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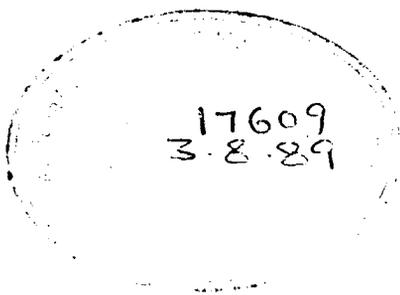
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**PERSONAL INCOME TAX IN INDIA:
ALTERNATIVE STRUCTURES AND
THEIR REDISTRIBUTIVE EFFECTS**

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Personal Income Tax in India:
Alternative Structures and Their Redistributive Effects

1. Introduction

Personal income taxes are usually the most visible and discussed component of any country's tax system. In India, personal income taxes accounted for 21 per cent of all taxes in 1950-51. In 1986-87, its share was down to around 5 per cent. Even though the share of personal income tax has fallen, there does not appear to have been any drop in interest among economists, lawyers and accountants in the structure of personal income tax. In fact, in comparison to the fraction of total tax revenues collected by way of personal income taxes, the share of attention devoted to this topic is disproportionately large.

The two principal components of any personal income tax system are its base and the rate schedule. If the base is broader then a target amount of revenue may be raised by choosing a lower average tax rate. There is also a close interaction between the base and the rate schedule. A higher marginal tax rate usually has the effect of reducing

individuals' incentives to earn incomes for leisure would then appear to be more attractive at the margin. A higher marginal tax rate also increases the tendency on the part of individuals to conceal their incomes. The interaction between the base and the rate schedule have been modelled in a number of seminal works such as Mirrlees (1971), Sheshinski (1972), Atkinson (1973), among others, and some of the issues pertaining to evasion have been highlighted in works by Allingham and Sandmo (1972), Srinivasan (1973), and Nayak (1978).

The purpose of this paper is two fold. First, we examine the structure of personal income tax in India to check the extent of progressivity inherent in its structure. This will be done by examining the structures of the existing pre-tax distribution of income and the post-tax distribution of income and checking the degree of inequality in these two distributions. Secondly, we shall examine the redistributive effects of alternate income tax schedules that are (i) simpler in their structure, (ii) earn no less aggregate revenue, and (iii) are in consonance with the current thinking on taxation, in that the top marginal tax rates are not too high {see, for example, Mirrlees (1971)}. This will be done by comparing the welfare losses stemming from disparity in post-tax income distribution with the welfare losses stemming from disparity in pre-tax income distribution. The Atkinson measure of disparity is used to quantify such inequality related welfare losses. For the purpose of our analysis, we have used the data from All

India Income Tax Statistics (AIITS) for the year 1985-86. The data cover information on five categories of tax payers, viz., (i) individuals, (ii) Hindu undivided families, (iii) registered firms, (iv) companies, and (v) others. In this paper we shall confine our analysis to only the category of individuals.

The study is organised as follows. In Section 2, we discuss the existing income tax structure and some alternate tax schedules which, in some ways, are in conformity with the current thinking on taxation in that the rate schedule has only a few slabs with top rates that are not too high and a base that is comprehensive. In Section 3, we discuss a method of measuring the redistributive welfare gains of an income tax structure based on the Atkinson measure of inequality. Section 4 compares the extent of tax progressivity and the redistributive effects of alternate tax scenarios. In Section 5, some concluding remarks are made to put the analysis in perspective.

2. India: Alternative Structures of Income Taxes

The Existing Tax Schedule

The schedule of the personal income tax applicable to the category of 'individuals' for the year 1985-86 is presented in Table 1. The total number of returns in this category is 17,41,444 with a reported

Table 1

Number of Returns, Gross Income, B/F Loss etc. set off, Deductions, Marginal Tax Rates and Tax Payable by Range of Returned Income : Individuals, 1985-86

Rs. (000)

Range of Returned Income	No. of Returns	Gross Income	B/F Loss etc. set off	Deductions Chapter VI A	Returned Income	Marginal Tax Rate (%)	Tax Payable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
T.L.- 20	766378	15741454	70260	2708664	12962531	20	354699
20- 50	821601	30643798	193741	6255682	24194375	25-40*	3493436
50- 100	128278	10544425	65480	1681880	8847067	45-50**	2796010
100- 200	18599	2858042	29360	340164	2488517	55	1094901
200- 300	3929	1041670	5359	89898	946413	55	471512
300- 400	1513	575866	1052	46036	528778	55	284565
400- 500	794	383364	1369	24498	357496	55	192361
500-1000	253	186021	1896	13851	170274	55	97103
1000 & above	105	243336	19	15471	227846	55	124642
Total	1741444	62217976	368536	11126144	50723297		8909229

Notes: 1. T.L. = Taxable lower limit (Rs. 15,000).
2. Tax Payable also includes a surcharge of 12.5 per cent.

Sources: 1. All figures except those in Col. (7) are taken from All India Income Tax Statistics. Col. (7) is taken from Nabhi's Income Tax Guidelines (1988), Nabhi Publications, New Delhi.

* 20,000-25,000:25%, 25,000-30,000:30%, 30,000-40,000:35%, 40,000-50,000:40%.

** 50,000-70,000:45%, 70,000-1,00,000:50%.

gross income of Rs. 6,221.8 crores. After deductions were claimed under Chapter VIA (i.e., Sections 80C, 80L, etc.), the returned income was of the order of Rs. 5,072 crores. From this sum, the tax payable was of the order of Rs. 890.9 crores.

The returned income is grouped into nine ranges, the first three being the ranges Rs. 15,000-20,000, Rs. 20,000-50,000, and Rs. 50,000-1,00,000. Nearly 44 per cent of the income tax assesseees fall in the income category of Rs. 15,000-20,000. Another 47 per cent are captured in the next category of Rs. 20,000-50,000. Barely 9 per cent of the income tax assesseees fall in the income range of above Rs. 50,000.

The income tax schedule has an exemption limit of Rs. 15,000 and has an initial marginal tax rate of 20 per cent gradually rising to the 55 per cent marginal tax rate category (Table 1). In this scheme, the total tax payable by individuals is about 14.32 per cent of the gross income.

Alternate Tax Scenarios

While suggesting alternate tax scenarios, one of our major objectives has been to ensure that the overall tax collected by any of the proposed schedules be no less than or significantly different from

the sum collected under the existing schedule. To this end, we first suggest the following two schedules:

Range of returned Income (Rs.)	Marginal Tax Rates (%)	
	Scenario I	Scenario II
15,000-50,000	30	30
50,000-2,00,000	40	50
2,00,000 and above	50	60

The above scenarios are applied to the net income schedule along with a surcharge of 12.5 per cent. With scenario I, the average tax rate (i.e., taxes as a fraction of gross income) works out to 14.58 per cent. The only unpalatable aspect of this scenario is that the average tax rates on the lower side of the income scale are marginally higher but they are lower for subsequent income ranges (See Table A1). With scenario II, the average tax rate works out to 15.64 per cent.

The total deductions allowed under Chapter VIA (i.e., under sections 80C, 80L, 80CC, 80CCA, etc.) amount to about 18 per cent of the gross income. We have next carried out an exercise where no such deductions are allowed and the entire gross income is subject to

somewhat lower rates of tax. In fact with lower marginal rates of tax of 20, 30 and 40 per cent on the broader base (Scenario III) the average rate of tax works out to 14.58 per cent, or somewhat in excess of the existing tax collections. The major shortcoming, again, with this scheme is that the average tax rates applicable on the lower side of the income scale are somewhat higher than the existing schedule. The average tax rates for all the subsequent income ranges turn out to be somewhat lower (Table A1). With marginal tax rates of 20, 30 and 50 per cent (Scenario IV) the tax revenue collection is higher, with the average rate working out to 14.78 per cent.

Range of gross Income (Rs.)	Marginal Tax Rates (%)	
	Scenario III	Scenario IV
15,000-50,000	20	20
50,000-2,00,000	30	30
2,00,000 and above	40	50

We have also considered two additional scenarios, with four slabs of marginal tax rates applicable to incomes in the following ranges:

Range of gross Income (Rs.)	Marginal Tax Rates (%)	
	Scenario V	Scenario VI
15,000-20,000	15	15
20,000-50,000	25	25
50,000-2,00,000	35	35
2,00,000 and above	50	40

These have been tried out especially because it has been widely held that the marginal tax rate applicable on the first slab ought to be low, and an initial marginal tax rate of 15 per cent would appear to be reasonable. The average tax rate under scenario V works out to 14.46 per cent which is somewhat in excess of the existing average tax rate. Scenario VI yields a slightly lower average tax rate (14.28 per cent).

All through the above exercises there is an underlying assumption that when alternative marginal tax rate schedules are being considered, the base of the tax as represented in the gross declared income remains unchanged. This, however, is unlikely to be the case. Higher marginal tax rates across the income range are likely to shrink the tax base. Likewise lower marginal tax rates across the income range are likely to

encourage greater tax compliance and hence expand the income tax base. Therefore, the lower tax rate structure of 15, 25, 35 and 40 per cent, which is lower on both ends of the tax schedule and is also lower in the middle ranges, is likely to yield revenues in excess of what has actually been computed by us.

The literature on optimal income taxation pioneered by Mirrlees (1971), Atkinson (1973) and Sheshinski (1972) suggests that the top marginal tax rates ought to be low, somewhat in the region of 35 to 40 per cent. This was one of the major findings of the seminal paper due to Mirrlees. Atkinson noticed that the top marginal tax rate is sensitive to the social maximand chosen, and consequently, higher marginal tax rates are recommended when one chooses social maximands that are relatively more egalitarian. Yet it is seen that if incentive effects are to be fully taken into account, the top marginal tax rates ought to be moderate. Our above marginal tax rate structure of 15, 25, 35 and 40 per cent is in keeping with the thrust of the literature on optimal income taxation. It is also consonant with the framing of direct tax policy in countries such as the U.K., U.S.A, and Sweden where recent policy reform has concentrated on widening the tax base and reducing the top marginal tax rates and choosing a few marginal tax slabs {See for example, U.S. Treasury (1984)}.

3. A Method of Measuring Redistributive Welfare

Effects of An Income Tax Structure

This Section suggests a method of measuring redistributive welfare effects of an income tax schedule based on Atkinson's measure of inequality. The Atkinson measure of inequality is expressed as:

$$(1) \quad I = 1 - (Y_{EDE}/\bar{Y})$$

where \bar{Y} is the mean income and Y_{EDE} is the 'equally distributed equivalent income of a given distribution and is defined as the level of income per head which if distributed equally would give the same level of welfare as given by the present distribution'. Y_{EDE} is expressed as:

$$(2) \quad Y_{EDE} = \left(\frac{\sum Y_j^{1-\epsilon}}{N} \right)^{\frac{1}{1-\epsilon}} \quad \text{for } \epsilon \neq 1$$

$$= \frac{1}{N} \sum_{j=1}^N Y_j \quad \text{for } \epsilon = 1$$

where Y_j is the income of the j th ($j=1,2,\dots,n$) individual and $\epsilon \geq 0$ is the inequality aversion parameter. The higher is the value of ϵ , the greater is the weight attached to transfers at the lower end of the distribution. A positive value of ϵ ensures concavity of the utility

function. As $\epsilon \rightarrow \infty$, we approach the Rawlsian maximin case, where the welfare of the worst off member is maximised. On the other extreme, $\epsilon = 0$ gives the linear utility function which ranks the distributions solely according to total income { for details see Atkinson (1970, p. 257) and Paul (1989, pp 158-159)}. The choice of the value of ϵ between zero and infinity is more or less arbitrary. The value of the index I lies between zero (when there is no inequality) and unity (when there is complete inequality).

As is well known, the Atkinson index is a normative measure of inequality. It represents the proportionate welfare losses arising due to inequality in income distribution for a given value of ϵ . One can then obtain the total welfare loss (L) arising from income inequality as:

$$(3) \quad L = I \cdot \bar{Y} \cdot N = (\bar{Y} - Y_{EDE})N$$

If an income tax schedule is progressive then the post tax income distribution ought to show less inequality as compared to the pre-tax income distribution. This would mean that welfare losses arising from disparity in post-tax income distribution (say, L_2) will be lower than those arising from disparity in pre-tax income distribution (say, L_1), i.e.,

$$(4) \quad L_1 > L_2$$

or

$$D = (L_1 - L_2) > 0$$

where D, the reduction in welfare losses, represents the redistributive welfare gains of a given progressive tax schedule. On dividing D by L_1 one can get an estimate of relative reduction in welfare losses, i.e.,

$$(5) \quad R = 1 - (L_2/L_1)$$

The expressions for L_1 and L_2 may formally be written as:

$$(6) \quad L_1 = I_1 \cdot \bar{Y}_1 \cdot N = (\bar{Y}_1 - Y_{EDE1}) \cdot N$$

$$(7) \quad L_2 = I_2 \cdot \bar{Y}_2 \cdot N = (\bar{Y}_2 - Y_{EDE2}) \cdot N$$

The subscripts 1 and 2 refer to pre-tax and post-tax income distributions respectively.

Substituting (6) and (7) into (5) and with some algebraic manipulation it can be shown that:

$$(8) \quad R = P(1-r) + r$$

where r is the average tax rate and $P = (1 - I_2/I_1)$ is the proportionate change in income inequality on implementing a tax scheme.

It is important to note that if taxes are proportional then inequality in the distribution of income remains unaffected, i.e., $I_2 = I_1$. If taxes are progressive (regressive), I_2 will be lower (higher) than I_1 . This would mean that P may be taken as a measure of progressivity/regressivity of a tax scheme. Thus a tax schedule may be considered progressive, proportionate or regressive according as $P \gtrless 0$ respectively. P will vary between $-\infty$ (when the tax structure is completely regressive) and unity (when the tax structure is completely progressive).

Equation (8) reveals that R is affected by both the extent of progressivity/regressivity and the average tax rate. Clearly if taxes are proportional to the income level then $R = r$. R will always be positive if taxes are progressive or proportional. However, if the taxes are regressive, $R \gtrless 0$ depending on whether $|P(1-r)| \lesseqgtr r$ respectively.

Finally one more remark. It may be seen from equation (8) that R is not additively decomposable between P and r in a neat manner. Therefore, in general, it is not possible to identify the individual contributions of each of these two components to R . However, in the

special case where taxes are proportional, i.e., $P=0$, the value of R will be precisely equal to r .

4. The Atkinson Inequality Measure and Redistributive Effects of Alternate Tax Schedules: An Exercise with 1985-86 AIITS Data

We start with a discussion of Atkinson's inequality index computed for the distribution of gross (pre-tax) income among the category of individuals. The value of the inequality aversion parameter ϵ is allowed to vary from 0.5 to 2.5, and correspondingly the Atkinson measure of inequality varies from 0.0757 to 0.228 (See Table 2). The higher the value of ϵ , the larger is I and the smaller is the equally distributed equivalent income Y_{EDE} . For $\epsilon = 2.5$, the Y_{EDE} for gross income works out to Rs. 27.58186 thousand. This means that an income of Rs. 27.58186 thousand, if given to each person, would generate the same amount of welfare as the existing unequally divided income with a mean of Rs. 35.7278 thousand. This also means that a total of Rs. 4,80,32,267 equally divided amongst all would generate a welfare level equal to the existing situation with a total gross income given by Rs. 6,2,17,962. Thus in money terms there is a net welfare loss of Rs. 1,41,85,695 due to inequality in the distribution of gross income.

As expected, the post-tax (net) income distribution resulting from the existing tax schedule shows less inequality for all the five values of ϵ . The welfare loss due to inequality is also low (Rs. 80,44,288 for $\epsilon=2.5$). Thus, while going from pre-tax income distribution to the post-tax income distribution there is a net reduction of Rs. 61,41,407 in welfare loss which in percentage terms turns out to be 43%. This reduction in welfare loss represents the redistributive gains of the existing tax structure.

The post-tax (net) income profile emerging from scenario I has the Atkinson measure ranging from 0.0476 to 0.1581. With scenario II, the measure ranges from 0.0424 to 0.1482. With broad base taxation, the Atkinson measure shows a somewhat higher degree of inequality of net income in scenarios III, IV, V and VI (Table 2). It is curious to note that the implications for income inequality from the point of view of the Atkinson index with the broad base is somewhat worse than the comparative picture when the allowances under Chapter VIA are included. The explanation for this is however quite straightforward. This occurs essentially because the lower income categories of tax payers take advantage of a greater fraction of their gross income by way of deductions under Chapter VIA. It is seen that income tax assesseees in

Table 2

Estimates of the Atkinson Inequality Index for Pre-Tax and Post-Tax Personal Income Distributions, India, 1985-86

Atkinson's Inequality Index	Pre-Tax Personal Income Distribution	Post-Tax Personal Income Distribution Stemming From						
		Existing Tax Structure	Tax Scenario I	Tax Scenario II	Tax Scenario III	Tax Scenario IV	Tax Scenario V	Tax Scenario VI
At $\epsilon=0.5$	0.0757	0.0433	0.0476	0.0424	0.0538	0.0523	0.0506	0.0520
$\epsilon=1.0$	0.1288	0.0766	0.0840	0.0762	0.0940	0.0921	0.0886	0.0904
$\epsilon=1.5$	0.1692	0.1060	0.1131	0.1042	0.1260	0.1240	0.1188	0.1206
$\epsilon=2.0$	0.2015	0.1301	0.1374	0.1278	0.1522	0.1503	0.1438	0.1455
$\epsilon=2.5$	0.2280	0.1509	0.1581	0.1482	0.1744	0.1725	0.1648	0.1655
Mean Income								
Rs. (ooo)	35.73	30.61	30.52	30.14	30.52	30.45	30.57	30.62

Source: Obtained as discussed in the text.

the income range of Rs. 20,000 - 50,000 claim as much as over 20 per cent of their gross income by way of deductions. Individuals in the income range of above Rs. 10,00,000 are seen to claim a mere 6.3 per cent of gross income by way of deductions under sections 80C, 80L, etc. (Table 1).

Table 3 presents the redistributive welfare gains resulting from alternate tax scenarios. These gains, as shown above, are determined by both the average tax rate and the degree of progressivity inherent in the tax-structure. The computations of tax progressivity index for alternate tax scenarios are presented in Table 4. As expected, the value of the progressivity index is found to decline with the value of ϵ . At all values of ϵ , the tax scenario II is found to be the most progressive and the existing tax structure to be the second most progressive. Tax scenario III is the least progressive and scenario IV the second least progressive.

The tax schedule II, which has the highest P and r, also brings out the largest redistributive welfare gains measured in terms of percentage reduction in welfare losses (53 per cent at $\epsilon = 0.5$ and 45 per cent at $\epsilon = 2.5$). The existing tax structure ranks second in terms of recovery of welfare losses. The least progressive tax structure III brings out the lowest reduction in welfare losses.

Table 3
Redistributive Welfare Gains of
Alternate Tax Scenarios, India, 1985-86

Alternate Tax Scenarios	Redistributive Welfare Gains Measured in terms of Proportionate Reduction in Welfare Losses (R)				
	$\epsilon = 0.5$	$\epsilon = 1.0$	$\epsilon = 1.5$	$\epsilon = 2.0$	$\epsilon = 2.5$
Existing Tax Structure	0.50	0.49	0.46	0.44	0.43
Tax Scenario I	0.46	0.44	0.43	0.42	0.41
Tax Scenario II	0.53	0.50	0.48	0.46	0.45
Tax Scenario III	0.39	0.38	0.36	0.35	0.34
Tax Scenario IV	0.44	0.39	0.38	0.36	0.35
Tax Scenario V	0.43	0.42	0.40	0.39	0.38
Tax Scenario VI	0.41	0.40	0.39	0.38	0.37

Source: Obtained as discussed in the text.

Table 4

**Estimates of Tax Progressivity Index for
Alternate Tax Scenarios, India, 1985-86**

Alternate Tax Scenarios	Tax Progressivity Index				
	$\epsilon = 0.5$	$\epsilon = 1.0$	$\epsilon = 1.5$	$\epsilon = 2.0$	$\epsilon = 2.5$
Existing Tax Structure	0.41	0.40	0.37	0.35	0.34
Tax Scenario I	0.37	0.35	0.33	0.32	0.31
Tax Scenario II	0.44	0.41	0.38	0.36	0.35
Tax Scenario III	0.29	0.27	0.25	0.24	0.23
Tax Scenario IV	0.30	0.28	0.27	0.25	0.24
Tax Scenario V	0.33	0.32	0.30	0.29	0.28
Tax Scenario VI	0.31	0.30	0.29	0.28	0.27

Source: Obtained as discussed in the text.

The broad based four-slab tax scenarios V and VI, which have lower marginal rates at all income levels, are shown to have redistributive welfare gains lower than the existing tax structure (see Table 3). Here it is assumed that the lowering of the marginal tax rates at either extreme of the income scale does not widen the base of the tax. This is unlikely to hold true. We anticipate that the tax schedule V or VI, if implemented, will broaden the base of the tax resulting in higher values of r and R .

5. Concluding Remarks

Quite apart from its role of raising revenue, the personal income tax has long been regarded as a potent weapon of effecting distributive justice. Till very recently income tax schedules in most countries used to be steeply graduated to make the tax equitable. In 1978, the highest rate of income tax in the UK was 98 per cent. By 1988, however, the top marginal rate was down to 40 per cent. These reductions were defended by many on grounds of the disincentive effects of high income tax rates. More than a century ago Sidgwick (1883) had cautioned that "it is conceivable that a greater equality in the distribution of produce would lead ultimately to a reduction in the total amount to be distributed in consequence of a general preference of leisure to the results of labour". The drop in the top marginal tax rate does not however, imply

the sacrifice of the equity objective altogether. Indeed, as is well illustrated in the current literature on optimal taxation, a substantial amount of progressivity can be brought about by flat rate taxes with suitably high enough deductible amounts.

By far the most ardent supporter of progressive income taxation on equity grounds in this century has been Henry Simons (1938). He combined this with a compelling argument for a comprehensive definition of income for tax purposes.

Our analysis of the personal income tax structure in India reveals that the tax is indeed progressive, especially when we compare the distributions of pre and post tax income. However, the main difficulty with the personal income tax structure in India is its coverage; less than one per cent of the population pays income tax. Thus there are obvious limits within which the personal income tax may be expected to play the redistributive role. It can at best redistribute income among the top one per cent of the income scale of the country, and that too among those who declare their incomes truthfully. It is powerless with regard to that component of income which is being generated in the parallel economy. Conservative estimates have put the extent of black income in the economy at around 20 per cent of national income (Acharya 1986, pp. 342-344).



Even if one were to ignore the damage to redistribution done by the black economy, one ought to realise that through perfectly legal sleights one can nullify the redistributive potential of personal income tax. The special provisions pertaining to capital gains and income from house property, for example, result in excluding from the income tax base substantial sums that render the tax ineffective with regard to the objective of redistribution. It is to ward off precisely this that the Meade Committee (1978) and Lodin (1978), among others, have argued for a comprehensive income tax base in the Schanz-Haig-Simon tradition.

The principal focus of our analysis has of course been to examine the redistributive welfare gains of alternate personal income tax structures in India. The redistributive effects of a particular tax structure are obtained by comparing the welfare losses emerging from disparity in the pre-tax income distribution with those emerging from disparity in the post tax income distribution. The Atkinson measure of inequality has been used to get an estimate of inequality related welfare losses in monetary terms. The percentage reduction in welfare losses indexed by R is shown to be determined by both the extent of progressivity (P) and the average tax rate (r).

Each of the six tax structures considered in this paper ensure at least as much revenue to the government as the existing tax schedule does. The tax schedules I and II have been applied to the existing

income base which allows for deductions under Chapter VIA. The other four tax schedules have been applied to the wider income base (i.e., gross income), where no such deductions are permitted. All these tax schedules are not only simpler in structure but are also in conformity with the current thinking on taxation in that the rate schedule has only a few slabs with top rates that are not too high and a base that is comprehensive.

The tax structure II, which is both most progressive and fetches relatively larger tax revenue, also brings out the largest redistributive gains measured in terms of percentage reduction in welfare losses (53 per cent at $\epsilon=0.5$ and 45 per cent at $\epsilon=2.5$). The existing tax structure is ranked second in terms of the recovery of welfare losses.

The redistributive gains emerging from broad based tax schedules V and VI, which have lower marginal rate at both the lower and upper sides of the income scale, in all probability will be somewhat higher than those reported in this paper. It may be anticipated that a reduction in marginal tax rate at the lower and upper end of the income scale is likely to widen the base and thus the actual redistributive gains of these tax schedules might be even higher than the most progressive tax schedule II.

One of the important conclusions emerging from the choice of our various scenarios is that the government cannot really afford to choose very low rates of tax at the lower end of the income scale if it wants to pursue a revenue neutral policy. The reason is that some 91 per cent of the income tax returns are compressed into the less than Rs. 50,000 (gross income) category. Possibilities for additional revenue mobilisation from high marginal tax rates applied to top earners are therefore severely constrained.

Table A1

**Average Tax Rates for Alternate Tax Scenarios,
1985-86, AITS Data for the category of Individuals**

(percentages)

Range of Returned Income (Rs.)	Existing Tax Structure	Tax Scenario I	Tax Scenario II	Tax Scenario III	Tax Scenario IV	Tax Scenario V	Tax Scenario VI
15,000- 20,000	2.25	3.14	3.14	5.97	5.97	3.98	3.98
20,000- 50,000	11.40	13.07	13.07	13.31	13.31	13.45	13.45
50,000- 1,00,000	26.52	24.75	27.35	22.59	22.59	23.53	23.53
1,00,000- 2,00,000	38.31	32.23	38.36	27.55	27.55	28.62	28.62
2,00,000- 3,00,000	45.26	38.61	46.71	32.90	35.62	34.96	32.54
3,00,000- 4,00,000	49.41	42.93	51.78	36.64	41.96	39.60	34.87
4,00,000- 5,00,000	50.18	45.58	54.91	38.31	44.86	41.69	35.87
5,00,000-10,00,000	52.20	46.97	56.51	40.26	48.33	44.15	36.97
10,00,000 & above	51.22	51.24	61.53	43.64	53.91	48.30	39.17
Overall average							
Tax Rate	14.32	14.57	15.64	14.58	14.77	14.46	14.28

Note: The Existing Tax structure and the alternate tax scenarios I, II, III, IV, V and VI are described in the text.

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