

BUOYANCY OF COMMODITIES & SERVICES TAX IN INDIA: AN INTER-STATE ANALYSIS

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ABSTRACT:

TCS includes sales tax, state excise tax, taxes on vehicles, taxes on goods & passengers, taxes & duties on electricity, entertainment tax etc. TCS alone constitutes approximately 70 percent or above of the state's own tax revenues in India. Therefore, in terms of size and buoyancy, TCS is the important source of the states' own tax revenues. By measuring the tax buoyancy of the different components, the areas of weakness and strength can be identified because it essentially estimates the underlying revenue generating properties of the system with indigenized tax policy. In this paper, it is attempted to estimate the tax buoyancy of SOTR (at the aggregate level) for 27 states of India using the method of ordinary least square (OLS). It is found in this paper that the buoyancy coefficients of SOTR of all of the states are statistically significant and substantially high. However, the buoyancy coefficient differs from state to state.

KEYWORDS: TCS, SOTR, Tax Buoyancy, Indigenized Tax Policy.

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