled cake
8	Bamboo
9	Betel leaves
10	Books, periodicals and journals including maps, charts and globe, diary and calendar
11	Branded and unbranded Bread and pappad
12	Branded and unbranded salt
13	Broomsticks
14	Chalk sticks
15	Charcoal

16	Charkha, Amber Charkha, Handlooms, Handloom fabrics and Gandhi Topi
17	Coarse grains, paddy, rice and wheat
18	Condoms and contraceptives
19	Cotton & silk yarn in hank
20	Curd, Lassie, butter milk & separated milk
21	Electrical energy
22	Em, thlangra, lukhum made of bamboo and cane including bamboo matting
23	Fire wood
24	Fishnets and fishnet fabrics, fish seeds, prawn/shrimps seeds
25	Flour, atta, maida, suji, besan
26	Fresh flowers, Fresh plant, saplings & seedling including aromatic and medicinal plants
27	Fresh milk and pasteurized milk
28	Fresh vegetables & fruits
29	Garlic & ginger
30	Handloom products
31	Human Blood & blood plasma
32	Ice
33	Idols made of clay
34	Indigenous handmade musical instruments
35	Kerosene
36	Khadi and products of village Industries as defined in the Khadi and Village Industries Commission Act, 1956 and other handicrafts products
37	Kurtai, locally made toffee

38	Leaf plates and cups
39	Leirawhchan
40	Lifesaving Drugs listed below: I. Analeptics (a) Doxapram (b) Nikethamide II. Andrenergy Crisis (a) Phenoxy Benzamine (b) Phentolamine III. Antidotes (a) Amyl Nitrate and others (b) Dimer Caprot (BAL) (c) Naxolone (d) Oxim-Prolidoxime-Obidoxime (e) Penicillamine (f) Sodium Calcium, edentate (EDTA) (g) Tropine IV. (a) Anti-malaria drugs, viz. Quinine (but not sugar coated), quinine, alkaloids, salts of quinine, cinchona and chloroquine, resehochin and comoqui whether in solution or in powder on in tablet form, poludrine and daraprim (b) Anti-Kala-azar drugs, viz. Urea stalamine and pentamidineisethionate (c) Vaccine, viz. Small pox vaccine, cholera vaccine and TAB vaccine V. Anti-toxin (a) Anti-D-Immunoglobulin (Human) (b) Anti-rabies hyper immune serum (c) Anti-snake venom (d) Diphtheria antitoxins (e) Gas gangrene antitoxin (f) Tetanus antitoxin VI. Cardiac stimulants (a) Adrenaline (b) Dopamine

	VII. Drugs for Hypertensive Emergencies (a) Diaz oxide (b) Sodium Nitropruside VIII. Fibrinolytic agents (a) Ateplase (PA) (b) Streptokinase (c) Urokinase IX. Intra venous fluids (a) Dextran (b) Dextrose - 5%, 10%, 25% (c) Hemacael (d) Normal saline X. Steroids (a) Dexamethasone (b) Hydrocortisone
41	Locally produced cheese an d butter inside Mizoram
42	Meat, fish, prawn & other aquatic products when not cured or frozen, eggs and livestock and animal hair
43	National Flag
44	Non-judicial stamp paper sold by Govt. Treasuries, postal items like envelope, postcard etc. sold by Govt, rupee note &cheques
45	Organic manure and Organic Plant production material items such as organic pesticides, weedicides, insecticides
46	Paper and newsprint
47	Plastic footwear
48	Religious pictures not for use as calendar
49	Renewable Energy materials and equipment sold and purchased by nodal Departments/agencies appointed by the Ministry of Non-Conventional Energy Sources, Government of India for the State of Mizoram

50	Sand and stone aggregates
51	Seeds of grass, vegetables and flowers
52	Silk worm laying, cocoon & raw silk
53	Slate and slate pencils
54	Timber
55	Unprocessed green leaves of tea
56	Water other than aerated, mineral, distilled, medicinal, ionic, battery, demineralized and water sold in sealed container