

**STATE'S OWN REVENUE:
A CASE STUDY OF MIZORAM**

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

BY

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CERTIFICATE

This is to certify that the dissertation entitled “**State’s Own Revenue: A Case Study of Mizoram**” by J.H. Biakdikluanga has been written under my supervision and guidance.

He has fulfilled all the requirements laid down in the M.Phil regulations of the Mizoram University. The 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.

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DECLARATION

I, J.H. Biakdikluanga, 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.

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LIST OF ABBREVIATIONS

ADB	:	Asian Development Bank
ATI	:	Administrative Training Institute
CAGR	:	Compound Annual Growth Rate
CPF	:	Contributory Provident Fund
CRPF	:	Central Reserve Police Force
GMM	:	Generalised Method of Moments
GoI	:	Government of India
GoM	:	Government of Mizoram
GSDP	:	Gross State Domestic Product
I&PR	:	Information and Public Relations
IDDP	:	Intensive Dairy Development Projects
IMFL	:	India-Made Foreign Liquor
JERC	:	Joint Electricity Regulatory Commission
LAD	:	Local Administration Department
LE&IT	:	Labour, Employment and Information Technology

MPRMP :	Mizoram Public Resource Management Programme
MPSC :	Mizoram Public Service Commission
NTR :	Non-Tax Revenue
ONTR :	Own Non-Tax Revenue
OTR :	Own Tax Revenue
POL :	Petroleum Oil Lubricant
PRI s :	Panchayati Raj Institutions
PSE s :	Public Sector Enterprises
RTI :	Right to Information
SOR :	State's Own Revenue
UD&PA :	Urban Development and Poverty Alleviation
VAT :	Value Added Tax

1.1 INTRODUCTION

To accelerate the pace of economic development, it is necessary that the state Government should raise increasingly larger resources. One of the thorniest problems facing State financial system in India today is the State's inability to generate adequate resources for carrying expanding activities. In the Indian federal set up, the state plays an important role in accelerating and sustaining growth. The Indian Constitution assigned important responsibilities to States in many sectors such as agricultural development, infrastructure, poverty alleviation, water supply and irrigation, public order, public health and sanitation. In addition, they have concurrent jurisdiction in several areas like education, electricity, economic and social planning and family planning. The State's ability to undertake and perform the various development functions adequately and effectively is critically determined by its fiscal position.

One common experience of the states under the fiscal federalism in India is that with the passage of time they are facing increasing difficulty to match their revenue requirements with the rising expenditures. Public expenditure has grown both relatively and absolutely in all the states in India. This causes repeating cases of deficit in their budgetary provisions over the years. The reason is that tax efforts

of some of the states are not satisfactory over time. With the expansion of the governmental activities, the magnitude of plan expenditures of the state governments have increased tremendously which in turn have given rise to the needs for rapid increase in revenue. This has resulted in a situation where most of the state governments have increasingly begun to restructure their tax system to generate higher revenue or to improve the taxable capacity or tax efforts with a motive to counterbalance the ever increasing public expenditure.

The present study is an attempt to analyse the major trends and composition of State's Own Revenue with reference to Mizoram. Mizoram became the 23rd state of India on 20th February 1987. The state is highly dependent on revenue transfers from the central government. State's own revenue receipt constitutes around ten per cent of the total revenue receipts of the state government.

1.2 CONCEPT OF REVENUE

A government needs income for the performance of a variety of functions and meetings its expenditure. Thus, all income that a government receives from collecting taxes, social security contributions and other fees and charges is called revenue. Dalton¹ made a distinction

¹ Dalton, H (1949), *Principles of Public Finance*, Routledge & Kegan Paul Ltd., London.

between public receipts and public revenue. According to him, public receipts include receipts of the government from all sources while public revenue is a narrower concept and excludes public borrowings, income from the sale of public assets, or receipts from the use of “printing press”.

Tax is a compulsory levy by a legal entity to the government without any corresponding entitlement to receive any specified and direct *quid pro quo* from the government. Tax is not a price paid by the taxpayer for any specified service rendered or a commodity supplied by the government. The benefits received by taxpayers from the government are not related to or based upon their being taxpayers. Tax is a generalised exaction, which may be levied on one or more criteria upon individuals, groups of individuals, or other legal entities.²

Non-tax sources are defined as 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 required payments. These sources include penalties (other than penalties on non-compliance of taxes)³ and fines.

² Plank, E.H. and Jackson, J.W. (1953), *Public Finance*, Richard D. Irwin, pp. 126.

³ Musgrave, Richard A. and Peggy B Musgrave (1989), *Public Finance in Theory and Practice*, 5th Edition, McGraw Hill Book Company, Boston.

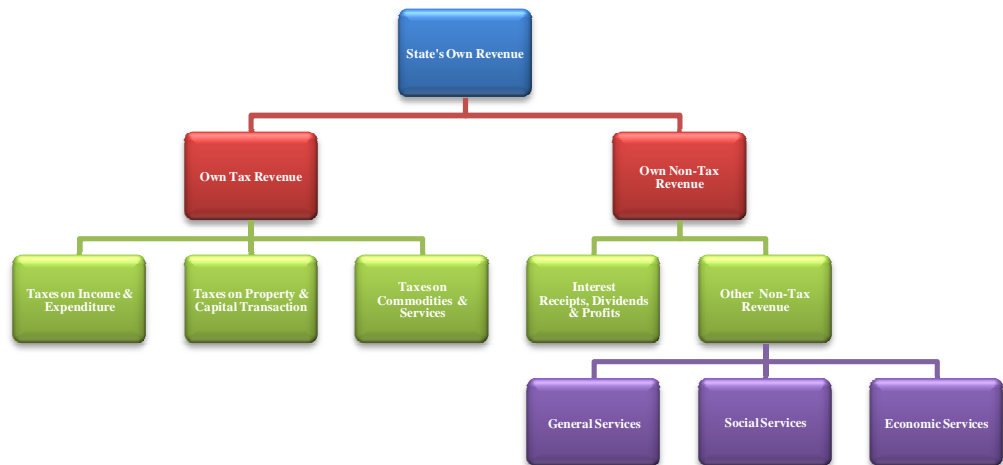
The second category consists of voluntary and unrequited receipts. These payments include donations and contributions made to the Government or any unclaimed funds lying with the Government.

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. This category also includes revenue earned by sale of usage rights, admission fee, as well as the royalties and rental payments received by the Government. Income earned in the form of dividends and the interest receipts from investments made by the Government also fall into this category.

1.3 SCOPE OF THE STUDY

State's own revenue could be classified into a number of categories. In general, State's own revenue receipts are classified into two broad groups, i.e. State's own tax revenue and State's own non-tax revenue. This can be expressed with the help of the figure below:

Figure 1.1: Structure of State's Own Revenue



1.3.1 State's Own Tax Revenue

In the context of Mizoram, Own Tax Revenue of the State mainly comprises the following components: (i) Taxes on income & expenditure which include taxes on professions, trades, callings and employment; (ii) Taxes on property & capital transaction which include land revenues, Stamps and Registration Fees, etc.; and (iii) Taxes on commodities and services which by far are the most important sources of the State's own tax revenue and include a variety of taxes like Sales Tax, State Excise, Motor Vehicles and Passenger Taxes.

1.3.2 State's Own Non-Tax Revenue

State's own non-tax revenue receipts consist of the following items: (i) Interest receipts, dividends & profit; (ii) Receipts under General, Social and Economic Services. Under the first category, interest receipts mainly come from interest realized on investment of cash balances and interest from co-operative societies. Under the second category, the important sources are State lotteries, water tariffs, and power tariffs. The details regarding receipts from general, social and economic services are indicated below:

Receipts from General Services

These comprise receipts from Public Service Commission, Police, Jails, Supplies and disposals, Stationery and printing, Public works, Other administrative services, Contribution and recoveries towards pension and other retirement benefits, and Other miscellaneous general services.

Details regarding revenue from General Services are listed below:

- (i) Revenue accrues from fees charged from candidates appearing for various competitive examinations and interviews conducted by the Mizoram Public Service Commission (MPSC). The volume of the receipts under this head directly depends upon the nature and the

number of examinations held by the Commission during a year and the number of candidates appearing for the examination.

- (ii) Receipts from Police comprises reimbursement receipts from the Government of India and other States towards the cost of police supplied (forming the bulk of the revenue under the major head), cost of police supplied to autonomous bodies, private companies and persons, receipts under the Arms Act, as well as sale proceeds of unserviceable articles, collection of payments for services rendered, recovery of overpayments and miscellaneous receipts and so on.
- (iii) Receipts from Jails comprise receipts from sale of articles manufactured in jail factories and farm produce of the jails.
- (iv) Receipts from Supplies and Disposals.
- (v) Receipts from Stationery and Printing department comprise sale proceeds of stationery supply to Government departments run on commercial lines, sale proceeds of State Gazette, printing charges for Government departments and other miscellaneous receipts.
- (vi) The Public Works Department (PWD) has rental income from Government buildings, hire charges of machinery supplied to the contractors as well as the percentage charges.
- (vii) Revenue from other administrative sources consists of receipts pertaining to administration of justice, elections, civil defence, fire

protection etc. These includes fines & forfeitures, services & service fees and other receipts under Law & Judicial and Guwahati High Court, Aizawl Bench; sale proceeds of election forms & documents, fees, fines & forfeitures, contribution towards issue of voter identity cards under Election; and Receipts from other services such as receipts from the Central government for Administration of Central Acts & Regulations, Receipts under Explosives Act, Receipts from Home Guards, Marriage fees, fees from Fire Protection & Control, receipts from Copyright fees, receipts from Motor Garages etc. and Guest Houses, Government Hostels, etc., Passport fees, Visa fees, Receipts under RTI Act, 2005, receipts from Administrative Training Institute (ATI), Local Administration Department (LAD), Assembly Secretariat and Governor Secretariat.

- (viii) Contribution towards Pension and other retirement benefits includes receipts from subscriptions and contributions, Pensionary charges in respect of High Court Judges recovered from the State and other receipts.
- (ix) Other miscellaneous general services include numerous small receipts from sources such as unclaimed deposits, allotment and sale of land, receipts relating to guarantees given by Government, sale of old stores, shares and materials, urban assessments etc.

Receipts from Social Services

The major items that come under these services are (a) Education, Sports, Arts and Culture, (b) Medical and public health, (c) Family welfare, (d) Water supply and sanitation, (e) Housing, (f) Urban development (g) Information and publicity, (h) Labour and employment, and (i) Social security and welfare.

The main receipts from these social services are given below:

- (i) Receipts from Education, Sports, Art & Culture includes receipts from tuition and other fees realized from students in Government educational institutions, public contributions to the educational institutions, receipts of museums and archaeological monuments.
- (ii) Receipts from Employees State Insurance Corporation, medical receipts including contributions from patients, and tuition fees and fines from the medical colleges, wherever located.
- (iii) Family welfare receipts are contribution of the users, and receipts on account of strengthening of family welfare.
- (iv) The water supply and sanitation receipts comprise service fees, percentage charges from other Government departments, and receipts from water supply schemes.
- (v) Housing receipts are receipts from General Pool Accommodation, Police Housing and other housing under the charge of PWD; and other receipts under Local Administration Department.

- (vi) Receipts from Urban development include receipts from License fees (i.e. receipt under Town Sanitation Rules), hoarding and public advertisement, Sanitary Inspection fees and other receipts for State capital development and other urban development schemes through Urban Development & Poverty Alleviation (UD&PA) and Local Administration Department (LAD).
- (vii) Information and Publicity receipts are receipts from publications and films under Information and Public Relations (I&PR).
- (viii) Receipts from Labour and Employment include fees under Contract Labour (Regulation and Abolition Rules) and other receipts from Labour, Employment and Information Technology (LE&IT).
- (ix) Receipts from Social Security and Welfare include receipts from rehabilitation and other social security and welfare programmes.

Receipts from Economic Services

Major items under these services are: (a) Crop husbandry (b) Animal husbandry (c) Forestry and wild life (d) Power (e) Non-ferrous mining and metallurgical industries (f) Civil Aviation (g) Road Transport (h) Tourism.

Details regarding revenue from Economic Services are listed below:

- (i) Receipts from crop husbandry include receipts from seeds and agricultural farms, sales of manures and fertilisers, receipts from Plant Protection Services, receipts from horticulture and vegetable crops, sale, hire and service of agriculture implements and machinery including tractors, and other receipts.
- (ii) Animal husbandry receipts are receipts from Cattle and Buffalo development, Poultry development, Piggery development, Fodder and Feed development, other livestock development, receipts from services and service fees, and other receipts.
- (iii) Dairy Development receipts are receipts from dairy development through Animal Husbandry & Veterinary Science.
- (iv) Receipts from Fisheries include sale of fish, fish seeds, etc.; receipts from service fees and other receipts.
- (v) The receipts from Forestry and Wildlife include sale of timber and other forest produce, receipts from environmental forestry, and other receipts.
- (vi) Food Storage and Warehousing receipts include receipts from food, storage and warehousing and other receipts.
- (vii) Receipts from co-operation comprise of receipts from audit fees and others.
- (viii) Other Agricultural Programmes receipts consist of receipts from soil and water conservation.

- (ix) Receipts from land reforms include receipts from regulations/consolidations of land holdings and tenancy, receipts from maintenance of land records, and other receipts.
- (x) Other Rural Development Programmes receipts are receipts from community development projects and others.
- (xi) Minor Irrigation receipt includes receipts from lift irrigation schemes and other receipts.
- (xii) Power receipts are receipts from hydel generation, transmission and distribution and other receipts.
- (xiii) Village and Small industries receipts include receipts from other village industries, receipts from sericulture industries, and other receipts.
- (xiv) Receipts from Non-ferrous mining and metallurgical industries are mineral concession fees, rents and royalties, and others.
- (xv) Civil Aviation receipts are services and service fees, etc.
- (xvi) Roads and Bridges include tolls on roads and other receipts etc.
- (xvii) Receipts from road transport.
- (xviii) Other Scientific Research receipts are receipts from science, technology and environment.
- (xix) Tourism consist of rent and catering receipt, etc., and
- (xx) Other General Economic Services like receipts from economic and statistics.

1.4 CONSTITUTIONAL PROVISION OF STATE TAX SYSTEM

The Seventh Schedule of the Constitution of India demarcates the taxing powers of Union and State Governments. Entries 46 through 63 in the State List specify the items on which States can levy taxes (Appendix I). Accordingly, the major taxes levied by the States are sales tax/VAT, State excise duties, stamp duties and registration fees, motor vehicles tax, land revenue, entertainment tax, profession tax, electricity duty, and other minor taxes.

In India, the tax bases of the Centre and States are by and large separate and very few tax bases are common and shared. For example, while the non-agricultural income is subject to Union taxation, the power to tax agricultural income is entrusted to the States. Similarly, while taxation of manufacturing activity is in the hands of the Central government, taxation of trading activity is in the hands of the States. The broad principle applied for the division of the tax powers between the Central and State governments seems to be that tax bases arising out of activities that are of local nature are kept within the purview of State taxation and the rest are left to the Central government. This led to numerous taxes and consequently growing complexity for the tax payers. Although, the Constitution clearly provides the division of the tax powers between Union and the State Governments such clear

demarcation does not exist as regards to the distribution of tax powers between State and local Governments. Consequently, the taxing powers of the local bodies are not uniform across the States. Local bodies derive their tax revenue from octroi or entry tax, property tax, entertainment tax, local market levies and other minor levies. In some States, these taxes are collected by the State Governments and revenues are assigned to the local bodies. The portion of tax revenue assignments to the local bodies is also not uniform across the States.

There are other Constitutional provisions that have a bearing on the State level tax system. Important among them are as follows:

(i) There are certain taxes whose rates and provisions are determined by the Union Government while collection and use of the revenue is done by State Governments under Article 268⁴. Prominent among these are the Central sales tax, and stamp duties and registration fees in respect of certain financial instruments. State excise duties levied on certain medicines and toilet preparation also come in this category.

⁴ Article 268: Duties levied by the Union but collected and appropriated by the States- (1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected- (a) in the case where such duties are leviable within any [Union territory], by the Government of India, and (b) in other cases, by the States within which such duties are respectively leviable. (2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State. [Constitution of India, Article 268, <http://indiacode.nic.in/coiweb/coifiles/p12.htm#b>].

Consequently, States' freedom to raise revenue from these sources is restricted.

(ii) Until recently, certain taxes were levied and collected by the Union Government but the revenues were completely assigned to State Governments. For example, additional excise duties on textiles, tobacco and sugar were levied by the Union Government under the Additional Excise Duties (Goods of Special Importance) Act 1957 but the proceeds were reassigned to the State Governments under article 269. Following the Eleventh Finance Commission recommendations, the Constitution (Eightieth) Amendment, 2000, stipulates that the proceeds of the additional excise duties are combined with all other tax revenues of the Union government, to be shared among the States on the basis of a unified formula⁵. It means that instead of all the revenue from such taxes,

⁵ Article 270: (1) All taxes and duties referred to in the Union List, except the duties and taxes referred to in articles 268 and 269, respectively, surcharge on taxes and duties referred to in article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States in the manner provided in clause (2). Further, Article 269 has been recast by the Amendment Act. The new article includes only taxes on sale and purchase of goods and taxes on the consignment of goods. All other taxes that were listed under article 269 prior to the amendment have been deleted from this article. Prior to the Eightieth Amendment, Article 269 required the Finance Commission to suggest the principles governing the distribution of additional excise duties in lieu of sales tax on sugar, textiles and tobacco, and the grant in lieu of the tax under the repealed Railway Passenger Fares Tax Act, 1957.

only a portion is devolved to the States. However, if any State levied and collected sales tax on sugar, textile and tobacco, it would not be entitled to any share from this 1.5 percent.

(iii) Article 276 restricts the power of States to raise the rate of profession tax beyond Rs 2,500⁶.

(iv) There are certain constraints imposed on taxation of services by the Constitution (Eighty Eighth Amendment) Act, 2003. The Article 268A inserted by the Act seeks to amend the Seventh Schedule to confine the service tax powers to the Union government only⁷.

⁶ Article 276: Taxes on professions, trades, callings and employments.- (1) Notwithstanding anything in article 246, no law of the Legislature of a State relating to taxes for the benefit of the State or of a municipality, district board, local board or other local authority therein in respect of professions, trades, callings or employments shall be invalid on the ground that it relates to a tax on income. (2) The total amount payable in respect of any one person to the State or to any one municipality, district board, local board or other local authority in the State by way of taxes on professions, trades, callings and employments shall not exceed two thousand and five hundred rupees per annum. (3) The power of the Legislature of a State to make laws as aforesaid with respect to taxes on professions, trades, callings and employments shall not be construed as limiting in any way the power of Parliament to make laws with respect to taxes on income accruing from or arising out of professions, trades, callings and employments.

⁷ Constitution (Eighty Eighth Amendment) Act, 2003, Article 268A (4). Amendment of Seventh Schedule. - In the Seventh Schedule to the Constitution, in List I-Union List, after entry 92B, the following entry shall be inserted, namely:- "92C. Taxes on services".

Thus, even with the distinct tax bases and powers, States are not entirely free to design their tax systems.

1.5 OBJECTIVES OF THE STUDY

The present study has the following objectives:

- (i) To examine the broad trend of state's own tax and non-tax revenue.
- (ii) To analyze the relationship between the growth in State Domestic Product and the various components of state's own tax and non-tax revenue.
- (iii) To suggest suitable measures to improve own revenue performance of the State government.

1.6 HYPOTHESES

- 1) There is a significant relationship between state's own tax revenue and Gross State Domestic Product (GSDP).
- 2) There is no relationship between state's own non-tax revenue and Gross State Domestic Product (GSDP).

1.7 METHODOLOGY

Data Sources

The study covered the period from 2001-02 to 2011-12. The study is based mainly on secondary data. The main data source is Budget documents, Government of Mizoram like Annual Financial Statements, Demand for Grants and CAG Reports on Mizoram State Finances. Other secondary sources are obtained from Mizoram Economic Surveys, State Income Estimates published by Department of Statistics and Economics, Government of Mizoram, Mizoram Statistical Handbooks, and other published sources like Government Reports, Rules and Regulations governing collection and levy of various taxes in Mizoram.

Primary data is collected from government office notes, meeting minutes, documents, circulars etc. of Government of Mizoram.

Data Analysis

Simple descriptive statistics like percentages, ratios and regression analysis is utilized for analysis of data. The buoyancy of revenue as a measure of the percentage change in revenue due to a one percentage change in GSDP is estimated using the following regression model, named log-linear model:

$$\text{Log}(R_t) = b_1 + b_2 \log(\text{GSDP}_t) + u_t$$

Where,

R_t = Revenue (nominal) in year t;

$GSDP_t$ = Gross State Domestic Product (nominal) in year t

b_1 = intercept;

b_2 = buoyancy estimate or constant elasticity

u_t = error term in year t.

The main advantage of this model is that it ensures constant elasticity of the dependent variable with respect to dependent variable. In addition, this model is not affected by differences in measurement unit. It is expected that the same model could be adopted and would be adopted, if necessary, to estimate the sensitivity measures of various fiscal indicators including public expenditure, deficit, revenue, etc with respect to some macroeconomic indicators (i.e. GSDP) or vice versa.

The growth rates of the fiscal variables are estimated using compound growth rate which takes the following form:

$$Y_t = Y_0(1+r)^t$$

or

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

where, $b_1 = \log Y_0$

$$b_2 = \log(1+r)$$

$r = e^{b_2} - 1$, is the compound growth rate.

1.8 A BRIEF PROFILE OF MIZORAM

This section examines the brief profile of Mizoram in terms of geographical location, administrative set up, demography and development performance.

1.8.1 Geographical indicators

Mizoram became the 23rd State of India on 20th February 1987. Earlier, it was one of the districts of Assam till 1972 when it became Union Territory. It is located in the remote North-East corner of India. Mizoram, a landlocked state, is sandwiched between Myanmar in the east and south and Bangladesh in the west. In the north, it is bordered by Assam, by Manipur in the north-eastern side and by Tripura on its north-western side. Its geographical location is longitude 92^o.15' E to 93^o.29' E and latitude 21^o.58' N to 24^o.35' N. Its length from North to South is 277 kms; East to West is 121 kms. It shares a common international boundary with Myanmar stretching 404 kms, and with Bangladesh of 318 kms. Its inter-State border with Assam extends to 123 kms, with Tripura to 66 kms and with Manipur to 95 kms. Its strategic location is evident from the fact that its international border is much longer than that with mainland India. The State covers a geographical area of 21,081 sq. km. of which 95 per cent is hilly. Rugged hills and steep mountains characterise the topography of this remote State. It has a fairly rich

tropical forest with wide varieties of different species of trees, bamboos and shrubs. The following table shows 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 ⁰ .15'E to 93 ⁰ .29'E
	Latitude	Degree	21 ⁰ .58'N to 24 ⁰ .35'N
3	Length		
	North to South	Kms	277
	East to West	Kms	121
4	International Borders		
	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 of Mizoram 2013-14

1.8.2 Administrative Structure

Administratively, the State is divided into 8 districts, namely, Aizawl, Champhai, Kolasib, Lawngtlai, Lunglei, Saiha and Serchhip. Three Autonomous District Councils (Lai - Lawngtlai, Mara - Saiha and Chakma - Chawngte) are carved out from two districts, namely, Lunglei and Saiha. These districts are composed of 784 Village Councils (VCs). In 6 districts, there are 508 Village Councils and in three Autonomous

District their number is 276. However, Aizawl, the State Capital is under Municipal Council. Presently, there are 82 Local Councils under Aizawl Municipal Council.

The table below gives the administrative structure of the State:

Table 1.2: Administrative Set Up, 2013

Sl. No.	Particulars	Unit
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, Government of Mizoram.

1.8.3 Demographic indicators of Mizoram

The State total population as per 2011 census, is 10,97,206 persons, registering a growth rate of 23.48 per cent over 2001 census. The population density in Mizoram is 52 persons per sq. km. The sex ratio is 976 females per 1000 males. Nearly 95 per cent of the state population belongs to Scheduled Tribe and 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 urban area.

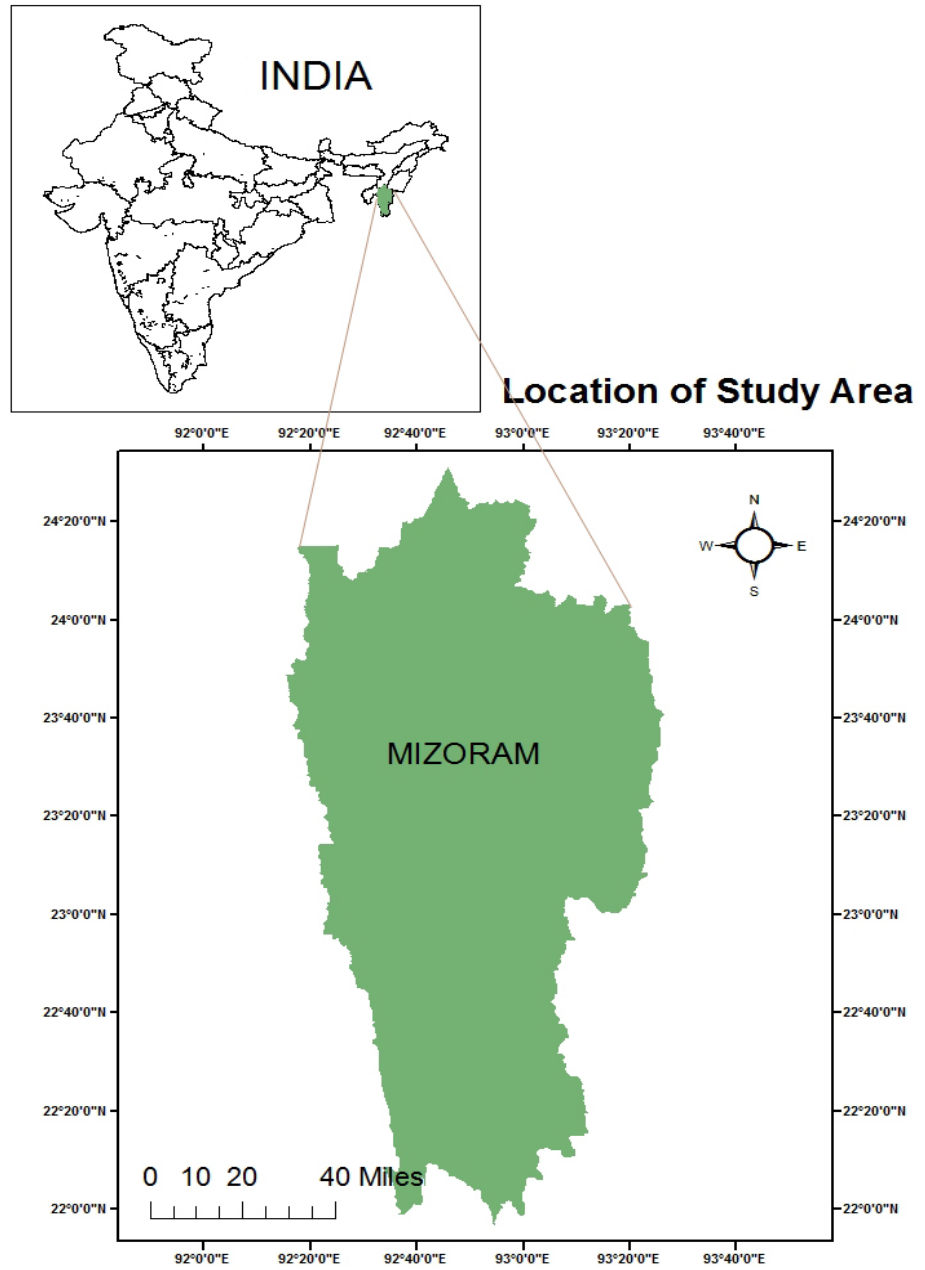
The literacy rate of Mizoram stood at 91.33 per cent, the third highest in the country, with male literacy rate at 93.35 per cent and female at 86.72 per cent respectively. The key features of State demography are shown below:

Table 1.3: Demography of Mizoram

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

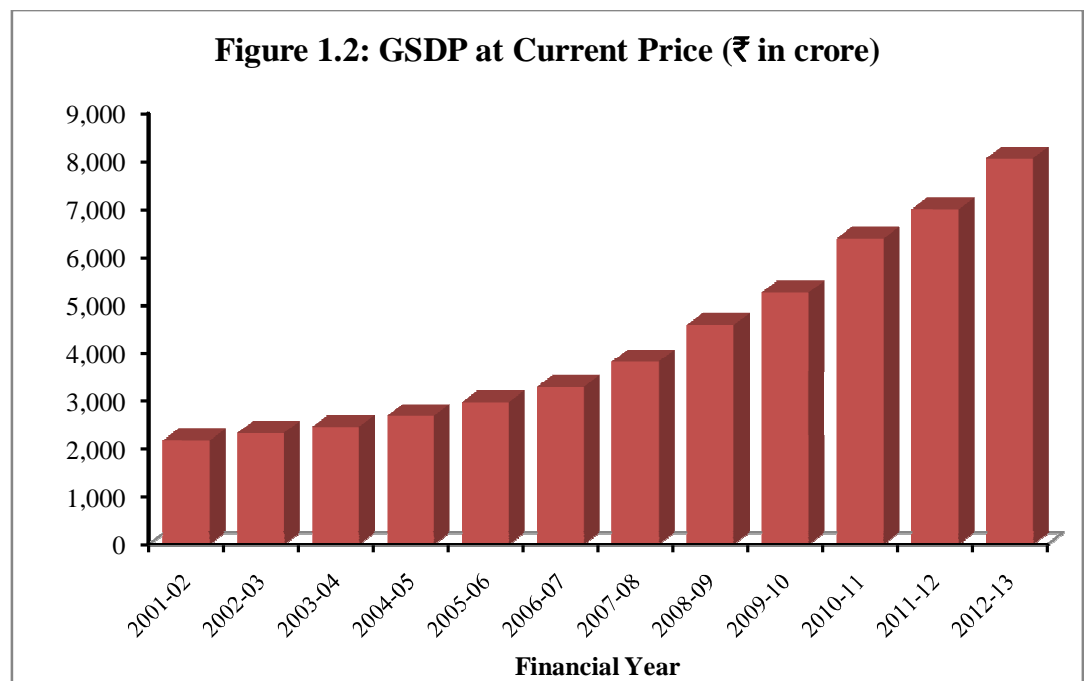
Source: Census of India, 2011.

Map No. 1: Location of Study Area (i.e. Mizoram).



1.8.4 Basic Development Indicators of the State

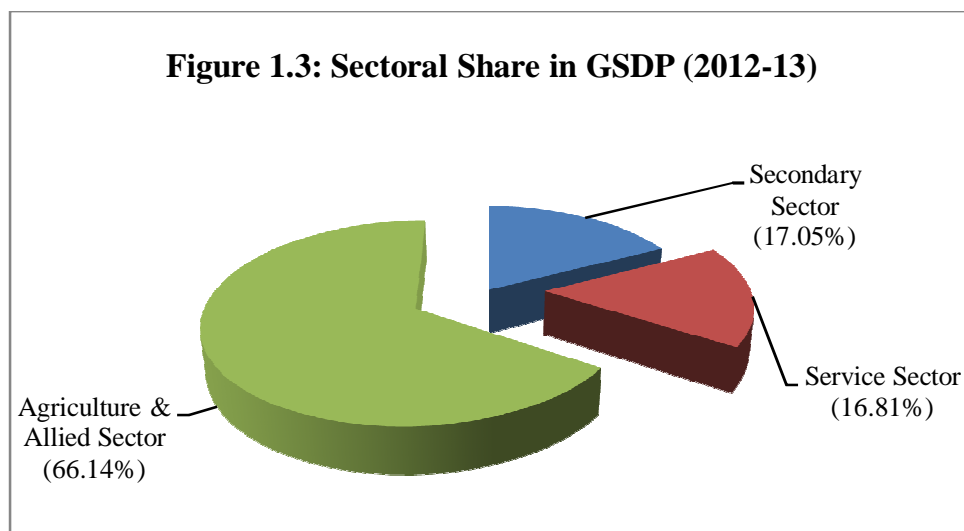
Gross State Domestic Product (GSDP) is one of the single most important economic indicators to measure the overall economic development of a State. It represents the value of all goods and services produced within the State during a reference period of one year. Figure 1.2 indicates the growth trend of the Gross State Domestic Product in Mizoram during 2001-02 to 2012-13. The economy of the State, as indicated by GSDP, is continuously growing over the years. The GSDP of Mizoram at current prices was ₹ 8,05,309/- lakhs in 2012-13. The State economy was projected to grow by about 8.58 per cent per annum during 2013-14.



Source: Department of Economic & Statistics and Economic Survey of Mizoram, 2013-14.

The State's per capita income is much lower than the national average. The per capita income of Mizoram for the year 2011-12 was recorded at ₹ 55,886/- as against the national average of ₹ 67,839/- during the same period. Accordingly, per capita income for the year 2012-13 was estimated at ₹ 60,826/- while the national per capita income during the same period was estimated at ₹ 74,920/-.

Figure 1.3 illustrates the performance of the different sectors of Mizoram economy. The tertiary or service sector constituting a share of about 66.14 per cent of the total GSDP is clearly the main driver of the State economy. The secondary sector contributed 16.81 per cent while the agriculture & allied sector contribute 17.05 per cent to the GSDP.



Source: Economic Survey of Mizoram, 2013-14.

About 60 per cent of the working population depends upon agriculture and allied sector. This indicates that there is a high dependence on agriculture sector for livelihood. While the share of primary sector in GSDP was only 17.05 per cent in 2012-13, agriculture alone contributed 13.59 per cent of GSDP. Jhum cultivation continues to be the predominant mode of agriculture production. About 32 per cent of the cultivated area is under Jhum cultivation. The State could barely meet 20 per cent of the demand for rice. During 2012-13, a total of 1,70,931.80 tonnes of rice was lifted by the State Government from outside.⁸

1.9 CHAPTER PLAN

The present study is organised into the following chapters. Chapter I presents the subject matter of the study, scope and significance of the study, objectives, hypotheses, methodology and a brief profile of Mizoram. Chapter II gives a broad overview the review of literature. Chapter III made an attempt to analyse trends and composition of State's Own Revenue. The chapter also includes the analysis of trends and composition of Own Tax Revenue between the period of 2001-02 and 2011-12. State's Own Non-Tax Revenues are analysed in Chapter IV. This chapter gives a study of trends and composition of Own Non-Tax

⁸ Economic Survey of Mizoram, 2013-14

Revenue in Mizoram between the period of 2001-02 and 2011-12. Finally, Chapter V concluded the study by summarising main findings as well as giving suggestions for policy makers.

This chapter attempts to give a broad overview of the relevant literature in support of the present study. The present literature reviews provides a deep insight into the subject matter justifying the need of the study and its relevance in the present day.

Nambiar and Rao (1972) studied the tax performance of states in India on the basis of different tax criteria, ranking each state by using regression analysis. The rankings differ vastly in each case. The ranking on the basis of regression analysis is indicative of the gap between tax effort and the estimated tax potential. Thus, a high ranking in the regression analysis indicates that the particular state has been taxing very near to its potential. However, their rankings on the basis of elasticity and incremental ratios happen to differ. While Kerala, Tamil Nadu and Maharashtra maintain their high positions, which indicate that their performance has been of a high order, and particularly so in the case of Kerala and Tamil Nadu, for Assam, Rajasthan and Andhra Pradesh the rankings are lower. This may be said to imply that their inadequate tax performance has been more due to their inability rather than their unwillingness to tax. The states of Punjab, Mysore, Uttar Pradesh and Bihar come within the medium rankings on the basis of regression analysis. This implies that compared with the former group of states, the untaxed potential in these states is more. However, the rates of exploitation in Mysore and Punjab have been much higher than those of Uttar Pradesh and Bihar

which obtain low rankings in terms of elasticity and incremental rates. Then, there are an interesting cluster of states comprising of Madhya Pradesh, Orissa, Jammu Kashmir, Gujarat and West Bengal whose low regression rankings indicate a comparatively larger segment of untaxed potential. Between Madhya Pradesh and Orissa, which are relatively speaking less developed states, the performance of the former has been better as indicated by its higher elasticity and incremental ranking. It would, however, be difficult to categorically say whether their low tax effort has been either due to unwillingness or inability to tax.

Reddy (1975) examined the various measures of tax-effort with a view to arriving at a reliable indicator of comparative tax-effort by the different states. According to him, State's own tax revenue represents the collections from all taxes levied by the states, but excludes the revenues from inter-state sales tax and the share of Central taxes - income tax, excise duty and estate duty. State's own tax and non-tax revenues represents tax revenues as defined above plus the non-tax revenues such as receipt from administration and social services, net contribution of departmental undertakings, receipts from other public undertakings and interest receipts. Grants-in-aid and other contributions from the Centre are excluded. He also studied the question of the validity or otherwise of drawing a line between tax and non -tax revenues for the purpose of assessing a state's effort (in

comparison to another state's effort) in raising revenues. He observed that the relevance of tax-effort as a criterion for the distribution of resources among the states cannot easily be dismissed, certainly not on broader considerations of equitable distribution of the overall burden of taxation, Central and State. Operationally also to ignore inter-state differences in tax-effort in the distribution of Central resources puts a premium on low tax-effort and can be said to promote laxity in tax- effort on the part of the states.

Rao (1979) in his study of the states of Kerela, West Bengal, Orissa and Mysore stated that increase in tax revenues seems to have been caused mostly by increasing prices rather than expansion of the real tax base expressed either through changes in per capita real incomes or per cent of primary sectoral incomes. Only in the case of West Bengal, the elasticity of tax revenue with respect to per capita real incomes was found to have been greater than unity. The results also indicated that the tax structure in Mysore and Orissa have not been able to adequately encompass income originating from the agricultural sector into the tax net. The ideological leanings of the political parties in power were not found to be a significant determinant of the states' tax revenues. On the contrary, higher tax efforts seem to have been put in by more stable governments.

Purohit (1986) examined that sales tax system in India which consists of two parts - the state sales tax and the federal sales tax. Slowly but surely, problems have cropped up in both these structures. The states' sales tax is largely restricted to activities and transactions that take place within the boundary of each state. He observed that issues relating to the cascading effects of input taxation, the point of levy of sales tax and the free-flow of goods in the country are crucial to reforming state taxes in India. As regards the federal structure of sales tax, problems of vertical equity and the need for facilitating the growth of a common market within the Indian Union in the interest of economic development of the country have to be borne in mind.

Oommen (1987) studied the relative tax efforts of 16 major States during the period 1970-82. In his study, the coefficient of variation of per capita income shows that though there is difference in the activities among the States in generating income, the difference is maintained over the years 1970-76. Through several measures of tax efforts, he found that the south Indian States, notably Tamil Nadu, have an excellent track record of tax effort. The performance of West Bengal measured in terms of tax ratios which he has examined is unmistakably poor. He also observed whether some of the rich states like Gujarat have tapped their potential fully or not. While the performance of some relatively poor states like Madhya Pradesh has been good, the efforts of Assam, Uttar Pradesh, Jammu and Kashmir,

etc, leave many things to be desired. He concluded that the question of comparative tax efforts of Indian states needs closer scrutiny and continuous investigation.

Shome (1988) discussed the impediments to an automatic response of tax revenue to economic growth. He presented a framework for estimating the buoyancy and elasticity of taxes and then provides some estimates of these measures from selected Asian economies. He argued that there is some built-in inflexibility in raising the elasticity of a typical tax system.

Ghaus and Pasha (1988) on their paper analysed the buoyancy of provincial tax revenues during 1972-73 to 1984-85. The base of each tax is defined and measured and the buoyancy decomposed thereby into its tax-to-base and tax base-to-income components. In addition, the overall elasticity of tax revenues is estimated and the impact of Islamization quantified. Finally, a set of tax reforms is identified to enhance buoyancy. These include feasible improvements in administration, justifiable enhancements in tax rates, switchover from specific to ad valorem structure and broadening of the tax base within limits of existing fiscal powers.

Chowdhury and Hossain (1988) observed that taxes account for more than 80 per cent of total internal resources generated in Bangladesh. Indirect taxes contribute more than 75 per cent towards total tax yield and taxes on import more than 50 per cent. The overall

tax structure is in general inelastic with respect to national income. Tax effort of Bangladesh is poor compared to other selected countries of the world and is dependent on foreign assistance. Their analysis shows that the present tax yield can be increased by eliminating various exemptions, simplifying existing tax rates and other cumbersome processes by removing possible loopholes of tax avoidance and helping more efficient implementation of tax administration. New taxation of untapped sources should also be brought under the tax net to increase the tax effort of Bangladesh to finance the development programmes of the country.

Rao and Sugunamma (1989) mentioned that State's own revenue is defined as the combined share of State's own tax revenue and state's own non-tax revenue. They found that if Andhra Pradesh's share of the total revenue in the aggregate revenue of all the States in India remained fairly stable, it was largely due to the effort of the State in the sphere of own tax revenue and non-tax revenue of the state.

Thimmaiah (1989) found that the elasticity of the tax yield in response to changes in State Domestic product at constant prices is not sufficiently high, thereby indicating that the State government taxes have been yielding more and more revenue mainly because of inflation and frequent rate hikes.

Rao (1992) examined the present state of public finance at the state level with a view to tracing the emerging trends in the medium as well as long term. He identified the major problem areas and indicated the policy changes needed to tackle them. He brought out the seriousness of the fiscal problem at the state level and also discussed major trends in expenditure and revenue respectively. He suggested reduction of budgetary support to public enterprises and revise user charges and rationalise the tax systems, keeping in view their feasibility. These measures will not only wipe out the revenue deficit, but can also generate surpluses in the revenue account which can reduce the borrowing requirements. He found that rationalisation in the tax and expenditure measures suggested would, in the long run, be helpful in restoring the incentives and improving the productivity in the government sector.

Rao and Vaillancourt (1994) analysed interstate disharmony in the Indian tax system, providing a quantitative measure of disharmony, examined its trend over time, and compared the degree of disharmony in India with three other important federations. This study are: (1) India has a higher degree of interstate tax disharmony than Australia, Canada, and the United States; (2) tax disharmony in India has increased over time unlike in the other three federations; and (3) tax disharmony in respect of individual state taxes is higher than the taxes taken in aggregate.

Chatterjee (1997) studied the tax effort of the government of West Bengal since 1960-61 up to 1991-92. In his study, efforts were made to find out ways for increasing revenue potentiality of the taxes in the State. He observed that the measure to increase the revenue potentiality of the tax in some cases violate the norms of equity. But considering the high revenue need and low rate of growth of revenue from taxes in the State, measures for raising the productivity of the taxes may be held as more urgent than the considerations for equity.

Gurumurthi (1998) 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. Tax revenue-sharing is probably the most important element of intergovernmental fiscal relations. Judging by international experience, population, distance and tax effort should figure prominently in the positive list of redistributive criteria while deficit criterion should be in the negative list. The basis of equalisation transfers in Australia, which is based on both revenue-raising capacity of provinces and their expenditure needs, is the following principle: each state should be given the financial capacity to provide the average standard of state-type services, assuming it does so at an average level of operational efficiency and makes the average effort to raise revenue from its own sources. Though this has

been designed for distribution of grants in Australia, the same basis could as well be adopted for distribution of shared tax revenue among sub national governments.

Lahiri (2000) discussed budget constraints on states relative to deficits of centre and states, issues of expenditure prioritisation and state tax issues. According to his study, tax reform is an area where progress has been tardy at the state level. While states may have been wary of taking any reform initiative in an atmosphere of acute fiscal stress, there seems to have been a co-ordination failure as well. Given the tax assignment, surveillance and enforcement of mutually agreed reform programmes in the area of sales tax have been problematic. This is an area where rapid progress is expected in the next couple of years. But, given the past record, 'cautious optimism' may be all that can be recommended.

Sarma (2000) examined the performance of Gujarat's revenue and expenditure systems to identify the basic weaknesses of the existing revenue sources and indicates a broad direction of future reforms. He clearly showed both the sources of inefficiencies as well as the areas for policy reforms. He has also suggested both the directions and strategy for fiscal reforms that would enhance effectiveness of budgetary policy. It is only with such fiscal reforms that the state will be better positioned to sustain higher industrial growth and meet the challenges of faster urbanization.

Dholakia (2000) highlighted that Gujarat is among the highest taxed states in India, whereas in terms of non-tax revenue per head of population it ranks among the lowest. The share of non-tax revenue in the state's own revenue remained at about 25 per cent which is lower than observed in other rich states. Growth and buoyancy of non-tax revenue also showed deceleration between the pre-reform and reform periods. The lower proportion of non-tax revenue is attributed to low and obsolete user charges, poor recovery of prices, widening gap between effective price to public and actual price fixed by the government arising due to the cost recovery rate per cent. He suggested that Gujarat needs to raise its non-tax revenue to ease its fiscal crisis. He further observed that Gujarat is more active in areas from which it should withdraw as shown by high economic subsidies, and it is less active in areas where intervention is called for as shown by low social sector subsidies.

Dhanasekaran (2001) quantified various feedbacks between revenue and expenditure in India along the lines suggested by Geweke and then the results are compared with Granger's causality test. He showed the absence of co-integration between Government tax revenue and expenditure variables implying no evidence of a stable long run relationship between them. The Geweke's test provided different inference for the causal relationship between tax revenue and government expenditure. In the model with tax revenue as the

dependent variable, Geweke's test indicated the existence of bi-directional causality, while in the case of the model with government expenditure as the dependent variable, Geweke's test showed the absence of any causal relationship between the variables. But the Granger's test suggests unidirectional causality flowing from government expenditure to tax revenue. Therefore, the causal inferences were found to be sensitive to the specification of the model.

Coondoo, et.al. (2001) examined the relative tax performances of some selected states based on annual data on state tax revenue for the period 1986-87 to 1996-97 using the technique of Quantile Regression. His analysis revealed that the performances of the States can be classified broadly into four categories. First, the best performing states are the south-western states, viz., Goa, Gujarat, Karnataka, Kerala, Rajasthan and Tamil Nadu and have remained so over the sample period. The next category of states, the worst performing states are the eastern states of Assam, Orissa and West Bengal. The third category of states with medium level performance is the states of Bihar, Haryana, Madhya Pradesh and Uttar Pradesh. The final category of states which start out at the medium/top level in terms of performance and show a declining trend in performance are the states of Andhra Pradesh, Maharashtra and Punjab. He clearly showed the states in south and west India displayed a superior tax performance compared to the remaining states of the country. This

may be due to a number of reasons – viz., relatively larger taxable capacity of these states, relatively greater tax effort made by these states or some deep-seated political-economic characteristics that these states may share.

Rao (2002) studied sharp deterioration in state finances during the last decade as evidenced by sharp increases in revenue, fiscal and primary deficits, increase in their indebtedness and contingent liabilities, and decline in capital and maintenance expenditures. Low buoyancy of central transfers and spillover of central pay revisions have had the most adverse impact on state finances. However, the states' own fiscal performance has also seen sharp deterioration. On the transfer system, the scheme proposed by the Ministry of Finance attempts to link a portion of transfers to fiscal reforms. There are serious design issues in the scheme. It is not certain whether the scheme will be effective either. He proposed the areas of reform the states should focus on to impart efficiency and improve revenue productivity and prioritisation and compression of unproductive expenditures.

Joseph (2004) studied the growth in broad components of the budget of northern states and for all states, during the 1990s and the early 2000s, divided into two sub-periods. He brings out the factors behind the deterioration of finances since the mid-1990s. For the states of Haryana, Himachal Pradesh, Rajasthan and Uttar Pradesh, the

growth in non-tax revenues has either sharply declined or remained stagnant at low levels. For the states of Haryana and Jammu and Kashmir, there has been a marked decline in the growth of transfers of central tax and grants. For the states of Punjab and Uttar Pradesh, there has been substantial growth in expenditure, both revenue and capital. For Himachal Pradesh and Jammu and Kashmir, there has been substantial growth in revenue expenditure in the latter period while revenue growth deteriorated. In almost all states, expenditure on administrative services, pensions and interest payments have shot up in the latter period. While capital expenditure in most of the states has decelerated, it has grown substantially in states like Haryana and Punjab, making up for the past stagnation or decline.

Mishra (2006) studied the fiscal position of North-Eastern States from the angles of resource mobilization (level of revenue) and its utilization (level of public expenditure). He found that the percentage share of state's total tax revenue and shared taxes in the net state domestic product exhibited some disturbing trends. The percentage of State's own tax revenue to net state domestic product, increased slowly over the year in case of both Nagaland and Meghalaya. Other states showed a slow growth rate in the state's own tax revenue during the period of his study. This proves that the States of North-Eastern region fare rather poorly on this count. The trend observed from the pattern of the composition of the State's taxes is not

at all warranted from the point of view of a healthy fiscal economy. He observed that as an instrument of resource mobilization, fiscal policy in general and the taxation policy of the government in particular has not been a remarkable success. He observed that taxation policy of the state both direct and indirect tax has not been able to bring about any significant increase in the overall resource mobilization programme to meet its ever increasing programmes. As a result of this, the dependence of the state on the centre is on the increase in recent years.

Bhujabala, et.al (2006) studied whether increase in State Domestic Product has increased the tax revenue or not. He observed that the results that the regression co-efficient is more than one in the post-liberalization period in almost all the southern states while it has worsened in the case of West Bengal, Punjab and Haryana. The various factors responsible for this are: better administrative structure, political, economic and demographic factors, taxable capacity and tax efforts made by the States. They suggested that States should raise a sufficient amount of revenue according to their tax potential by exploiting the benefits of liberalization and adjusting with the changing global economic scenario.

Purohit (2006) compared relative tax effort and taxable capacity of the central government in India with the average tax effort of other similar countries. He also compared the tax effort and taxable

capacity of the state governments with the average tax effort of all the states in India. Various determinants of tax bases have been selected to estimate the average rate and taxable effort as well as the taxable capacity of the states. He found that during the period 2000 to 2003 Gujarat ranked first in this regard, with West Bengal and Andhra Pradesh in the second and third places respectively. For those States which have a lower rank, actual revenue is lesser than total taxable capacity. He suggested that if they want to improve their actual revenue, more efforts should be made as compared to other states that have a higher rank.

Jena (2006) brought out the problems caused by inaccurate forecasting of central government tax revenues for fiscal management by state governments. He showed that use of poor forecasting methodologies has had an adverse impact on the states. The states suffer because the central forecasts are more in the nature of targets than carefully estimated forecasts. The paper shows that both the central and state governments should prioritise their expenditure plans by adopting a medium-term framework and adopt more scientific techniques of forecasting in making budgetary projections.

Bruce, et.al. (2006) examined the relative dynamic responses of state personal tax revenues and sales tax bases to changes in state personal income. Their econometric analysis, which includes separate analyses of long-run and short-run dynamics for each state, permits

the estimation of asymmetric short-run responses depending upon the relationship between current and expected tax base growth. They indicated that the average long-run elasticity for income taxes is more than double that for sales taxes. Most states have asymmetric short-run income elasticities, which are again greater for income taxes than for sales taxes. However, a joint analysis of long- and short-run dynamics reveals that neither tax is universally more volatile. After calculating state-specific income elasticities for both taxes, they employed cross-section regression techniques to explain the variation in elasticities across states. Several policy factors are found to be important, including elements of tax bases and rate structures.

Neelam Timsina (2007) studied 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 are to measure the elasticity and buoyancy of tax and to ensure whether or not the tax system in Nepal is elastic. He has applied time series regression approach for this empirical measurement. He revealed that the tax system in Nepal is inelastic (less than unity) in the period 1975-2005 with more than unitary buoyancy coefficients, thus reflecting that the bulk of revenue collection emanates from discretionary changes in the tax policy, rather than from automatic responses.

Jena and Gupta (2008) studied own revenue effort of rural local bodies within their statutorily defined revenue rights in the four states of Chhattisgarh, Madhya Pradesh, Rajasthan and Orissa. They found that the assigned tax rights are not fully utilised by the panchayats and non-tax revenue is the dominant source of their own revenue. A comparison of own revenues of the panchayati raj institutions for 2005-06, based on the survey results with those reported by the Twelfth Finance Commission for 2002-03, showed a huge difference between the two sets in the case of per capita own tax in Madhya Pradesh and per capita own non-tax in Chhattisgarh. Their evidence of better tax collection in the backward districts reveals the potential of higher own revenues provided the panchayats make an earnest effort to improve the delivery of public services. Improvement in service delivery by the PRIs in their localities will help in participation of people at large and willingness to pay taxes will improve.

Purohit and Purohit (2009) analysed six select services drawn from social and economic services in the structure of non-tax sources of the states. A comparative analysis of the recovery rate overtime is analysed based on the results for two points of time, i.e., 1993-94 to 1995-96 and 2001-02 to 2003-04. Based on their analysis, non-tax sources are not a fiscally significant source of revenue in the states' budget and their growth is not keeping pace with other components of

revenue receipts. Non- tax revenue can be a major source of budgetary receipts for the state governments if proper attention is paid towards pricing of the services. Its importance is realised in the context of bridging fiscal deficits of the states and the heavy financial requirements for upgrading and modernising basic infrastructure.

Chaudhuri and Sengupta (2009) examined the temporal relationship between revenues and expenditures for the four southern states, namely Andhra Pradesh, Karnataka, Kerala and Tamil Nadu during 1980 to 2005. Using an error-correction model and Granger causality test, they found that the tax-spend hypothesis is supported by the analysis. The spend-tax hypothesis is valid for Karnataka; fiscal synchronization hypothesis is supported for Andhra Pradesh and Kerala, while the data for Tamil Nadu failed to show any causality.

Kaushik (2009) made a review of State finances with the ongoing macroeconomic reality and also presents a limited picture of the observed a worsening condition of state finances. This study is an attempt at filling some of the gaps in the RBI assessment of state finances based on some of the economic realities. The paper 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 resource mobilisation. 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 are likely to be under pressure for implementation of the recommendation of Sixth Central Pay Commission (SCPC) which will inordinately increase 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.

Ajaz and Ahmad (2010) analysed the effects of institutional variables (corruption and governance) and structural variables (per capita income, share of industrial output in GDP, share of agriculture in GDP, inflation and trade openness) on total tax revenues in selected developing countries, using panel data set for 25 developing countries over the period 1990-2005. All estimates are based on Generalised Method of Moments (GMM) applied to dynamic panel model in level and in first difference form. The GMM regression results show that institutional variables have significant effect on tax revenues. The study concluded that governance and corruption are two main determinant of tax revenue. Corruption has adverse effect on tax

collection, while good governance contributes to better performance in tax collection. The study concludes that corruption has negative and significant effect. Governance has positive and significant effect on tax revenues, this shows that good governance brings good tax system; governance has positive relation with tax system.

Krishnamoorthy (2011) examined the trend and composition of Own Tax Revenue in Tamil Nadu. He observed that the State has achieved all the targets set by the Union government regarding revenue deficit and fiscal deficit in the last four year. The State is in a position to comply with the fiscal correction path laid down by the Thirteenth Finance Commission. By 2011-12, he suggested that revenue and fiscal deficit could be limited within 3% of the GSDP.

Sarma (undated) studied the bases of State taxes are rendered narrow because of large-scale exemptions, evasion and avoidance of taxes. Levying of registration on transfer of immovable property at high and differentiated rates has led to widespread evasion of the stamp duties by undervaluing the value of the property transacted. Lack of proper information system and administrative machinery to implement taxes is a general shortcoming in all the States. There is hardly any co-operation between one tax department of a State and another, much less between Central and State tax departments. Complications in the tax system add to complexity in administration.

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3.1 INTRODUCTION

India is a federal state. The Constitution clearly defines the powers and functions of Centre, State and local governments. Division of tax powers between these federal units are provided in the Constitution. Since nationally relevant taxes are assigned to the Centre which are also more productive than those assigned to the States, additional resources are devolved to the State and local government in the form of grants through Central Finance Commission, Planning Commission and Central ministries/departments. The total revenue resources of State consist of own revenue and grants from central agencies. The present chapter gives an assessment of State's own revenue receipts with reference to the Mizoram for the period between 2001-02 and 2011-12. The chapter is divided into two sections. Section I gives a broad pattern and trend of State's own revenue receipts. Section II examined the composition and trend in State's own tax revenue.

SECTION - I

3.2 BROAD PATTERN AND TREND OF STATE'S OWN REVENUE RECEIPTS

State's own revenue can be classified into a number of categories. In general, state's own revenue receipts are classified into two broad groups: State's Own Tax Revenue and State's Own Non-Tax Revenue.

Table 3.1 gives a broad trend and composition of State's own revenue receipt during 2001-02 to 2011-12.

Table 3.1: Composition and Trend of Own Revenue Receipts 2001-02 to 2011-12.

(₹ in crore)

Head of Receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(a) Own tax revenue	19.12 (30)	27.97 (35)	33.85 (37)	39.56 (34)	55.06 (31)	67.62 (34)	77.52 (37)	94.62 (37)	107.58 (46)	130.08 (47)	178.67 (52)
(b) Own non-tax revenue	44.87 (70)	52.63 (65)	58.01 (63)	75.60 (66)	120.09 (69)	133.38 (66)	130.30 (63)	158.67 (63)	126.50 (56)	146.71 (53)	168.03 (48)
(c) Total own revenue (a+b)	63.99 (100)	80.60 (100)	91.86 (100)	115.16 (100)	175.15 (100)	201.00 (100)	207.82 (100)	253.29 (100)	234.08 (100)	276.79 (100)	346.70 (100)

Note: Figures in parenthesis indicate percentage to total.

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

As given in Table 3.1, the composition of own revenue receipts underwent a significant change over the years. As on 2001-02, own tax revenue accounted for 30 per cent and own non-tax revenue 70 per cent. As on 2011-12, the share of own tax revenue remarkably increased to 52 per cent of the total own revenue resources generated while own non-tax revenue declined to 48 per cent. The increase in own tax revenue has been mainly contributed by the introduction of Value Added Tax (VAT) in 2005 and revision of other tax rates such as profession tax, taxes on POL etc. The relative decline in the share of own non-tax revenue, on the other hand, could be attributed to the failure of the State government to

increase resource mobilisation through various non-tax revenue sources such as water and power tariff, fees and other charges from various services the State Government provided to the people.

State's own revenue receipts, in absolute term, increased from ₹ 63.99 crore in 2001-02 to ₹ 346.70 crore in 2011-12, registering more than a five-fold increase over the study period. Increase in own revenue receipts is mainly contributed by a rise in own tax revenue which improved from ₹ 19.12 crore in 2001-02 to ₹ 178.67 crore which showed a 9.3 times increase during the period. Meanwhile, own non-tax revenue receipts increased by approximately four-fold from ₹ 44.87 crore in 2001-02 to ₹ 168.03 crore in 2011-12.

3.2.1 AGGREGATE OWN REVENUE RECEIPTS AS A RATIO OF TOTAL REVENUE

Total revenue receipts of the State include own revenue receipts, share in Central taxes and grants received from various agencies such as Finance Commission, Planning Commission and Central Ministries. It can be seen from table 3.2 that the own revenue receipts of the State varied between 6.7 percent and 10.6 percent of total revenue receipts during 2001-02 to 2011-12. Own tax revenue as a ratio total revenue receipts showed a consistent rise over the period from 2.2 percent in 2001-02 to 4.4 percent in 2011-12. Meanwhile, the performance of own

non-tax revenue as a ratio total revenue receipts which showed initially a rising trend witnessed a gradual decline thereafter. Own tax revenue as a total revenue receipts improved from 5.1 percent in 2001-02 to 7.3 percent during 2005-06; thereafter, the ratio consistently declined to 4.2 percent in 2011-12.

Table 3.2: Own revenue receipts as a ratio of Total Revenue Receipts

(in Percent)

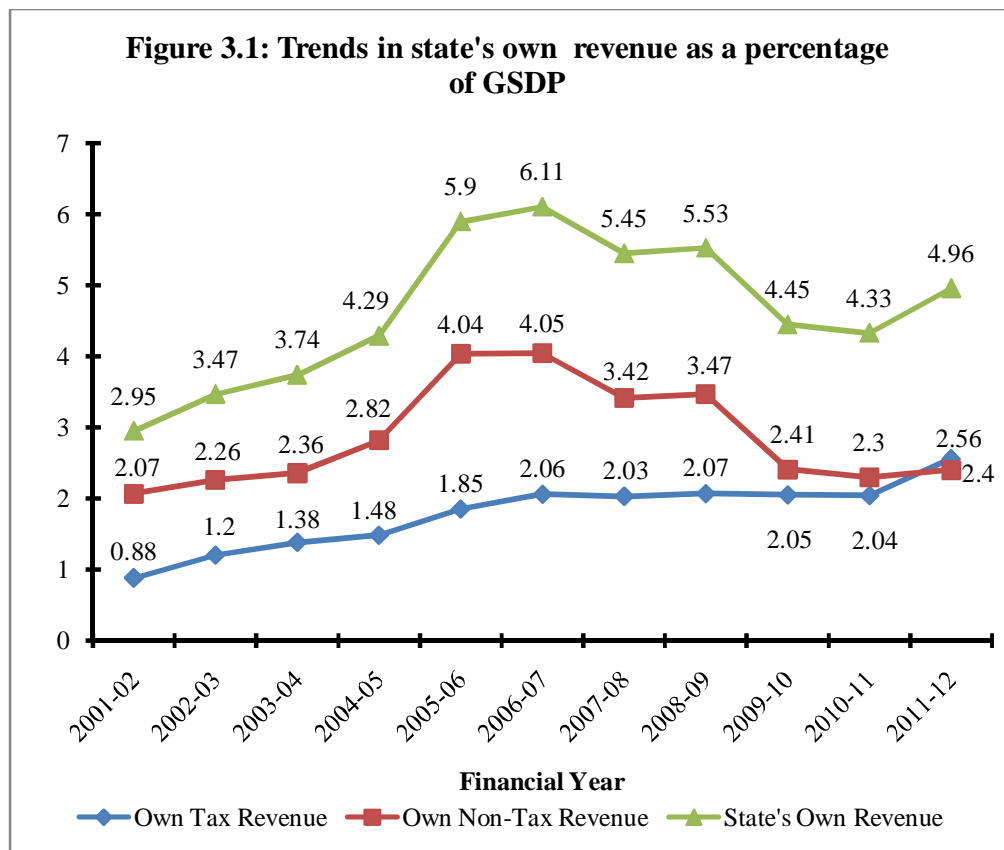
Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(a) Own tax revenue/ Revenue Receipts	2.20	2.74	2.47	2.63	3.33	3.43	3.80	3.57	3.63	3.85	4.45
(b) Own non-tax revenue/Revenue Receipts	5.17	5.15	4.23	5.03	7.26	6.77	6.39	5.98	4.27	4.35	4.19
(c) Own revenue receipts/Total Revenue Receipts	7.37	7.89	6.70	7.67	10.59	10.21	10.19	9.55	7.90	8.20	8.64

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

3.2.2 AGGREGATE OWN REVENUE RECEIPTS AS A RATIO OF GSDP

Tax and non-tax revenue as a percentage of GSDP is a good indicator of the efficiency in mobilization of these revenues in the total revenue receipts. As figure 3.1 indicated that the proportion of own revenue receipts to GSDP has increased from almost three percent (2.95 %) in 2001-02 to more than six percent (6.11%) in 2006-07. But, it

declined thereafter and stood at 4.96 per cent in 2011-12. It could be observed from the figure that own tax revenue receipts as a ratio of GSDP showed a consistent increase while that of own–non tax revenue showed an irregular trend during 2001-02 to 2011-12. The State recorded an increase of own non-tax revenue receipts from 2.07 percent of GSDP in 2001-02 to 4.05 percent in 2006-07. However, it recorded a decline thereafter and stabilised at 2.40 percent in 2011-12.



Source: Budget Documents, Government of Mizoram and Department of Economic and Statistics.

3.2.3 GROWTH PERFORMANCE OF OWN REVENUE RECEIPTS

Table 3.3 presents the annual growth rate of own revenue receipts. On an average, total own revenue grew by 19 percent annually during 2001-02 to 2011-12; meanwhile, own tax revenue witnessed an annual growth rate of 26 percent and that of own non-tax revenue by 15.3 percent. It could further be observed that own revenue growth is mainly driven by growth in own tax revenue. Growth in own revenue receipts showed wide fluctuation from 52.2 percent in 2005-06 to a negative growth rate of (-) 7.6 percent in 2009-07. Similar growth pattern is observed in respect of own non-tax revenue. Own tax revenue also depicted a wide variation in growth rate from as high as 46 percent in 2002-03 to only 13.7 per cent in 2009-10.

Table 3.3: Annual growth rate of own revenue receipts

(in Percent)

Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Average
(a) Own Tax Revenue	32.5	46.3	21.0	16.9	39.2	22.8	14.6	22.1	13.7	20.9	37.4	26.1
(b) Own Non-Tax Revenue	11.2	17.3	10.2	30.3	58.9	11.1	-2.3	21.8	-20.3	16.0	14.5	15.3
(c) State's Own Revenue	16.8	26.0	14.0	25.4	52.1	14.8	3.4	21.9	-7.6	18.3	25.3	19.1

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

3.2.4 BOUYANCY ESTIMATES OF OWN REVENUE RECEIPTS

One indicator of a good tax system is that the revenue receipts must be responsive to the change in economic condition. During the study period, the state economy witnessed a robust growth rate. The revenue effort of the State is assessed by estimating the relationship between different components of own revenue receipts and the State Gross Domestic Product during 2001-02 to 2011-12. The results of the exercise are given in the table 3.4:

Table 3.4: Revenue Bouyancy of Own Tax and Own Non-Tax Revenue Receipts (2001-02 to 2011-12)

Items	Coefficients
(a) Own tax revenue	1.63
(b) Own non-tax revenue	1.00
(c) Total own revenue	1.25

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

As given in the table 3.4, the regression coefficient for total own revenue happens to be 1.25 which indicated that every unit increase in GSDP is associated with more than one unit increase in own revenue receipts. The bouyancy estimate for own tax revenue receipts is almost two units (1.63) which indicated that with every unit increase in GSDP is associated with almost two unit increase in own tax revenue receipts. In regard to own non-tax revenue, the bouyancy estimate is exactly one which indicated that it has a unitary bouyancy.

SECTION - II

3.3 COMPOSITION AND TRENDS IN STATE'S OWN TAX REVENUE:

Tax Revenue is an important component of modern public finance as it constitutes the main source of state's revenues. In the context of Mizoram, Own Tax Revenue of the State mainly comprises the following components: (i) Taxes on income & expenditure which include taxes on professions, trades, callings and employment; (ii) Taxes on property & capital transaction which include land revenues and Stamps and Registration Fees; and (iii) Taxes on commodities and services which by far are the most important sources of the State's own tax revenue and include a variety of taxes like Sales Tax/VAT, State Excise, Motor Vehicles and Passenger. The trend and composition of own tax revenues of Mizoram during 2001-02 to 2011-12 is shown in Table 3.5.

Table 3.5 reveals that as on 2001-02, own tax revenue amounted to only ₹ 1,911.75 lakhs, but the amount consistently increased to ₹ 17,866.77 lakhs in 2011-12, registering an increase of more than nine (9.43) times. It has recorded a growth rate of 23.12 per cent per year while exhibiting buoyancy of almost two (1.63) over the period.

Table 3.5: Trend and Composition of Own Tax Revenue of Mizoram*(₹ in lakhs)*

Years	Taxes on Income & Expenditure		Taxes on Property & Capital Transaction		Taxes on Commodities & Services		Total Own Tax Revenue
	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)	
2001-02	362.56	18.96	132.09	6.91	1,417.10	74.13	1,911.75
2002-03	396.79	14.19	105.30	3.76	2,295.03	82.05	2,797.12
2003-04	407.72	12.04	85.21	2.52	2,892.26	85.44	3,385.19
2004-05	437.63	11.06	96.68	2.44	3,421.83	86.49	3,956.14
2005-06	452.81	8.22	176.16	3.20	4,876.60	88.58	5,505.57
2006-07	499.95	7.39	93.61	1.38	6,168.64	91.22	6,762.20
2007-08	532.28	6.87	171.04	2.21	7,048.22	90.93	7,751.54
2008-09	592.86	6.27	209.07	2.21	8,659.68	91.52	9,461.61
2009-10	793.03	7.37	314.82	2.93	9,649.68	89.70	10,757.53
2010-11	839.47	6.45	467.68	3.60	11,700.49	89.95	13,007.64
2011-12	1,186.15	6.64	321.01	1.80	16,359.61	91.56	17,866.77
CAGR	11.21		15.49		25.05		23.12
Bouyancy	0.88		1.23		1.74		1.63

Note: CAGR = Compound Annual Growth Rate

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

Taxes on income and expenditure also rose from ₹ 362.56 lakhs in 2001-02 to ₹ 1,186.15 lakhs in 2011-12 registering more than three (3.27) times increase during the study period. The relative contribution of this source of tax to total own tax revenue of the State declined from 18.96 per cent in 2001-02 to 6.64 per cent in 2011-12. It recorded a

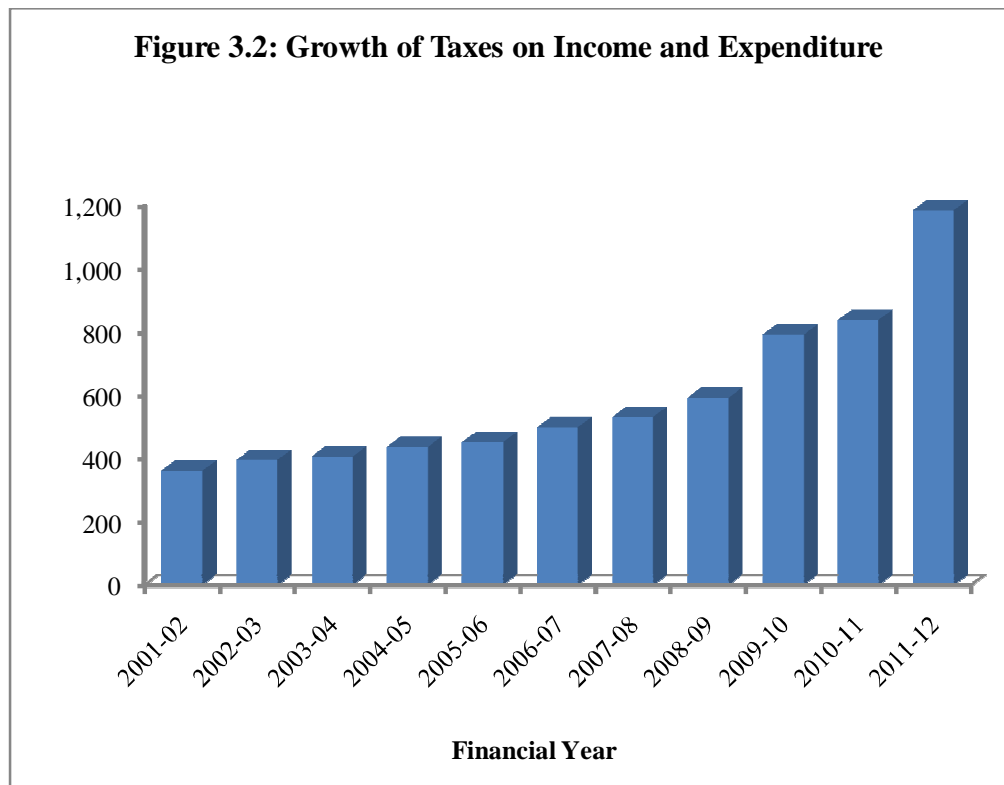
growth rate of 11.21 percent per year while the bouyancy is less than 1 (0.88) over the study period.

Taxes on property and capital transaction also witnessed a moderate increase. Revenue receipt from this source rose from ₹ 132.09 lakhs in 2001-02 to ₹ 321.01 lakhs in 2011-12 which registered an increase of 2.43 times. The relative contribution of this source of tax to total own tax revenue of the State declined from 6.91 per cent in 2001-02 to 1.80 per cent in 2011-12. It recorded a growth rate of 15.49 percent per year while the bouyancy is more than 1 (1.23) over the study period.

Taxes on commodities and services amounted to ₹ 1,417.10 lakhs accounting for 74.13 per cent of the total own tax revenue of the State in 2001-02. The contribution of taxes on commodities and services went up to ₹ 16,359.61 lakhs registering more than eleven (11.34) times increase in 2011-12 over the previous year of 2001-02. The relative contribution of this source of tax to total own tax revenue of the State also increased from 74.13 per cent in 2001-02 to 91.56 per cent in 2011-12.

3.3.1 TAXES ON INCOME AND EXPENDITURE

The revenue from taxes on income and expenditure mainly comprises of Tax on Profession, Trades, Callings & Employment, and other receipts. Professional tax is the main contributor of revenue from this source. Other receipts are negligible as their contributions are very small. The growth trend of tax on professions is illustrated in figure 3.2 below:



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

The state is empowered to levy a tax on professions, trades, callings and employments as per the State list of the Seventh Schedule of

the Indian Constitution. All individuals engaged in some profession or trade or with some form of gainful employment need to pay a profession tax. Although it is not a part of income tax, the Constitution gives this right to the states so that they can have some share in this income generated in the state. Accordingly, it is calculated on the basis of income received by salaried people or those engaged in any profession. Traders are required to pay profession tax along with sales tax and the amount payable is estimated on the basis of their turnover. In Mizoram, there is no income tax applicable to citizens when they earn income in Mizoram. However, if a Mizoram citizen earns income in any other part of India, the income is taxable.

Under *the Mizoram Professions, Trades, Callings and Employments Taxation Act, 1995*, the rates of profession tax for various categories of persons are clearly defined. The maximum amount of tax, fixed at ₹ 250 per annum originally, has been revised in 1988 to ₹ 2,500 per annum through an amendment of the constitution. The rates for different categories of occupation were revised in 2011. There are about 20 categories of professions with certain subcategories within them, which are subject to profession tax. However, the revenue from this tax has been less than its potential as several potential taxpayers especially the self-employed are not brought into the tax net. The rates of professional tax for different categories of persons are given below:

Table 3.6: Rate 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 Surveyors 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) Estate 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 all descriptions or classes engaged in any work (b) Suppliers of all descriptions engaged in any supply work	0.5% of the total contracted amount subject to a maximum of ₹ 2500 per annum
6.	(1) Dealer in goods if sales less than ₹ 20000 p.a.	Nil
	(2) Dealer in goods	0.5% of the gross business in a year subject to a maximum of ₹ 2500 per annum
7.	(1) Owners 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 hotels 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 bus 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 professions, trade or callings	₹ 2500 per annum
13.	Partnership firms engaged in professions, trade or callings	₹ 2500 per annum
14.	Persons other than mentioned 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.

3.3.2 TAXES ON PROPERTY AND CAPITAL TRANSACTION

The main sources of income from taxes on property and capital transaction include Land Revenue and Stamps and Registration Fees. The total income of taxes on property and capital transaction rose from ₹ 132.09 lakhs in 2001-02 to ₹ 321.01 lakhs in 2011-12 registering nearly three (2.43) times increase during the study period. Moreover, the relative contribution of this source of tax to total own tax revenue of the State declined from 6.91 per cent in 2001-02 to 1.80 per cent in 2011-12. The details of the revenue realized from these taxes are Table 3.7 :

Table 3.7: Trend and Composition of Taxes on Property and Capital Transaction

(₹ in lakhs)

Years	Land Revenue		Stamps & Registration Fees		Total	
	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)	Amount (₹)	Percent (%)
2001-02	123.88	93.78	8.21	6.22	132.09	100
2002-03	97.16	92.27	8.14	7.73	105.30	100
2003-04	71.96	84.45	13.25	15.55	85.21	100
2004-05	86.25	89.21	10.43	10.79	96.68	100
2005-06	159.38	90.47	16.78	9.53	176.16	100
2006-07	72.78	77.75	20.83	22.25	93.61	100
2007-08	148.09	86.58	22.95	13.42	171.04	100
2008-09	162.91	77.92	46.16	22.08	209.07	100
2009-10	276.17	87.72	38.65	12.28	314.82	100
2010-11	433.36	92.66	34.32	7.34	467.68	100
2011-12	251.92	78.48	69.09	21.52	321.01	100
Bouyancy	1.17		1.65		1.23	
CAGR	14.36		23.15		15.49	

Note: CAGR = Compound Annual Growth Rate

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

Land revenue

The levy and collection of Land Revenue is governed mainly by *The Mizoram (Taxes on Land, Buildings and Assessment of Revenue) Act, 2004* and *The Mizoram (Taxes on Land, Buildings 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 various taxes and fees were revised in the year of 2005, 2006 and 2011. Therefore, this Act was 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) Tax 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. *Pass* is payable at the initial stage of applying for land. *Premium* is the lump sum amount to be paid by an allottee to the government for the allotment. The tax net also covers all buildings situated on any settled land. Land Revenue/Taxes payable per annum (separate rates are not applicable for irrigated, unirrigated or partially irrigated) 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.

From table 3.7, it could be observed that maximum amount of tax on property and capital transaction was realized from land revenue during 2001-2012. The total revenue from this source rose from ₹ 123.88 lakhs in 2001-02 to ₹ 251.92 lakhs in 2011-12. But, the relative share of this source of tax to taxes on property and capital transaction declined from 93.78 per cent in 2001-02 to 78.84 per cent in 2011-12. It has recorded a growth rate of 23.15 per cent per year while exhibiting buoyancy of more than 1 (1.17) over the period.

Stamp Duties and Registration Fees

The objective of stamp duties and registration fees are totally different. The main aim of stamp duty is to collect revenue. Registration fees control and regulate the transaction of property rights. Both *ad valorem* and specific methods of taxation are in vogue. The rate of stamp duties on various instruments collected by the State Government 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 GoM.

Stamp duties includes: (i) Court fees realised in Stamps, sale of Stamps and other receipts under Judicial, and (ii) Sale of Stamps, Duty on Impressing of Document and Other receipts under Non-Judicial. On the other hand, fees for registering documents and other receipts are parts of Registration fees.

Stamps and Registration fees rose from ₹ 8.21 lakhs in 2001-02 to ₹ 69.09 lakhs in 2011-12 registering nearly nine (8.42) times increase. The relative contribution of revenue from this source marginally increased from 6.22 per cent of taxes on property and capital transaction in 2001-02 to 21.52 per cent in 2011-12. It has recorded a growth rate of 23.15 per cent per year while exhibiting buoyancy of 1.65 over the period.

3.3.3 TAXES ON COMMODITIES AND SERVICES

Taxes on commodities and services are the most important sources of the State's own tax revenue. Taxes on commodities and services amounted to ₹ 1417.10 lakhs accounting for 74.13 per cent of the total own tax revenue of the State in 2001-02. The contribution of taxes on commodities and services went up to ₹ 16359.61 lakhs in 2011-12 registering more than eleven (11.34) times increase. The relative contribution of this source of tax to total own tax revenue of the State significantly increased from 74.13 per cent in 2001-02 to 91.56 per cent in 2011-12. The reason for the high share of taxes on commodities and services in State's own tax revenue is due to the introduction of VAT in 2005.

Taxes on commodities and services consist of:

- (1) State Excise,
- (2) Taxes on Sale, Trade, etc.,
- (3) Taxes on Vehicles,
- (4) Other taxes on Goods and Passengers, and
- (5) Other taxes and duties on commodities and services.

The contribution of taxes on commodities and services is highlighted in Table 3.8.

Table 3.8: Trend and Composition of Taxes on Commodities and Services (₹ in lakhs)

Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	CAGR	Bouyancy
i. State Excise	135.59 (9.57)	128.70 (5.61)	136.20 (4.71)	140.40 (4.10)	146.10 (3.00)	165.02 (2.68)	168.67 (2.39)	187.39 (2.16)	209.99 (2.18)	239.32 (2.05)	230.75 (1.41)	6.73	0.54
ii. Taxes on Sale, Trade, etc.	984.86 (69.50)	1820.05 (79.30)	2331.69 (80.62)	2808.21 (82.07)	4159.06 (85.29)	5371.81 (87.08)	6204.09 (88.02)	7750.91 (89.51)	8593.59 (89.06)	10469.88 (89.48)	14215.83 (86.90)	27.46	1.88
iii. Taxes on Vehicles	209.88 (14.81)	256.08 (11.16)	338.15 (11.69)	379.78 (11.10)	434.98 (8.92)	501.48 (8.13)	536.64 (7.61)	549.90 (6.35)	670.70 (6.95)	771.98 (6.60)	1671.10 (10.21)	17.56	1.28
iv. Other Taxes on Goods & Passengers	52.85 (3.73)	56.61 (2.47)	61.01 (2.11)	68.67 (2.01)	99.44 (2.04)	98.28 (1.59)	107.10 (1.52)	143.38 (1.66)	139.39 (1.44)	172.12 (1.47)	205.02 (1.25)	14.87	1.10
v. Other Taxes & Duties on Commodities & Services	33.92 (2.39)	33.59 (1.46)	25.21 (0.87)	24.77 (0.72)	37.02 (0.76)	32.05 (0.52)	31.72 (0.45)	28.10 (0.32)	36.01 (0.37)	47.19 (0.40)	36.91 (0.23)	2.72	0.25
Total	1417.1 (100)	2295.03 (100)	2892.26 (100)	3421.83 (100)	4876.6 (100)	6168.64 (100)	7048.22 (100)	8659.68 (100)	9649.68 (100)	11700.49 (100)	16359.61 (100)	25.05	1.74

Note: Figures in parenthesis indicate percentage to total.

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

State Excise Duty

Excise taxes are imposed on a small number of goods in order to raise revenue and to discourage their consumption for health, environment and other reasons. The application of excise taxes is different compare with taxes levied on general consumption of goods or services. For example, VAT is a multi-stage sales tax extended to the retail level. The tax base is generally broad with few tax rates. On the other hand, excises are usually applied to specific commodities, such as alcoholic beverages, tobacco, etc. They are levied at an early stage of production and distribution channel, and thus have a narrow base with high rates in order to raise a significant amount of revenue.

There are several reasons to explain the importance of excise taxation as a good source of government revenue. Since the demand elasticities for excisable goods are relatively low, the government can raise a stable and significant amount of revenue from excises. Examples include excises levied on tobacco products and alcoholic beverages because of the addictive nature of these products. Apart from this, Excises are also considered to be corrective taxes, as they may be imposed to correct the external effects produced by the consumption of certain goods. This tax tries to internalize the external cost of its consumption. For instance, taxes levied on alcoholic beverages and

tobacco products are imposed to alleviate the external costs produced by car accidents, lung cancer treatment financed through public funds.

The GoM is following a conscious policy of total prohibition in the State of Mizoram. Excise duties were levied under the *Mizoram Excise Act, 1992*. However, in 1995, the GoM promulgated the *Mizoram Liquor Total Prohibition Act, 1995* which puts a complete ban on production, sale, import and consumption of liquor in the State of Mizoram. The import of liquor and consumption is allowed only by the Army and Para military security forces like Assam Rifles and CRPF deployed in Mizoram.

The excise duty is collected by the Excise and Narcotics Department. As for the rates of excise duty imposed on India-made foreign liquor (IMFL) imported in Mizoram by the security forces posted in the State, the rates were prescribed by a notification which was effective from 20th February 1997. These rates were revised on 28th November 2000 and they continue unchanged since then. The current rates are as follows:

Table 3.9: Rates of Excise Duty Imposed on IMFL

S/No.	Name of India-made foreign liquor	Rate of excise duty	Quantity
1.	Rum/Whisky/Brandy/Gin	₹ 52	Per proof Litre
2.	Wine	₹ 30	Per proof Litre
3.	Beer	₹ 8	Per bulk Litre

Source: ADB, Report of Mizoram Public Resource Management Programme.

The rate of Pass Fee levied on import of India-made foreign liquor, imported liquor and beer into Mizoram are as under:

Table 3.10: Rates of Pass Fee levied on IMFL

S/No.	Description	Rate of Pass Fee
1.	All kinds of India-made foreign liquor	₹ 2 per bulk Litre
2.	Beer	₹ 1 per bulk Litre
3.	All kinds of imported liquor	₹ 5 per bulk Litre

Source: ADB, Report of Mizoram Public Resource Management Programme.

As observed from the table 3.8, revenue from State excise rose from ₹ 135.59 lakhs in 2001-02 to ₹ 230.75 lakhs in 2011-12 registering nearly two (1.70) times increase in 2011-12 over the previous period of 2001-02. As a per cent to taxes on commodities and services, the share of this source declined from 9.57 per cent in 2001-02 to 1.41 per cent in 2011-12. It has recorded a growth rate of only 6.73 per cent per year while exhibiting buoyancy of less than 1 (0.54) over the period.

Sales Tax/VAT

Sales tax is levied on all sales and/or purchases in the state. As stated above, sales tax is the most important tax for the state government but has been riddled with the problem of multiplicity of rates, too many slabs and commodity groups besides a plethora of exemptions and concessions, and requires a thorough reform. The state government has

already implemented almost all the recommendations made by the Chelliah Committee (1994). It has abolished the turnover tax, additional tax, and surcharge and introduces VAT.

Mizoram introduced VAT from 1st April 2005, in tandem with other States in India. The switch over from sales tax has no doubt helped in increasing the tax base as also increasing the revenue. The main argument for switching over to this form of tax is that VAT is a stable source of revenue and it allows for collection of taxes in an efficient manner. The potential tax revenue of a VAT depends very much upon the scope of the tax base, the tax rate, and the general level of tax compliance. The tax base is determined by the extent to which goods and services are covered under the VAT. Besides the tax base, the complexity of the tax system and the effectiveness of the tax administration can also influence the degree of compliance.

The rate structure recommended by the Empowered Committee of State Finances was followed without any deviation. The rates of VAT were 12.5%, 4%, 1% and 0% when implemented. As amended in December 2012, the standard rates were 13.5 %, followed by a lower rate of 0%, 1% and 5 % for specified goods.

Besides, Tax on sale of petroleum and petroleum products is collected under the *Mizoram (Sale of Petroleum and Petroleum Products,*

including Motor and Lubricants) Act, 1973. The rates of tax are given in the following table.

Table 3.11: Rates of tax on sales of Petroleum and its Products

S/No.	Description	Rate of tax
1.	Motor spirit (except diesel and internal combustion engine oils other than petrol)	Twenty paise in the rupee
2.	Lubricants	Eight paise in the rupee
3.	Diesel and internal combustion engine oils other than petrol	Twenty paise in the rupee
4.	Crude oil	NIL
5.	LPG	Four paise in the rupee
6.	ATF- (a) for sale to turbo-prop aircraft (b) for other sales	4% 20%

Source: ADB, Report of Mizoram Public Resource Management Programme.

The reforms initiated with regard to sales tax yielded good results as the revenue from this tax as a proportion of taxes on commodities and services increased from 69.50 per cent in 2001-02 to 86.90 per cent in 2011-12. Maximum amount of taxes on commodities and services is coming from taxes on sale, trade, etc. The total revenue of taxes on sale, trade etc. rose from ₹ 984.86 lakhs in 2001-02 to ₹ 14215.83 lakhs in

2011-12. It has recorded a growth rate of 27.46 per cent per year while exhibiting buoyancy of almost 2 (1.88) over the period.

Motor Vehicles Tax

Motor vehicles tax is levied under the Mizoram Vehicle Taxation Act, 1996 on the registration of vehicles, for obtaining a drivers license, transferring ownership of vehicles, issuance of trade certificates to manufacturers and dealers, and on issuance of permits and certificates for the fitness of transport vehicles. Tax rates for motor vehicles tax vary from one state to another depending on the type of vehicle (private motor car, taxi, stage carriage, contract carriage, etc). Usually, private motor vehicles are taxed at higher rate. The 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) other vehicles.

Taxes on vehicles rose from ₹ 209.88 lakhs in 2001-02 to ₹ 1671.10 lakhs in 2011-12 registering an increase of nearly eight (7.96) times. In terms of contribution of Motor Vehicle Tax to taxes on commodities and services, the share indicates a decreasing trend from 14.81 per cent of taxes on commodities and services in 2001-02 to 6.35 per cent by the year 2008-09. However, it recorded an increase thereafter and stabilised

at the level of 10.21 per cent in 2011-12. Motor vehicle tax recorded a growth rate of 17.56 per cent per year while exhibiting buoyancy of more than 1 (1.28) over the period.

Other taxes on Goods and Passengers

Under *The Mizoram Passengers and Goods Taxation Act, 1988*, Passengers and Goods Tax is a 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 others, it is levied as a lump sum tax calculated on the basis of the seating capacity of the vehicles and length of the routes.

Revenue receipts under these items increased from ₹ 52.85 lakhs in 2001-02 to ₹ 205.02 lakhs in 2011-12 recording an increase of nearly four (3.88) times during the study period. In terms of contribution of other taxes on Goods and Passengers to taxes on commodities and services, the State indicates a decreasing trend. It recorded 3.73 per cent of taxes on commodities and services in 2001-02, which decreased to 1.25 per cent by the year 2011-12. It has recorded a growth rate of 14.87 per cent per year while exhibiting buoyancy of more than 1 (1.10) over the period.

Other taxes and duties on commodities and services

This includes entertainment tax, betting tax, foreign travel tax and Inland Air travel tax. Most of the revenue under this category comes from Entertainment Tax. The Government of Mizoram has adopted the *Assam Amusement and Betting Tax Act, 1939* for levy and collection of tax on entertainments and other amusements such as exhibitions, dramatic/music performances, Cable TV, cinematographic or video shows, etc. The rates of tax are given in the following table.

Table 3.12: Rates of Entertainment Tax

S/No.	Description	Rate of tax
1.	In the case of games, sports, music or dramatic Performances organized by a State Body)or any other body affiliated to it) which is either registered under the Societies Registration Act, 1860, or affiliated to an All India body constituted for similar purpose	12.5%
2.	In any other case, where the payment for admission is: (i) rupees two or less (ii) more than rupees two and up to rupees three (iii) more than rupees three	50% 75% 100%
3.	Cable TV	20% of the charges collected from the customers

Source: ADB, Report of Mizoram Public Resource Management Programme.

Other taxes and duties on commodities and services rose from ₹ 33.92 lakhs in 2001-02 to ₹ 36.91 lakhs in 2011-12. The share indicates a decreasing trend in terms of contribution of other taxes and duties to taxes on commodities and services. It has accounted for 2.39 per cent of taxes on commodities and services in 2001-02, which decreased to 0.23 per cent in 2011-12. It has recorded a positive growth rate of only 2.72 per cent per year while exhibiting buoyancy of less than 1 (0.25) over the period.

4.1 INTRODUCTION

Non-tax revenue is one of the constituents of the own revenue receipts of the State. Own non-tax revenue of the State mainly comprises the following four components: (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, Stationery and printing, Public works, Other administrative services, Contribution and recoveries towards pension 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 wild life, Co-operation, Other agricultural and rural programmes, 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.

4.2 BROAD TREND AND COMPOSITION OF OWN NON-TAX REVENUE

The broad trend, composition and bouyancy of own non-tax revenue of the Mizoram during 2001-2012 is shown in Table 4.1:

Table 4.1: Trend and Composition of Own Non-Tax Revenue of Mizoram

(₹ in lakhs)

Years	Interest Receipts, Dividends & Profits		General Services		Social Services		Economic Services		Total Own Non-Tax Revenue
	Amount	%	Amount	%	Amount	%	Amount	%	
2001-02	145.22	3.24	918.51	20.47	481.03	10.72	2942.46	65.57	4,487.22
2002-03	244.03	4.64	1764.62	33.53	474.57	9.02	2779.66	52.82	5,262.88
2003-04	327.07	5.64	1439.37	24.81	567.10	9.78	3467.30	59.77	5,800.84
2004-05	365.51	4.83	1563.43	20.68	551.40	7.29	5079.78	67.19	7,560.12
2005-06	694.23	5.78	1211.49	10.09	668.92	5.57	9434.22	78.56	12,008.86
2006-07	875.54	6.56	5249.58	39.36	777.63	5.83	6435.26	48.25	13,338.01
2007-08	1559.60	11.97	648.40	4.98	880.07	6.75	9941.76	76.30	13,029.83
2008-09	3291.23	20.74	1212.56	7.64	825.39	5.20	10538.15	66.41	15,867.33
2009-10	1784.87	14.11	1804.81	14.27	960.47	7.59	8100.09	64.03	12,650.24
2010-11	1270.68	8.66	2319.04	15.81	1066.6	7.27	10014.56	68.26	14,670.83
2011-12	1559.58	9.28	914.50	5.44	1242.1	7.39	13087.28	77.88	16,803.47
CAGR	29.89		0.56		10.16		16.34		14.20
Bouyancy	1.98		0.00		0.77		1.48		1.48

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

Trends in own non-tax revenue of Mizoram showed that, in absolute terms, increased from ₹ 4,487.22 lakhs in 2001-02 to ₹ 16,803.47 lakhs in 2011-12, registering an increase of nearly four times (3.74). It has recorded a growth rate of 14.20 percent per year while exhibiting bouyancy of only 1 for the whole period (*i.e.* 2001-02 to 2011-12). Interest Receipts, Dividends & Profits rose from ₹ 145.22 lakhs in 2001-02 to ₹ 1,559.58 lakhs in 2011-12, witnessing nearly eleven (10.76) times increase. The relative contribution of this source of non-tax to total own non-tax revenue of the State increased from 3.24 percent in 2001-02 to 9.28 percent in 2011-12.

The revenue from general services declined in absolute term, from ₹ 918.51 lakhs in 2001-02 to ₹ 914.50 lakhs in 2011-12, recording a growth rate of 0.56 percent per annum. State's own non-tax revenue has shown downward trend during the study period. The relative contribution of this source of non-tax to State's ONTR declined from 20.47 percent in 2001-02 to 5.44 percent in 2011-12, after reaching a peak of 39.36 percent in the year 2006-07. State's own non-tax revenue lack bouyancy (0.0) during the period of study.

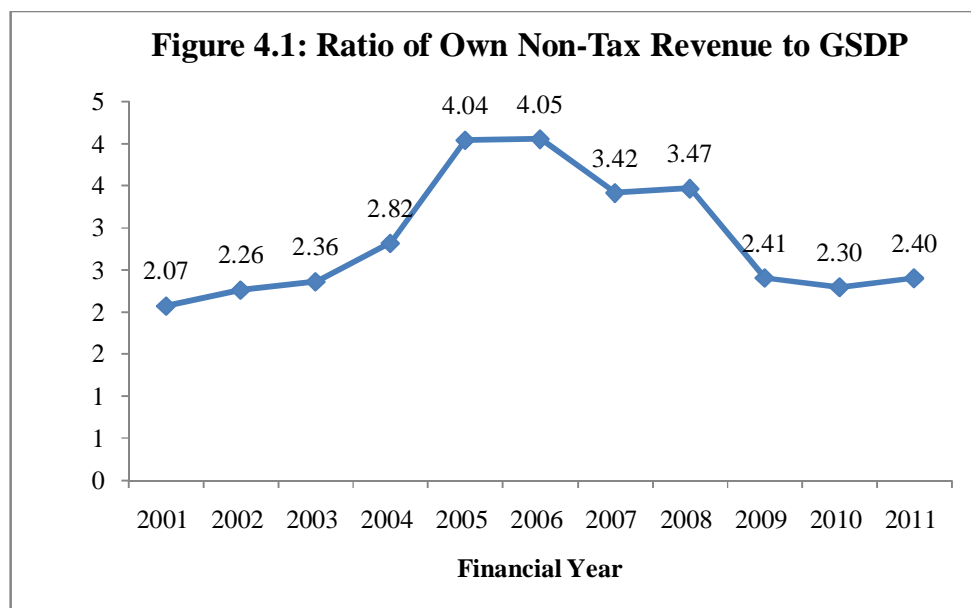
Receipts from social services increased from ₹ 481.03 lakhs in 2001-02 to ₹ 1,242.10 lakhs in 2011-12, registering a growth rate of

10.16 percent per annum. Its share in State's ONTR have exhibited downward trend, declining from 10.72 in 2001-02 to 7.39 percent in 2011-12. The bouyancy coefficient remained less than one (0.77) over the period.

The revenue from economic services, in absolute terms, increased from ₹ 2,942.46 lakhs in 2001-02 to ₹ 13,087.28 crore in 2011-12, registering more than four (4.46) times increase in 2011-12 over the previous year of 2001-02. The relative contribution of this source of tax to total own non-tax revenue of the State increased from 65.57 percent in 2001-02 to 77.88 percent in 2011-12. In terms of growth rate and bouyancy, it has recorded a growth rate of 16.34 percent per year while exhibiting bouyancy of more than 1 (1.48) over the study period.

4.3 OWN-NON TAX REVENUE AS A RATIO OF GSDP

The State's own non-tax revenue to GSDP varied between 2.07 and 4.05 percent during 2001-02 to 2011-12. The State recorded ONTR of 2.07 percent of GSDP in 2001-02, which increased to 4.05 percent in 2006-07. However, it recorded a decline thereafter and stood at 2.40 percent in 2011-12. Non-tax revenue as a percentage of GSDP is an indicator of the efficiency in mobilization of these revenues in the total revenue receipts.

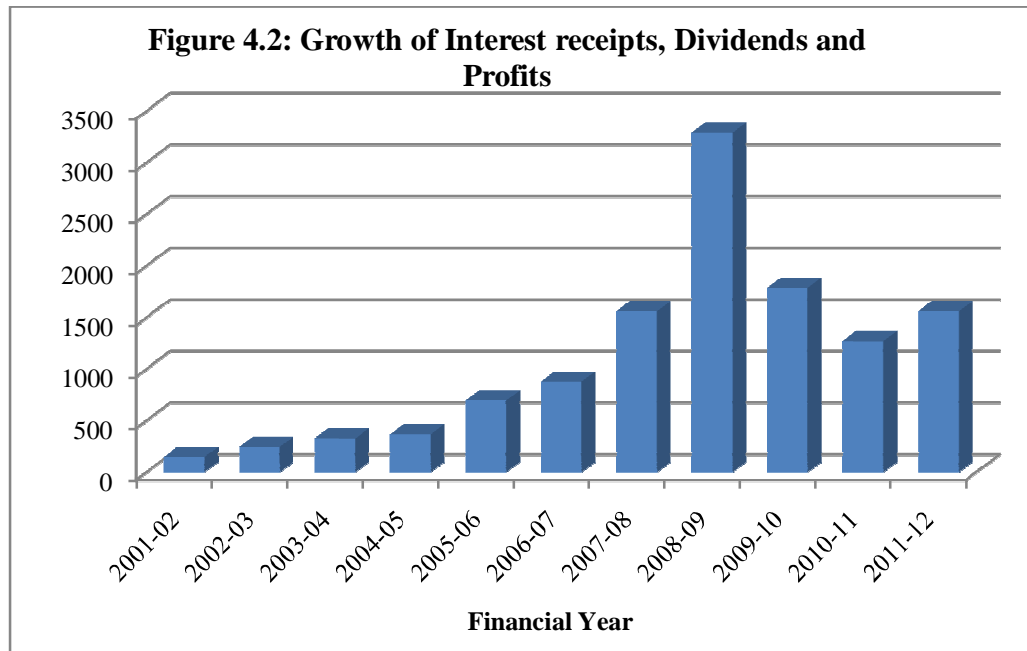


Source: Budget Documents, Government of Mizoram and Department of Economic and Statistics.

4.4. INTEREST RECEIPTS, DIVIDENDS & PROFITS

The revenue from Interest receipts, Dividends and Profits comprises of (a) Interest from Departmental Commercial Undertakings, (b) Interest realized on investment of Cash balance, (c) Interest from Co-operative Societies, and (d) Other receipts. Interest receipts is one of the major components of State's ONTR in the State. As shown in table 4.1, interest receipts grew at 29.89 percent per annum. The bouyancy of this revenue is 1.98 which indicated that a one unit increase in GSDP brought almost 2 unit (1.98) increase in Interest receipts, Dividends and Profits.

Figure 4.2 provides the growth trend of revenue from Interest receipts, Dividends and Profits:



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

Revenue from dividends and profits arise from the State Government's investment in the shares of co-operative institutions, statutory corporations, Government companies and other joint stock companies. However, in the case of Mizoram, no dividend is received due to non-availability of surpluses or due to losses. There are five (5) Public Sector Enterprises in the State. Almost all of these units are running in loss. The returns on investment from these PSEs are negative in aggregate. They were set up considering their importance to the State's

overall economic and industrial development, cultural considerations and their role in catering to the weaker section of the society. PSEs reforms and privatisation have been suggested under Mizoram Public Resource Management Programme (MPRMP) supported by the Asian Development Bank (ADB).

4.5 RECEIPTS FROM GENERAL SERVICES: TRENDS AND COMPOSITION

These Services comprise receipts from Public Service Commission, Police, Jails, Supplies and disposals, Stationery and printing, Public works, other administrative services, contribution and recoveries towards pension and other retirement benefits, and other miscellaneous general services. Table 4.2a, 4.2b & 4.2c give the trend, composition, growth rate and bouyancy of receipts from general services.

As given in table 4.4a, the revenue from general services increased from ₹ 918.51 lakhs in 2001-02 to ₹ 5249.58 lakhs in 2006-07 and thereafter declined consistently to ₹ 914.50 lakhs in 2011-12. The compound annual growth rate was only 0.56 percent. It lacks bouyancy, representing a zero value during the period of study.

Table 4.2a: Trends and Composition of Receipts from General Services*(₹ in lakhs)*

Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(i) Public Service Commission	1.63	0.88	0.52	7.83	0.41	0.08	0.66	18.86	20.33	16.83	5.58
(ii) Police	25.63	38.74	27.89	22.22	38.20	35.19	33.97	356.42	25.92	732.90	94.65
(iii) Jails	0.94	1.57	1.06	1.56	1.12	0.40	3.71	0.38	0.37	1.07	1.82
(iv) Supplies & Disposals	2.04	41.58	41.06	43.95	57.30	40.73	7.21	1.81	3.08	1.67	1.23
(v) Stationery & Printing	34.76	39.94	88.30	37.80	49.91	46.90	85.88	57.75	39.49	86.18	55.75
(vi) Public Works	50.11	203.59	368.23	289.60	104.62	201.96	45.32	201.64	412.46	169.95	141.76
(vii) Other Administrative Services	244.45	722.25	216.55	225.38	277.35	396.80	253.01	201.70	223.48	265.33	400.37
(viii) Contributions & Recoveries*	58.71	15.06	23.59	31.83	37.21	98.25	65.37	72.99	79.57	102.58	167.98
(ix) Miscellaneous General Services	500.24	701.01	672.17	903.26	645.37	4429.27	153.27	301.01	1000.11	942.53	45.36
Total	918.51	1764.62	1439.37	1563.43	1211.49	5249.58	648.40	1212.56	1804.81	2319.04	914.50

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

Table 4.2b: Trends and Composition of Receipts from General Services

(in Percent)

Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(i) Public Service Commission	0.18	0.05	0.04	0.50	0.03	0.00	0.10	1.56	1.13	0.73	0.61
(ii) Police	2.79	2.20	1.94	1.42	3.15	0.67	5.24	29.39	1.44	31.60	10.35
(iii) Jails	0.10	0.09	0.07	0.10	0.09	0.01	0.57	0.03	0.02	0.05	0.20
(iv) Supplies & Disposals	0.22	2.36	2.85	2.81	4.73	0.78	1.11	0.15	0.17	0.07	0.13
(v) Stationery & Printing	3.78	2.26	6.13	2.42	4.12	0.89	13.24	4.76	2.19	3.72	6.10
(vi) Public Works	5.46	11.54	25.58	18.52	8.64	3.85	6.99	16.63	22.85	7.33	15.50
(vii) Other Administrative Services	26.61	40.93	15.04	14.42	22.89	7.56	39.02	16.63	12.38	11.44	43.78
(viii) Contributions & Recoveries*	6.39	0.85	1.64	2.04	3.07	1.87	10.08	6.02	4.41	4.42	18.37
(ix) Miscellaneous General Services	54.46	39.73	46.70	57.77	53.27	84.37	23.64	24.82	55.41	40.64	4.96
Total	100	100	100	100	100	100	100	100	100	100	100

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

Table 4.2c: Compound Annual Growth Rate and Bouyancy of General Services Receipts

Particulars	CAGR (%)	Bouyancy
General Services	0.56	0.00
(i) Public Service Commission	32.78	2.60
(ii) Police	23.82	1.86
(iii) Jails	-2.70	-0.21
(iv) Supplies & Disposals	-24.98	-2.67
(v) Stationery & Printing	4.09	0.30
(vi) Public Works	3.01	0.20
(vii) Other Administrative Services	-1.59	-0.10
(viii) Contributions & Recoveries Pension & Other Retirement Benefits	18.64	1.39
(ix) Miscellaneous General Services	-11.36	-1.08

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

Details contribution by various items under general services are summarised below.

(i) Public Service Commission

Revenue accrues from fees charged from candidates appearing for various competitive examinations and interviews conducted by the Mizoram Public Service Commission (MPSC). The volume of the receipts under this head directly depends upon the nature and the number of examinations held by the Commission during a year and the number of candidates appearing for the examination.

Revenue from Public Service Commission rose from ₹ 1.63 lakhs in 2001-02 to ₹ 5.58 lakhs in 2011-12, representing more than three (3.42) times increase during the study period. However, the relative contribution of Public Service Commission to total own non-tax revenue of the State marginally declined from 0.04 percent in 2001-02 to 0.03 percent in 2011-12. As a percent of revenue to general services, it increased from 0.18 percent in 2001-02 to 0.61 percent in 2011-12. The buoyancy of this source is 2.60. This source has remained highly buoyant as compared to other component of general services as well as components of own non-tax revenue.

(ii) Police

Revenue receipts from Police comprise reimbursement receipts from the Government of India and other States towards the cost of police supplies (forming the bulk of the revenue under the major head), cost of police supplied to autonomous bodies, private companies and persons, receipts under the Arms Act, as well as sale proceeds of unserviceable articles, collection of payments for services rendered, recovery of overpayments and miscellaneous receipts and so on.

Revenue receipts from Police rose from ₹ 25.63 lakhs in 2001-02 to ₹ 94.65 lakhs in 2011-12 recording an increase of nearly four (3.69) times. The relative contribution of revenue receipts from this source to

general services has increased from 2.79 percent in 2001-02 to 10.35 per cent in 2011-12. Revenue receipts from police grew at 23.82 per cent per annum while exhibiting bouyancy of 1.86 over the period.

(iii) Jails

Receipts from Jails comprise receipts from sale of articles manufactured in jail factories and farm produce of the jails. The total income of revenue from Jails increased from ₹ 0.94 lakhs in 2001-02 to ₹ 1.82 lakhs in 2011-12. The share of this source of revenue to general services marginally increased to 0.20 percent in 2011-12 from 0.10 percent in 2001-02. In terms of growth rate and bouyancy, it was observed that the State exhibited a negative growth rate (-2.70%) and bouyancy value (-0.21).

(iv) Supplies and Disposals

Revenue receipts from Supplies and Disposals have gone down from ₹ 2.04 lakhs in 2001-02 to ₹ 1.23 lakhs in 2011-12. As a percent to general services, its share declined from 0.22 percent in 2001-02 to 0.13 percent in 2011-12. In terms of growth rate and bouyancy, the State exhibited a negative growth rate and bouyancy value. Revenue from supplies and disposals grew at -24.98 percent per annum while exhibiting the bouyancy of -2.67. This indicates that as income increases by 1 unit, revenue receipts from supplies and disposals declined by 2.67 units.

(v) Stationery and Printing

Receipts from Stationery and Printing department comprise sale proceeds of stationery supply to Government departments run on commercial lines, sale proceeds of State Gazette, printing charges for Government departments and other miscellaneous receipts. Revenue from Stationery and Printing rose from ₹ 34.76 lakhs in 2001-02 to ₹ 55.75 lakhs in 2011-12 registering nearly two (1.60) times increase. The share of this source to general services rose from 3.78 percent in 2001-02 to 6.10 percent in 2011-12. In terms of growth rate and bouyancy, it was observed that revenue from Stationery and Printing grew at 4.09 per cent per annum while exhibiting the bouyancy of 0.30 over the study period.

(vi) Public Works

The Public Works Department (PWD) has rental income from Government buildings, hire charges of machinery supplied to the contractors as well as the percentage charges. Revenue from Public Works rose from ₹ 50.11 lakhs in 2001-02 to ₹ 141.76 lakhs in 2011-12, registering nearly three (2.83) times increase. The share of this source of revenue to general services rose from 5.46 percent in 2001-02 to 15.50 percent in 2011-12. In terms of growth rate and bouyancy, it was observed that revenue from Public Work grew at 3.01 per cent per annum

while exhibiting the bouyancy of less than one (0.20) over the study period.

(vii) Other Administrative Services

Revenue from other administrative sources consist of receipts pertaining to administration of justice, elections, civil defence, fire protection etc. These include fines & forfeitures, services & service fees and other receipts under Law & Judicial and Guwahati High Court, Aizawl Bench; sale proceeds of election forms & documents, fees, fines & forfeitures, contribution towards issue of voter identity cards under Election; and Receipts from other services such as receipts from the Central government for Administration of Central Acts & Regulations, Receipts under Explosives Act, Receipts from Home Guards, Marriage fees, fees from Fire Protection & Control, receipts from Copyright fees, receipts from Motor Garages etc. and Guest Houses, Government Hostels, etc., Passport fees, Visa fees, Receipts under RTI Act, 2005, receipts from Administrative Training Institute, Local Administration Department, Assembly Secretariat, and Governor Secretariat.

Revenue from Other Administrative Services rose from ₹ 244.45 lakhs in 2001-02 to ₹ 400.37 lakhs in 2011-12. Its share as percent to general services increased to 43.78 percent in 2011-12 from 26.61 percent in 2001-02, while it was growing at the rate of -1.59 percent per

annum. Revenue from other administrative services showed the bouyancy of -0.1 over the study period.

(viii) Contribution and recoveries towards Pension and other retirement benefits

Pension contributions from other Governments, autonomous bodies, local bodies etc. in respect of Government servants placed on deputation fall in this category. It also includes Government share in Contributory Provident Fund (CPF) and interest thereon. Contributions and recoveries towards Pension and other retirement benefits rose from ₹ 58.71 lakhs in 2001-02 to ₹ 167.98 lakhs in 2011-12 registering almost three (2.86) times increase. The share of this source of revenue to general services rose from 6.39 percent in 2001-02 to 18.37 percent in 2011-12. In terms of growth rate and bouyancy, it was observed that revenue from contributions and recoveries towards pension and other retirement benefits grew at 18.64 per cent per annum while exhibiting the bouyancy of more than one (1.39) over the study period.

(ix) Miscellaneous General Services:

Other miscellaneous general services include numerous small receipts from sources such as unclaimed deposits, allotment and sale of land, receipts relating to guarantees given by Government, sale of old

stores, shares and materials, urban assessments etc. Miscellaneous General Services declined from ₹ 500.24 lakhs in 2001-02 to ₹ 45.36 lakhs in 2011-12. As a percent of revenue from this source to general services, it declined from 54.46 percent in 2001-02 to merely 4.96 percent in 2011-12. In terms of growth rate and bouyancy, the State exhibited a negative growth rate and bouyancy value. Revenue from miscellaneous general services grew at -11.36 percent per annum while exhibiting the bouyancy of -1.08.

4.6 RECEIPTS FROM SOCIAL SERVICES: TRENDS AND COMPOSITION

The major items that come under this class are (a) Education, Sports, Arts and Culture, (b) Medical and public health, (c) Family welfare, (d) Water supply and sanitation, (e) Housing, (f) Urban development (g) Information and publicity, (h) Labour and employment, and (i) Social security and welfare. Receipts from Education, Sports, Arts and Culture include tuition and other fees realized from students in Government educational institutions, public contributions to the educational institutions, receipts of museums and archaeological monuments. Medical and public health receipts include contributions from patients, and tuition fees and fines from the medical institutions etc.

Family welfare receipts are contribution of the users, and receipts on account of strengthening of family welfare. Water supply and sanitation receipts comprise service fees, charges from other Government departments, and receipts from water schemes. Housing receipts are receipts from General Pool Accommodation, Police Housing and other housing under the charge of PWD; and other receipts under Local Administration Department. Receipts from Urban development include receipts from License fees (i.e. receipt under Town Sanitation Rules), hoarding and public advertisement, Sanitary Inspection fees and other receipts for State capital development and other urban development schemes through UD&PA and LAD. Information and Publicity receipts are receipts from publications and films under Information and Public Relations. Receipts from Labour and Employment include fees under Contract Labour (Regulation and Abolition Rules) and other receipts from Labour, Employment and Information Technology. Receipts from Social Security and Welfare include receipts from rehabilitation and other social security and welfare programmes.

Table 4.3a, 4.3b & 4.3c gives trends and composition of revenue receipts from social services:

Table 4.3a: Trends and Composition of Receipts from Social Services

(₹ in lakhs)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(i) Education, Sports, Art & Culture	41.42	41.78	68.81	37.74	80.12	52.22	49.86	52.22	91.96	140.01	161.60
(ii) Medical & Public Health	39.08	39.77	32.66	45.51	47.32	55.59	65.95	54.84	27.49	18.62	30.80
(iii) Family Welfare	0.02	0.26	-	0.04	-	-	0.01	-	-	0.76	-
(iv) Water Supply & Sanitation	349.23	338.65	391.78	427.44	464.42	532.27	639.21	657.20	738.50	764.01	881.94
(v) Housing	35.40	38.24	36.94	36.66	43.40	51.05	81.94	44.65	46.79	52.16	71.45
(vi) Urban Development	0.14	-	-	-	-	-	7.17	2.99	5.12	12.45	21.82
(vii) Information & Publicity	3.11	0.04	7.19	3.75	6.50	6.25	-	13.25	-	21.33	16.46
(viii) Labour and Employment	0.02	0.08	0.01	-	-	0.06	0.15	0.17	0.17	0.22	22.45
(ix) Social Security & Welfare	12.61	15.75	29.71	0.26	27.16	80.19	35.78	0.07	50.44	56.99	35.59
Total	481.03	474.57	567.1	551.4	668.92	777.63	880.07	825.39	960.47	1,066.55	1,242.11

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

Table 4.3b: Trends and Composition of Receipts from Social Services*(in percent)*

Particulars	2001- 02	2002- 03	2003- 04	2004- 05	2005- 06	2006- 07	2007- 08	2008- 09	2009- 10	2010- 11	2011- 12
(i) Education, Sports, Art & Culture	8.61	8.80	12.13	6.84	11.98	6.72	5.67	6.33	9.57	13.13	13.01
(ii) Medical & Public Health	8.12	8.38	5.76	8.25	7.07	7.15	7.49	6.64	2.86	1.75	2.48
(iii) Family Welfare	-	0.05	-	0.01	-	-	-	-	-	0.07	-
(iv) Water Supply & Sanitation	72.60	71.36	69.08	77.52	69.43	68.45	72.63	79.62	76.89	71.63	71.00
(v) Housing	7.36	8.06	6.51	6.65	6.49	6.56	9.31	5.41	4.87	4.89	5.75
(vi) Urban Development	0.03	-	-	-	-	-	0.81	0.36	0.53	1.17	1.76
(vii) Information & Publicity	0.65	0.01	1.27	0.68	0.97	0.80	-	1.61	-	2.00	1.33
(viii) Labour and Employment	-	0.02	-	-	-	0.01	0.02	0.02	0.02	0.02	1.81
(ix) Social Security & Welfare	2.62	3.32	5.24	0.05	4.06	10.31	4.07	0.01	5.25	5.34	2.87
Total	100	100	100	100	100	100	100	100	100	100	100

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

**Table 4.3c: Compound Annual Growth Rate and Bouyancy of
Social Services Receipts**

Particulars	CAGR (%)	Bouyancy
Social Services	10.16	0.77
(i) Education, Sports, Art & Culture	12.23	0.97
(ii) Medical & Public Health	-3.60	-0.39
(iii) Family Welfare	26.30	1.83
(iv) Water Supply & Sanitation	10.48	0.79
(v) Housing	6.08	0.45
(vi) Urban Development	49.71	3.22
(vii) Information & Publicity	39.20	1.99
(viii) Labour and Employment	46.79	3.01
(ix) Social Security & Welfare	40.13	0.76

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

The following broad trends and composition of revenue receipts could be identified under social services:

(i) Revenue from education, sports, arts and culture is one of the major components of revenue receipts from social services. It constitutes about 13.01 percent of social services in 2011-12. It rose from ₹ 41.42 lakhs in 2001-02 to ₹ 161.60 lakhs in 2011-12, registering almost four (3.90) times increase. It is found that revenue from Education, Sports, Art & Culture grew at 12.23 percent per annum while exhibiting the bouyancy of only 0.97 over the period.

(ii) Revenue from Medical & Public Health his sector exhibits a declining trend in absolute and relative terms over the years. In absolute term, it declined from ₹ 39.08 lakhs in 2001-02 to ₹ 30.80 lakhs in 2011-12. The contribution of revenue receipts from this source to social services has decreased from 8.12 percent in 2001-02 to 2.48 percent in 2011-12. In terms of growth rate and bouyancy, the State exhibited a negative growth rate (-3.6%) and bouyancy value (-0.39).

(iii) Revenue receipts from family welfare are negligible in absolute terms, the amount received from this source is not consistent and its share is also insignificant.

(iv) Revenue from Water Supply and Sanitation contributed substantially to social services. The revenue contribution rose from ₹ 349.23 lakhs in 2001-02 to ₹ 881.94 lakhs in 2011-12, registering growth rate of 10.48 percent per annum. Water Supply and Sanitation accounted for 72.60 per cent of social services in 2001-02, which increased to 79.62 per cent in 2008-09. However, it recorded a decline thereafter and stood at 71 per cent in 2011-12. Revenue receipts from water supply and sanitation have the bouyancy of 0.79 over the study period.

(v) Revenue from housing rose from ₹ 35.40 lakhs in 2001-02 to ₹ 71.45 lakhs in 2011-12 registering more than two (2.02) times increase during the study period. The share of this source of revenue to social services declined from 7.36 percent in 2001-02 to 5.75 percent in

2011-12. In terms of growth rate and bouyancy, it was observed that revenue from housing grew at only 6.08 per cent per annum while exhibiting the bouyancy of 0.45 over the study period which means lack of bouyancy.

(vi) Revenue receipts from urban development in social services contributed about 1.76 percent of social services in 2011-12. In absolute terms, the revenue from this source increased to ₹ 21.82 lakhs in 2011-12 from negligible amount of ₹ 0.14 lakhs in 2001-02. Its share in 2001-02 was merely 0.03 percent. Revenue from urban development grew at 49.71 percent per annum. The bouyancy of this source is 3.22. With urbanisation, the contribution of this sub-sector is expected to increase both in absolute and relative terms.

(vii) In absolute term, revenue from Information & Publicity rose from ₹ 3.11 lakhs in 2001-02 to ₹ 16.46 lakhs in 2011-12 registering more than five (5.29) times increase during the study period. The share of this source of revenue to social services also increased from 0.65 percent in 2001-02 to 1.33 percent in 2011-12. Revenue from Information & Publicity grew at 29.20 percent per. The bouyancy of this source is 1.99.

(viii) Revenue from Labour and Employment rose from ₹ 0.02 lakhs in 2001-02 to ₹ 22.45 lakhs in 2011-12. It accounted 1.81 percent

to social services in 2011-12 and grew at 46.79 percent per annum. The bouyancy of this source is 3.01.

(ix) Receipts from Social Security & Welfare rose from ₹ 12.61 lakhs in 2001-02 to ₹ 35.59 lakhs in 2011-12, showing nearly three (2.82) times increase. As a percent of revenue to social services, it increased marginally from 2.62 percent in 2001-02 to 2.87 percent in 2011-12. The revenue from the sub-sector grew at 40.13 percent per annum. The bouyancy of this source is 0.76.

4.7 RECEIPTS FROM ECONOMIC SERVICES: TRENDS AND COMPOSITION

Major items under these services are: (a) Crop husbandry (b) Animal husbandry (c) Forestry and wild life (d) Power (e) Non-ferrous mining and metallurgical industries (f) Civil Aviation (g) Road Transport (h) Tourism. Table 4.4a, 4.4b & 4.4c present trends and composition of receipts from economic services.

The revenue from economic services, in absolute terms, increased from ₹ 2,942.46 lakhs in 2001-02 to ₹ 13,087.28 lakhs in 2011-12, registering more than four times (4.46). In terms of growth rate and bouyancy, it recorded a growth rate of 16.34 percent per year while exhibiting bouyancy of more than 1 (1.48) over the study period.

Table 4.4a: Trends and Composition of Receipts from Economic Services (₹ in lakhs)

Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(i) Crop Husbandry	56.70	27.33	25.68	22.39	22.36	21.70	18.40	17.57	29.99	88.27	73.18
(ii) Animal Husbandry	40.49	47.01	60.99	53.04	53.95	56.31	59.82	57.27	72.93	55.08	64.62
(iii) Dairy Development	-	0.63	3.29	4.75	4.48	8.60	7.78	10.96	16.88	16.76	14.35
(iv) Fisheries	6.65	10.80	6.05	0.23	2.31	4.81	6.14	5.70	12.67	33.22	32.88
(v) Forestry & Wildlife	163.22	380.06	316.10	273.82	415.55	405.53	298.04	220.17	252.84	239.83	318.94
(vi) Food Storage & Warehousing	3.96	2.79	3.87	3.36	0.69	2.40	10.90	0.86	11.51	7.96	11.15
(vii) Co-operation	2.09	80.64	15.87	201.29	67.15	2.24	1.61	1.92	1.08	2.02	2.89
(viii) Other Agricultural Programmes	2.20	3.64	72.34	52.55	52.02	58.07	59.43	94.22	84.87	104.34	99.51
(ix) Land Reforms	-	41.34	55.90	69.19	84.79	86.28	88.18	88.20	105.42	104.01	114.01
(x) Other Rural Development Programmes	10.61	8.26	0.77	7.97	74.57	-	350.00	1.02	5.10	18.68	4.49
(xi) Minor Irrigation	4.06	1.36	5.48	2.97	2.60	0.09	-	-	0.78	0.23	9.74
(xii) Power	2304.41	1821.22	2614.01	4081.38	8180.66	5179.00	8360.11	9340.17	6785.58	7263.48	10951.62
(xiii) Village & Small Industries	9.30	5.70	16.15	7.75	23.36	21.52	5.48	8.13	14.69	31.89	27.45
(xiv) Non-Ferrous Mining and Metallurgical Industries	0.50		3.05	5.94	32.59	44.28	98.40	154.22	141.13	497.39	695.43
(xv) Civil Aviation	78.52	59.71	55.01	82.90	186.42	248.32	296.11	199.65	188.19	134.46	88.80
(xvi) Roads & Bridges	27.18	16.62	15.45	16.87	5.87	25.32	21.76	11.25	42.82	993.85	185.33
(xvii) Road Transport	171.04	202.82	149.22	136.81	155.27	174.11	164.66	207.35	201.33	265.88	220.50
(xviii) Other Scientific Research	-	0.08	0.98	1.11	0.72	2.25	0.82	0.91	1.09	0.89	6.31
(xix) Tourism	34.74	37.48	40.55	43.50	62.15	82.07	86.54	111.44	123.51	148.31	153.64
(xx) Other General Economic Services	26.79	32.17	6.54	11.96	6.71	12.36	7.58	7.14	7.68	8.01	12.44
Total	2942.46	2779.66	3467.30	5079.78	9434.22	6435.26	9941.76	10538.15	8100.09	10014.56	13087.28

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

Table 4.4b: Trends and Composition of Receipts from Economic Services (*in Per cent*)

Items	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(i) Crop Husbandry	1.93	0.98	0.74	0.44	0.24	0.34	0.19	0.17	0.37	0.88	0.56
(ii) Animal Husbandry	1.38	1.69	1.76	1.04	0.57	0.88	0.60	0.54	0.90	0.55	0.49
(iii) Dairy Development	-	0.02	0.09	0.09	0.05	0.13	0.08	0.10	0.21	0.17	0.11
(iv) Fisheries	0.23	0.39	0.17	-	0.02	0.07	0.06	0.05	0.16	0.33	0.25
(v) Forestry & Wildlife	5.55	13.67	9.12	5.39	4.40	6.30	3.00	2.09	3.12	2.39	2.44
(vi) Food Storage & Warehousing	0.13	0.10	0.11	0.07	0.01	0.04	0.11	0.01	0.14	0.08	0.09
(vii) Co-operation	0.07	2.90	0.46	3.96	0.71	0.03	0.02	0.02	0.01	0.02	0.02
(viii) Other Agricultural Programmes	0.07	0.13	2.09	1.03	0.55	0.90	0.60	0.89	1.05	1.04	0.76
(ix) Land Reforms	-	1.49	1.61	1.36	0.90	1.34	0.89	0.84	1.30	1.04	0.87
(x) Other Rural Development Programmes	0.36	0.30	0.02	0.16	0.79	-	3.52	0.01	0.06	0.19	0.03
(xi) Minor Irrigation	0.14	0.05	0.16	0.06	0.03	-	-	-	0.01	-	0.07
(xii) Power	78.32	65.52	75.39	80.35	86.71	80.48	84.09	88.63	83.77	72.53	83.68
(xiii) Village & Small Industries	0.32	0.21	0.47	0.15	0.25	0.33	0.06	0.08	0.18	0.32	0.21
(xiv) Non-Ferrous Mining and Metallurgical Industries	0.02	-	0.09	0.12	0.35	0.69	0.99	1.46	1.74	4.97	5.31
(xv) Civil Aviation	2.67	2.15	1.59	1.63	1.98	3.86	2.98	1.89	2.32	1.34	0.68
(xvi) Roads & Bridges	0.92	0.60	0.45	0.33	0.06	0.39	0.22	0.11	0.53	9.92	1.42
(xvii) Road Transport	5.81	7.30	4.30	2.69	1.65	2.71	1.66	1.97	2.49	2.65	1.68
(xviii) Other Scientific Research	-	-	0.03	0.02	0.01	0.03	0.01	0.01	0.01	0.01	0.05
(xix) Tourism	1.18	1.35	1.17	0.86	0.66	1.28	0.87	1.06	1.52	1.48	1.17
(xx) Other General Economic Services	0.91	1.16	0.19	0.24	0.07	0.19	0.08	0.07	0.09	0.08	0.10
Total	100	100	100	100	100	100	100	100	100	100	100

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

Table 4.4c: Compound Annual Growth Rate and Bouyancy of Economic Services Receipts

Particulars	CAGR (%)	Bouyancy
Economic Services	16.34	1.48
(i) Crop Husbandry	5.37	0.59
(ii) Animal Husbandry	3.48	0.25
(iii) Dairy Development	35.69	2.31
(iv) Fisheries	22.25	1.9
(v) Forestry & Wildlife	0.06	-0.06
(vi) Food Storage & Warehousing	12.21	1.04
(vii) Co-operation	-26.74	-2.64
(viii) Other Agricultural Programmes	36.54	2.23
(ix) Land Reforms	31.12	1.88
(x) Other Rural Development Programmes	1.9	0.09
(xi) Minor Irrigation	-10.1	-0.71
(xii) Power	17.64	1.22
(xiii) Village & Small Industries	10.18	0.78
(xiv) Non-Ferrous Mining and Metallurgical Industries	107.2	5.65
(xv) Civil Aviation	9.29	0.58
(xvi) Roads & Bridges	30.78	2.44
(xvii) Road Transport	3.84	0.35
(xviii) Other Scientific Research	18.75	1.31
(xix) Tourism	18.3	1.34
(xx) Other General Economic Services	-8.54	-0.6

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

Item-wise contributions of Economic services are indicated below:

(i) Crop husbandry

Receipts from Crop husbandry rose from ₹ 56.70 lakhs in 2001-02 to ₹ 73.18 lakhs in 2011-12, recording a growth rate of 5.37 per cent per annum. As a per cent of revenue from crop husbandry to economic services, the State witnesses a declining trend from 1.93 per cent in 2001-02 to 0.56 per cent in 2011-12. Revenue from crop husbandry has the bouyancy of 0.56 over the study period.

(ii) Animal husbandry

The total revenue from Animal husbandry rose from ₹ 40.49 lakhs in 2001-02 to ₹ 64.62 lakhs in 2011-12, registering growth rate of only 3.48 per cent per annum. As a percent of revenue to economic services, it decreased from 1.38 per cent in 2001-02 to 0.49 per cent in 2011-12. The buoyancy value of 0.25 indicated that one unit increase in income of the State lead to less than one unit increase in revenue collected from animal husbandry.

(iii) Dairy development

The State Government has implemented 4 (four) Dairy Development Projects which were initiated under Central Scheme of Intensive Dairy Development Projects (IDDP)¹ since 2002-03. The revenue received from Dairy development rose from ₹ 0.63 lakhs in 2002-03 to ₹ 14.35 lakhs in 2011-12 registering nearly twenty-three (22.78) times increase. The share of this item to economic services also increased from 0.02 percent in 2002-03 to 0.11 percent in 2011-12. In terms of growth rate and bouyancy, revenue from dairy development grew at 35.69 per cent per annum while exhibiting the bouyancy of 2.31.

(iv) Fisheries

Revenue from Fisheries rose from ₹ 6.65 lakhs in 2001-02 to ₹ 32.88 lakhs accounting for 0.20 in 2011-12. This showed that nearly five (4.94) times increase in 2011-12 over the previous period of 2001-02. As a per cent of revenue from this source to economic services, the share of revenue marginally increases from 0.23 percent in 2001-02 to 0.25 per cent in 2011-12. Revenue from fisheries grew at 22.25 per cent while the bouyancy of this source was 1.9.

¹ *Government of Mizoram, Economic Survey (2013-14), Planning & Programme Implementation Department, Aizawl.*

(v) Forestry and Wildlife

Under forestry, revenue is mainly realized from forests on Government lands. Forest produce is directly exploited and sold by the Government. The total revenue realized in 2011-12 from the major and minor forest produce was ₹ 318.94 lakhs only. Forestry and wildlife rose from ₹ 163.22 lakhs in 2001-02 to ₹ 318.94 lakhs in 2011-12 registering nearly two (1.95) times increase. The relative contribution of revenue from this source to economic services declined from 5.55 percent in 2001-02 to 2.44 percent in 2011-12. The revenue from forest and wildlife grew at merely 0.06 per cent per annum and the State witnessed a negative bouyancy value of -0.06 which means as income increase, the revenue received from this source declined. The Supreme Court ruling of 1995 which decreed that felling of trees and exploitation of forest resources may be carried out only on the basis of an approved scientific and sustainable regeneration plan has deprived the State of an important source of revenue. But, the loss on this account should be seen as a gain of valuable “green” cover for the nation as a whole.

(vi) Food Storage and Warehousing

Receipts from Food Storage and Warehousing rose from ₹ 3.96 lakhs in 2001-02 to ₹ 11.15 lakhs in 2011-12 registering nearly three

(2.82) times increase. As a percent to economic services, the share of revenue from this source also decreased from 0.13 percent in 2001-02 to 0.09 percent in 2011-12. Revenue from Food Storage and Warehousing grew at 12.21 percent per annum while the buoyancy was 1.04.

(vii) Co-operation

The share of this item as a percent to economic services is declining. In absolute term, revenue from co-operation slightly rose from ₹ 2.09 lakhs in 2001-02 to ₹ 2.89 lakhs in 2011-12. It registered a negative growth rate of -26.74 per cent per annum during the period of study. As a percent to economic services, the share of revenue from co-operation goes down from 0.07 per cent in 2001-02 to 0.02 per cent in 2011-12. Receipts from co-operation recorded a buoyancy value of -2.64 during 2001-02 to 2011-12.

(viii) Other Agricultural Programmes

In absolute terms, receipts from this item increased from ₹ 2.20 lakhs in 2001-02 to ₹ 99.51 lakhs in 2011-12, recording an annual growth rate of 36.54 per cent per annum during the period of study. As a per cent to economic services, the share from Other Agricultural Programmes increased from 0.07 percent in 2001-02 to 0.76 per cent in 2011-12. It

recorded the buoyancy value of 2.23 which shows that the rate of increase in revenue from Other Agricultural Programmes is more than the rate of increase in GSDP.

(ix) Land Reforms

Revenue receipts under land reform increased from ₹ 41.34 lakhs in 2002-03 to ₹ 144.01 lakhs in 2011-12, showing more than three (3.48) times increase. As a percent to economic services, the share of revenue from this source has fallen to 0.87 per cent in 2011-12 from 1.49 per cent in 2002-03. Revenue from land reforms grew at 31.12 per cent per annum with a bouyancy value of 1.88.

(x) Other Rural Development Programmes

Revenue receipt under Other Rural Development Programmes declined from ₹ 10.61 lakhs in 2001-02 to ₹ 4.49 lakhs in 2011-12. As a percent to economic services, it decreased from 0.36 per cent in 2001-02 to 0.03 per cent in 2011-12. In terms of growth rate and buoyancy value, revenue from Other Rural Development Programmes grew at 1.9 per cent per annum, while exhibiting the buoyancy value of 0.09.

(xi) Minor Irrigation

In absolute term, receipt from minor irrigation rose from ₹ 4.06 lakhs in 2001-02 to ₹ 9.74 lakhs in 2011-12 registering more than two (2.40) fold increase. As percent to economic services, revenue from minor irrigation exhibits a marginal decline from 0.14 percent in 2001-02 to 0.07 percent in 2011-12. Both the annual growth rate and bouyancy value showed negative values.

(xii) Power

Power is an important source of our own non-tax revenue. The maximum amount of non-tax revenue on economic services was come from Power. In 2011-12, the total collection was ₹ 10,951.62 lakhs which constituted 83.68 per cent of the Non-Tax Revenue collected from economic services during the year. The tariff rates are being periodically revised to close the gap between the costs of supply against the average tariff. Tariff rates are fixed as per rates approved by the Joint Electricity Regulation Committee (JERC) for Manipur and Mizoram.

During 2001-02 to 2011-12, the total revenue receipts from power rose from ₹ 2304.41 lakhs in 2001-02 to ₹ 10951.62 lakhs in 2011-12, registering an increase of nearly five times (4.75). As a percent to economic services, its share increased from 78.32 percent in 2001-02 to

83.68 percent in 2011-12. Revenue receipts from power grew at 17.64 per cent annually while exhibiting buoyancy of 1.22 over the period.

(xiii) Village and Small Industries

Receipts from Village and Small Industries rose from ₹ 9.30 lakhs in 2001-02 to ₹ 27.45 lakhs in 2011-12 showing nearly three (2.95) times increase. The share of revenue to economic services decline from 0.32 percent in 2011-02 to 0.21 per cent in 2011-12. In terms of growth rate and bouyancy, it is observed that revenue from village and small scale industries grew at 10.18 per cent per annum while exhibiting the bouyancy of less than one (0.78) over the study period.

(xiv) Non-Ferrous Mining and Metallurgical Industries

Revenue generation from industries as a percent to economic services shows an upward trend. Revenue from Non-Ferrous Mining and Metallurgical Industries rose from ₹ 0.50 lakhs in 2001-02 to ₹ 695.43 lakhs in 2011-12. This revealed that there was tremendous improvement over the period. As a percent to economic services, revenue from these industries also increased from 0.02 percent in 2001-02 to 5.31 percent in 2011-12. It is also found that revenue from this source grew at 107.2 per cent per annum which is the highest growth rate of components of

economic services as well as non-tax revenue. The buoyancy was estimated at 5.65.

(xv) Civil Aviation

Revenue from Civil Aviation rose from ₹ 78.52 lakhs in 2001-02 to ₹ 296.11 in 2007-08. Then, it declined afterward and attains the level of ₹ 88.80 lakhs in 2011-12. As a percent to economic services receipts, the share of this items falls from 2.67 percent in 2001-02 to 0.68 percent in 2011-12. Over the period, the State witnessed a growth rate of only 9.29 percent per annum and the buoyancy value of 0.58 over the period.

(xvi) Roads and Bridges

Revenue from Roads and Bridges rose from ₹ 27.18 lakhs in 2001-02 to ₹ 185.33 lakhs in 2011-12 registering nearly seven (6.82) times increase during the study period. Revenue from roads and bridges in Mizoram has contributed 1.42 percent to economic services in 2011-12. Its share in 2001-02 was merely 0.92 percent. It was observed that revenue from roads and bridges grew at 30.78 percent per annum. The buoyancy value of this source was 2.44 which indicated that a one unit increase in GSDP brought more than two unit increase in revenue from roads and bridges.

(xvii) Road Transport

Even though revenue from road transport in absolute term has increased, the share of this revenue to economic services has gone down. In absolute terms, revenue from road transport rose from ₹ 171.04 lakhs in 2001-02 to ₹ 220.50 lakhs in 2011-12, representing 1.29 times increase over the period. The contribution of revenue receipts from this source to economic services decreased from 5.81 percent in 2001-02 to 1.68 percent in 2011-12. In terms of growth rate and buoyancy, it was observed that the item exhibits growth rate of only 3.84 per cent per annum and the buoyancy value of 0.35.

(xviii) Other Scientific Research

Revenue from other scientific research has increased in absolute terms, roughly seventy-eight fold, from ₹ 0.08 lakhs in 2002-03 to ₹ 6.31 lakhs in 2011-12. As a percent of revenue to economic services the State recorded an upward trend during the study period. It was observed that revenue from other scientific research grew at 18.75 percent per annum with the buoyancy of 1.31.

(xix) Tourism

The revenue receipt from Tourism rose from ₹ 34.74 lakhs in 2001-02 to ₹ 153.64 lakhs in 2011-12. This represents more than four (4.42) times increase over the period. The share of revenue from Tourism varied between 0.66 and 1.48 during the period of study. As on 2011-12, the share was 1.17 percent. It was observed that revenue from Tourism grew at 18.3 percent per annum. The buoyancy value of this source was 1.34.

(xx) Other General Economic Services

In absolute term, receipts from Other General Economic Services declined from ₹ 26.79 lakhs in 2001-02 to ₹ 12.44 lakhs in 2011-12. Similarly, the contribution of revenue receipts from this source to economic services has decreased from 0.9 percent in 2001-02 to 0.1 percent in 2011-12. In terms of growth rate and buoyancy, it was observed that these items exhibited both a negative growth rate and buoyancy value.

MAJOR FINDINGS

The study examined the trends and composition of Own Revenue Receipts with reference to Mizoram during 2001-02 to 2011-12. The main findings of the study are given below:

A. AGGREGATE OWN REVENUE RECEIPTS: TRENDS AND COMPOSITION

1. State's own revenue rose from ₹ 63.99 crore in 2001-02 to ₹ 346.70 crore in 2011-12, registering a growth rate of almost 18 per cent per annum. Own tax revenue has accounted for 30 per cent of State's own revenue in 2001-02, which increased to 52 per cent in 2011-12. It registered a growth rate of 23.12 per cent per annum. The share of own non-tax revenue to State's own revenue has declined from 70 per cent in 2001-02 to 48 per cent in 2011-12. It has shown a growth rate of 14.20 per cent per annum.

2. As a ratio of GSDP, State's own revenue has increased from almost 3 per cent (2.95%) in 2001-02 to almost 5 per cent (4.96%) in 2011-12. Own tax revenue receipts as a ratio of GSDP showed a consistent increase from 0.88 per cent in 2001-02 to 2.56 per cent in 2011-12 while that of own non-tax revenue showed an irregular trend during 2001-02 to 2011-12. Own non-tax revenue receipts increased

from 2.07 per cent of GSDP in 2001-02 to 4.05 per cent in 2006-07; it recorded a decline thereafter and stood at 2.40 per cent in 2011-12.

3. Own revenue receipts of the State varied between 6.7 per cent and 10.6 per cent of the total revenue receipts during 2001-02 to 2011-12. Own tax revenue as a ratio total revenue receipts showed a consistent rise over the period from 2.2 per cent in 2001-02 to 4.4 per cent in 2011-12. Meanwhile, the performance of own non-tax revenue as a ratio to total revenue receipts which showed initially a rising trend witnessed a gradual decline thereafter. Own non-tax revenue as a per cent of total revenue receipts improved from 5.1 per cent in 2001-02 to 7.3 per cent in 2005-06; thereafter, the ratio consistently declined and reached to 4.2 per cent in 2011-12.

B. OWN TAX REVENUE: TRENDS AND COMPOSITION

4. There is an evidence to support the hypothesis that there has been a significant relationship between State's own tax revenue and Gross State Domestic Product (GSDP). As on 2001-02, State's own tax revenue amounted to only ₹ 1,911.75 lakhs, but the amount persistently increased to ₹ 17,866.77 lakhs in 2011-12, registering a growth rate of 23.12 per cent per annum. The bouyancy of this revenue is 1.63 which indicated that a one unit increase in GSDP brought almost two (1.63) unit increase in State's own tax revenue.

5. Between 2001-02 and 2011-12, taxes on commodities and services accounted for the maximum contribution to own tax revenue of the State followed by taxes on income & expenditure, and taxes on property & capital transactions. Taxes on commodities and services accounted for approximately 91.00 per cent of the own tax revenue in 2011-12. The revenues receipts from taxes on income & expenditure (6.64 %) and taxes on property & capital transactions (1.80 %)) together has been less than 9.00 per cent of the own tax revenue. The buoyancy estimates of various components of State's own tax revenue reveal that taxes on property & capital transaction and taxes on commodities & services have the buoyancy of more than one, while there is lack of buoyancy in taxes on income & expenditure.

6. Taxes on income and expenditure (i.e. Professional tax) shows approximately a three-fold increase from ₹ 362.56 lakhs in 2001-02 to ₹ 1186.15 lakhs in 2011-12. The proportion of taxes on Professions to State's own tax revenue registered a steady fall over the study period It has recorded a growth rate of 11.21 per cent per year while exhibiting buoyancy of less than 1 (0.88) over the period.

7. Land revenue rose from ₹ 123.88 lakhs in 2001-02 to ₹ 251.92 lakhs in 2011-12. The relative share of this source of tax to total own tax revenue declined from 6.48 per cent in 2001-02 to 1.41 per cent in 2011-

12. It has recorded a growth rate of 14.36 per cent per year while exhibiting buoyancy of more than 1 (1.17) over the period.

8. Revenue from Stamps and Registration fees rose from ₹ 8.21 lakhs in 2001-02 to ₹ 69.09 lakhs in 2011-12 registering an annual growth rate of 23.15 per cent per annum. The buoyancy of this source of revenue is almost 2 (1.65).

9. Taxes on sale/VAT, trade, etc. accounted for maximum revenue receipts from taxes on commodities and services followed by taxes on Vehicles, State Excise, other taxes on Goods & Passengers, other taxes and duties on commodities and services. The buoyancy estimates of various components of taxes on commodities and services reveal that revenue from Sales tax/VAT, Vehicle tax and other taxes on Goods & Passengers have the buoyancy of more than one, while there is lack of buoyancy in State excise duty and other taxes and duties on commodities and services.

10. Value Added Tax (VAT) is the highest contributor of State's own tax revenue as well as total own revenue of the State. The total revenue of taxes on sale, trade etc. rose from ₹ 984.86 lakhs in 2001-02 accounting for 51.52 per cent of the own tax revenue to ₹ 14,215.83 lakhs accounting for 79.57 per cent in 2011-12. It has recorded a growth

rate of 27.46 per cent per year while exhibiting buoyancy of almost 2 (1.88) over the period.

C. OWN NON-TAX REVENUE: TRENDS AND COMPOSITION

11. In absolute terms, State's own non-tax revenue increased from ₹ 4,487.22 lakhs in 2001-02 to ₹ 16803.47 lakhs in 2011-12 registering a growth rate of 14.20 per cent per year. The bouyancy of this revenue is 1 which indicated that a one unit increase in GSDP brought one unit increase in State's own non-tax revenue. This suggested that there is no significant relationship between State's own non-tax revenue and Gross State Domestic Product.

12. Revenue receipts from economic services emerged as the major source of own non-tax revenue receipts to the State. Receipts from economic services accounted for the maximum contribution to the total own non-tax revenue of the State followed by interest receipts, dividends & profits, social services and general services. Economic services accounted for 77.88 per cent of the own non-tax revenue in 2011-12.

13. Revenue from interest receipts rose from ₹ 145.22 lakhs in 2001-02 to ₹ 1,559.58 lakhs in 2011-12 registering nearly eleven (10.76) times increase during the study period. The contribution of these items went up

from 3.24 per cent in 2001-02 to 9.26 per cent in 2011-12. Interest receipts grew at 29.89 per cent per annum. The bouyancy is estimated at 1.98 which indicated that a one unit increase in GSDP brought almost two (1.98) unit increase in Interest receipts, Dividends and Profits.

14. Revenue receipts from general services was ₹ 918.51 lakhs in 2001-02; it went up to 5,249.58 lakhs in 2006-2007; thereafter, it declined to ₹ 914.50 lakhs in 2011-12, registering a growth rate of only 0.56 per cent per annum.

15. Receipts from social services increased from ₹ 481.03 lakhs in 2001-02 to ₹ 1,242.10 lakhs in 2011-12, registering a growth rate of 10.16 per cent per annum. Its share in State's Own non-tax revenue exhibited a downward trend, declining from 10.72 in 2001-02 to 7.39 per cent in 2011-12. The bouyancy coefficient remained less than one (0.77) during the period.

16. Revenue receipts from economic services, in absolute terms, increased from ₹ 2,942.46 lakhs in 2001-02 to ₹ 13,087.28 lakhs in 2011-12, registering more than four (4.46) times increase in 2011-12 over the period. The relative contribution of this source of tax to total own non-tax revenue of the State increased from 65.57 per cent in 2001-02 to 77.88 per cent in 2011-12. In terms of growth rate and bouyancy, it has

recorded a growth rate of 16.34 per cent per year while exhibiting buoyancy of more than 1 (1.48) over the study period.

**D. REVENUE RECEIPTS FROM GENERAL SERVICES:
TRENDS AND COMPOSITION**

17. Amongst the components of general services, revenue from Public Service Commission showed the highest growth rate at 32.78 per cent per annum followed by Police which recorded an annual growth rate of 23.82 per cent. Supplies and Disposal receipts witnessed the lowest growth rate at -24.98 per cent.

18. The buoyancy estimates of various components of general services reveals that revenue from Public Service Commission, Police, and Contributions and Recoveries towards pension and other retirement benefits have the buoyancy of more than one, while there is lack of buoyancy in revenue receipts from Stationary & Printing and Public Works. Negative buoyancies were recorded by receipts from Jails, Supplies and Disposal, Other Administrative Services and Miscellaneous Services.

**E. REVENUE RECEIPTS FROM SOCIAL SERVICES:
TRENDS AND COMPOSITION**

19. A major portion of the receipts from social services came from water supply and sanitation charges. Another substantial proportion is derived from Education, Sports, Art and Culture services and Housing.

20. Receipts under Urban Development showed the highest growth rate (49.71%), followed by Labour and Employment (46.79%), Social Security & Welfare (40.13%). Revenue receipts from Medical & Public Health registered a negative growth rate (-3.60%).

21. The analysis highlighted that revenue from Family Welfare, urban development, Labour and Employment and social security and welfare have the buoyancy value of more than 1 per cent. While revenue from medical & public health have negative buoyancy, the remaining four components of social services have the buoyancy value of less than one (1).

**F. REVENUE RECEIPTS FROM ECONOMIC SERVICES:
TRENDS AND COMPOSITION**

22. The largest contributor under the category of economic services is constituted by receipt from power, which accounted for more than three-fourth of the total receipts. Other major contributors are receipts from

non-ferrous mining and metallurgical industries, forestry and wildlife, road transport and roads and bridges.

23. Revenue contribution from Mining & Industries registered the highest growth rate among receipts from Economic Services at 107.2 per cent per annum. This was followed by Other Agricultural Programme (36.54%), Dairy Development (35.69%) and Roads & Bridges (30.78%). Revenue Receipts under Cooperation and Minor Irrigation showed negative growth rate at -26.74 and -10.1 per cent respectively.

24. The estimates of buoyancy indicated that components like Dairy development, Fisheries, Food Storage & Warehousing, Other Agricultural Programmes, Land Reforms, Power, Non-ferrous mining and metallurgical industries, Roads & Bridges, Other Scientific Research and Tourism have buoyancy value of more than one while components like forestry and wildlife, co-operation, minor irrigation and other general economic services has a negative coefficient. The remaining six components have buoyancy value of less than one (1).

25. Revenue from Power is the highest contributor of State's own non-tax revenue. It is also the second highest contributor of State's own revenue. In 2011-12, the total collection was ₹ 10,951.62 lakhs which constituted 65.17 per cent of the State's own non-tax revenue collected

during the year. It was found that revenue from power grew at 17.64 per cent per year while exhibiting buoyancy of 1.22 over the period.

SUGGESTIONS

The following few suggestions could be made to augment the own revenue potential of the State:

1. *Upward revision of land revenue and related fees:* Land revenue rates and other associated rates/fees should be periodically revised by linking the rate with some land price indices of a particular locality/area of municipality.
2. *Removal of Professional Tax Ceiling:* Professional tax ceiling presently is fixed at ₹ 2500. 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 Indian Constitution needs to be amended.
3. *Collection of Cess:* To augment the tax revenue collection, cess may be collected on taxes on petroleum product, road tax etc. for road maintenance.

4. *Upward revision of existing tax rates:* POL tax rate imposed by Government of Mizoram is low comparing to neighbouring States. Besides increasing the tax rates on POL items, it is a high time to have an upward revision of existing tax rates like entertainment tax, stamp and registration fees etc.

5. *Introduction of new taxes:* The tax system of the state is limited while there are scopes for widening the tax base like toll tax, entry taxes, property tax, environmental taxes etc.

6. *Hike in tariffs:* There is a need for the state government to hike water and energy charges. Every year, the government incurs heavy losses in these two sectors. Doing away completely the hidden subsidies is not feasible by hiking the tariff alone; there is however, tremendous scope for improving the efficiencies in the functioning of these two sectors.

7. *Hike in user charges:* The State is providing facilities for accommodations in Mizoram Houses in cities across the country. Tourist lodges are also operated by the Tourism Department in Aizawl and other places in Mizoram. Room charges are much lower in these lodges compared to other hotels run by private parties. It is suggested that user charges be revised automatically upward annually in line with increasing

price indices at the state/national level or any other criteria may be adopted.

CONCLUSION

In conclusion, it could be stated that though Mizoram is a small state and since industrially very weak, there is not much scope for enhancing the tax base of the State. However, there is ample opportunities to improve revenue collection from own tax revenue from its present level by increasing the efficiencies of the existing State tax system and rationalising user charges. Since, the State's responsibility to provide basic social and economic services has increased significantly over the years, it is utmost important for the State Government to generate larger amounts of own revenue to enhance its capacity to finance various services and reduce its over-dependence on Central transfers.

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APPENDIX

STATE-LEVEL TAX AND NON-TAX POWERS SPECIFIED IN THE CONSTITUTION (SEVENTH SCHEDULE, STATE LIST):

45. 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.
46. Taxes on agricultural income.
47. Duties in respect of succession to agricultural land.
48. Estate duty in respect of agricultural land.
49. Taxes on lands and buildings.
50. Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
51. 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.

52. Taxes on the entry of goods into a local area for consumption, use or sale therein.
53. Taxes on the consumption or sale of electricity.
54. Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92A of List I
55. Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television.
56. Taxes on goods and passengers carried by road or on inland waterways.
57. 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.
58. Taxes on animals and boats.
59. Tolls.
60. Taxes on professions, trades, callings and employments.
61. Capitation taxes.
62. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
63. 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.

64. Offences against laws with respect to any of the matters in this List.
65. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List.
66. Fees in respect of any of the matters in this List, but not including fees taken in any court.