



An Assessment Study On Own Tax Revenue (Otr) In Tamil Nadu



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ABSTRACT

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 today in its inability to generate adequate resources for carrying an expanding activities. In the Indian federal set up, the states play an important role in accelerating and sustaining growth. The Indian constitution assign important responsibilities to state 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 composition of receipts and expenditure of the government sector in India reveals that while the state government collect about one-third of the total government sector receipts, they incur more than three-fourth of the total expenditure on social service and more than half of the total expenditure on economic services. The states ability to undertake and perform the development functions adequately and effectively in critically determined by their fiscal position.

Own Tax Revenue - A Brief:

Major sources of Tamil Nadu state's financial receipts are: State's own tax and Non-tax revenues. The State's own tax revenues and its non-tax revenues, net of grants from the centre of these sources. Tax Revenue has throughout been dominant and have become increasing. State's own tax revenue can be grouped into three categories viz., (i) taxes such as sales tax, state excise duty, taxes on vehicles and taxes on goods and passengers, (ii) taxes on property and capital transactions such as stamp and registration and Land Revenue and (iii) taxes on income such as profession, trade and agriculture income. The Principles sources of revenue from State's own taxes are sales tax, state excise and stamp and registration. Sales tax alone accounts for nearly two-thirds of the total states own tax revenue. Realizing the need for tax reforms, states have switched over to Value Added Tax (VAT) regime on the basis of the recommendation of empowered committee of State Finance Minister with effect from April'1'2005. Accordingly, VAT has been introduced by 30 States / UTs so far Tamil Nadu has implemented Jan 01'2007.

State's Own Tax Revenues in Tamil Nadu:

Due to the revenue loss suffered on account of the implementation of value Added Tax the Tax - GSDP ratio of the State has slightly decreased. State's Own Tax Revenues is estimated at Rs.33,156.09 Crores, The Tax - GSDP ratio is estimated at 10.1% as per the Budget Estimates 2008-2009 for the future years, the overall growth in the State's own Tax Revenue has been assumed at 15% The salient features of the major components of the state's own Tax Revenue are discussed below. The receipts under commercial

Taxes is estimated at Rs.20,797.79 in the Budget Estimates 2008-2009. This shows a growth of 10.8% over the Revised Estimates 2007-2008 in 2007-2008 the loss in revenue due to the introduction of value Added Tax in the state is higher than what was expected. Although the situation is likely to improve in 2008-2009, still there will be losses during next year. The central Sales Tax (CST) has been assumed at a rate of 2% from 1.4.2008 and 1% during 2009-2010. State Excise Receipts has been estimated at Rs. 5,329.60 crores during 2008-2009. This is 15% higher than the Revised Estimates 2007-2008 for the future years the same growth rate has been assumed. A growth rate of 24% is assumed for receipts from stamp and registration fees in the Budget Estimates 2008-2009. In the future years, receipts under this head have been projected at a growth rate of 20%. The receipts from Taxes on vehicles has been projected at Rs.1,707.60 crores for the next year, Which is 14% higher the Revised Estimates 2007-2008. For future years, growth of 12% has been assumed.

Composition of Own Tax Revenue in Tamil Nadu:

The combined own tax Revenue of government of Tamil Nadu as shown in Table-1. Total sales Tax increased from 4718 Crores in 1996-97 to 135597 Crores in 2005-06, State excise increased from 1063 Crores in 1996-97 to 3177 Crores in 2005-06, Taxes on vehicles increased from 425 Crores in 1996-97 to 1125 Crores in 2005-06, those giving an increase 3 times of the Decades. However, Agriculture tax declined from 14 Crores in 1996-97 to 1 Crore in 2004-05 and Zero tax in 2005-06. And Entertainment taxes also decreased from 108 Crores in 1996-97 to 44 Crores in 2005-06. Then Stamp and registration fee increased from 591

Table-1

Sl No.	Items	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	Sales Tax	4718	4963	5456	6185	7338	7532	8499	9767	11421	13597
2	State excise	1063	1350	1721	2011	2901	2280	2114	1657	2549	3177
3	Taxes on Vehicles	425	460	523	582	631	650	746	934	1015	1125
4	Agricultural Tax	14	18	38	38	18	8	2	1	1	-
5	Stamps & Registration	591	650	675	798	900	1001	1079	1316	1604	2085
6	Entertainment Tax	108	108	91	86	74	68	71	75	59	44
7	Electricity duties	151	175	177	199	219	260	135	228	234	95
8	Central Sales Tax	672	707	779	813	862	904	982	1186	1495	1799
9	Entry Tax	186	213	183	221	276	297	553	638	808	1016
10	other Tax	96	118	287	346	428	444	606	732	972	1335
11	Total Revenue	8024	8762	9930	11279	13647	13444	14787	16534	20167	24273

SOURCE: Statistical and Research Cell, Chennai

Table -2

Year	Own Tax Revenues in Index	Own Tax revenues T.N	Percolate OTR in T.N
1990-91	30345	3124	10.2
1991-92	35756	3734	10.4
1992-93	39868	4162	10.4
1993-94	46424	4801	10.3
1994-95	55735	5834	10.5
1995-96	63865	7151	11.1
1996-97	71101	8024	11.2
1997-98	81230	8762	11.0
1998-99	88995	9930	11.2
1999-00	102582	11279	11.0
2000-01	117981	13647	11.6
2001-02	128097	13444	10.5
2002-03	142143	14787	10.4
2003-04	159921	16534	10.3
2004-05	189132	20167	10.7
2005-06	224780	24273	10.8

SOURCE: Economic Survey-Variou Issues

Crores in 1996-97 to 2085 Crores 2005-06 giving an increase of 4 times. And Electricity duty decreased from 151 Crores in 1996-97 to 95

Composition of Own Tax Revenue in Tamil Nadu
See Table 1

Crores in 2005-06, Entertainment tax decreased from 108 Crores in 1996-97 to 44 Crores in 2005-06. Then Central Sales Tax increased from 672 Crores in 1996-97 to 1799 Crores in 2005-06, Entry tax is increased from 186 Crores in 1996-97 to 1016 Crores in 2005-06. Other taxes also increased from 96 Crores in 1996-97 to 1335 Crores in 2005-06. Total Revenue of own tax Revenue substantial improvement from 1996-97 to 2005-06.

Trend in Own Tax Revenue in Tamil Nadu

The State's own tax Revenue trends observed in Own Tax. Revenue it is means Receipts of State government and Own tax revenue in Tamil Nadu and percentage of contribution of Tamil Nadu. It is ob-

served own tax Revenue in Tamil Nadu has increased from 3124 Crores in 1990-91 to 24273 Crores in 2005-06. Its share in the State's won tax revenue increased from 10.2 percent in 1990-91 to 11.6 percent in 2000-01. This indicates the growing contribution of revenue over a period of time. However, it showed a stagnation of trend and it was 10.5 percent in 2001-02 to 10.8 in 2005.06

Trend in Own Tax Revenue in Tamil Nadu

See Table 2

The Future:

The tax GSDP ratio of the state in 9.5% State's own tax Revenue is estimated at Rs.44964 Crores from 2010-2011 and projection from at Rs.52943 in 2011-2012 to Rs.60449 in 2012-2013. The Salient features of the Major Component of the State's OTR. The receipts under commercial Tax in estimated at Rs.26851 Crores in the Budget Estimates 2010-11. This takes into consideration a growth of 15% over the revised

estimate 2009-10 growth rate of 20% and 15% has been projected for 2011-12 and 2012-13 respectively. States Excise receipts has been estimated at Rs.7508 Crores during 2010-11. This is 15% higher than the revised Estimates 2009-10, for the future years. 15% growth rate has been assured. The receipts from Stamp duty have witnessed a sharp fall in 2009-10 as a result of the economic showdown. However, it is expected to have a good growth in future. The Budget Estimates for 2010-11 is Rs.4096 Crores which assures 20% growth over the revised Estimate fro 2009-10. In the future years, receipts under this head have been pro-

jected with a growth rate of 15%. The receipts from taxes on vehicles has been projected at Rs.2396 Crores for the next year. For the future year, growth 15% has been assured.

Conclusion:

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 revenue deficit can be eliminated and fiscal deficit can be limited with in 3% of the GSDP.