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The Institute also acts as a forum in which officials belonging to the Central and State governments, representatives of the private sector, leading financial institutions and academicians can exchange ideas and information. With this end in view, seminars and conferences are organised by the Institute from time to time. However, its main activities relate to research conducted on its own initiative and that sponsored by the member governments. Among the recent reports completed by the staff of the Institute, which have been or are being published are:

Incidence of Indirect Taxation in India 1973-74 (1978). NIPFP

Trends and Issues in Indian Federal Finance (1981). Allied Publishers

Sales Tax System in Bihar (1981). Somaiya Publications

Incidence of Indirect Taxation in India (Hindi Version) (1981). NIPFP

The Impact of the Personal Income Tax (1982). NIPFP

Measurement of Tax Effort of State Governments (Forthcoming). Somaiya Publications.

# **The Impact of The Personal Income Tax**

(National Institute of Public Finance and Policy)

**ANUPAM GUPTA with Contributions by PAWAN K. AGGARWAL**

The study seeks to examine the impact of the personal income tax on the basis of the data published by the Income Tax Department.

The study first examines critically the available data on income tax assessments and the characteristics of assesseees in order to evaluate their reliability and comparability over time. In the light of the limitations of the data made available by the Income Tax Department, recommendations for improvement in the collection and presentation of income tax data are put forward. Second, estimates of the elasticity of the personal income tax with respect to the tax base and income are computed and are explained in terms of the progressivity of the tax structure and the distribution of income. Third, the impact of the personal income tax on the distribution of income among the tax payers is examined on the basis of the comparisons of pre-tax and post-tax distributions.

Further, the redistributive impact of the tax is explained in terms of the progressivity of the tax structure and effective rates of tax. Finally, the study estimates the impact of inflation on the progressivity of the tax structure and the distribution of the real burden of tax.

The Study is first of its kind in India in as much as no attempt has so far been made to empirically examine the manner in which the personal income tax affects the distribution of income and distributes the tax burden. It is likely to be of interest not only to scholars but also to policy makers and the general public.

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## **Measurement of Tax Effort of State Governments 1973-76**

(National Institute of Public Finance and Policy)

**RAJA J. CHELLIAH and NARAIN SINHA**

Questions concerning taxable capacity and tax effort have been of long standing interest among economists and policy makers. Recently, attempts have been made to develop measures of relative tax effort by the governments of different countries and by those of different States within the same country. The study attempts to measure the relative tax efforts of the different State Governments in India using the representative tax system approach for determining their relative taxable capacities. It explains the methodology employed in detail and examines the merits of the representative tax effort approach vis-a-vis the alternative aggregate regression approach. In applying the method to each major tax, it points out the various compromises that have to be made mainly because of data limitations and their likely effects on the value of the results.

The calculation in the study and the tax effort indices relate to the period 1973-76 covering 15 states. A post-script attempts briefly to examine if the relative positions of the different State governments in terms of tax effort have undergone any significant change since those years.

This work, which presents a cross section of the tax system of each major State in the country and brings out their basic structure along with the analysis of relative tax effort, will be of undoubted value to policy makers as well as to students and scholars in the area of public finance.

**Somaiya Publications**  
(Forthcoming)