# CHAPTER-V

## SUMMARY AND CONCLUSIONS

### 5.1.1 Introduction :

/ Historically land tax is one of the important and universal forms of taxation. The Indian system of land taxation is traced back to the period of settlement of the Aryan tribes in Northern regions. The Vedic literature gives information regarding a rudimentary system of land revenue of the Indo-Aryans. This early system of land revenue underwent certain changes, but not frequently, during the Buddhist and the Gupta period and later on major changes were introduced during the regime of the Moghal dynasty followed by British permanent settlements, rayatwari and Mahalwari systems during the late 18th and 19th Centuries. After independence, the British pattern of settlement and assessment of land revenue continued without major changes. However, agriculture being the State subject the development of land revenue system is not uniform in all States.

There was no separate provision for agricultural income tax as such. Instead, integrated income tax, both for agricultural income and non-agricultural income, was introduced first in 1860. However, it was introduced half-hazardly and was discontinued from time to time. After independence, some State Governments in India have introduced the agricultural income tax but the system differs from State to State./

### 5.2.1 Empirical Findings :

Revenue from land revenue, has been sugglish both in case of Maharashtra and All-States model. However, the rate of growth of land revenue in Maharashtra is greater than the respective growth rate in case of All-States model.

### 5.2.2 Revenue Significance of Land Revenue :

The total revenue significance of land revenue has gradually decreased both in case of Maharashtra and All-States model. However, total revenue significance of land revenue in case of Maharashtra is notably less than that of All-States model. At the same time the rate of growth of land revenue is considerably less than the rate of growth of total revenue. This suggests that the total revenue significance of land revenue will go on decreasing in future and ultimately become insignificant. Likewise own-tax revenue significance of land revenue is decreasing in the period under consideration and this decrease is more pronounced in case of All-States model. The rate of growth of land revenue is less than the rate of growth of own-tax revenue in respect of both Maharashtra and All-States model.

### 5.2.3 Level of Land Revenue :

It is found that level of land revenue has declined in respect of both Maharashtra and All-States model. This is happening at a time when additional taxation of agriculture

is necessary to finance the developmental expenditure. The rate of growth of land revenue is considerably less than the rate of growth of national income implying income-inelastic nature of land revenue. The sectoral level of land revenue like the overall level of land revenue, shows a falling trend in case of both Maharashtra and All-States model. The growth rate of land revenue is significantly

less than the rate of growth of agricultural income in respect of both Maharashtra and All-States model, indicating that land revenue is inelastic not only with reference to national income but also with reference to the sectoral income.

### 5.2.4  Per-hectare Land Revenue :

Per-hectare land revenue shows a very gradual rising trend. The per-hectare land revenue in case of All-States model is greater than in case of Maharashtra. We find that land revenue has grown at a faster rate than the rate of growth of net are sown in case of Maharashtra, but reverse is the experience in this respect in case of All-States model. Average per-hectare land revenue in Maharashtra is smaller than that in case of All-States model. This is against the expection that the relatively more developed agricultural area should bear more burden of land revenue than a less developed agricultural area.

## 5.2.5 Per-capita Land Revenue :

The per-capita burden of land revenue has shown a
rising trend eventhough it is gradual and discontinuous in
respect of both Maharashtra and All-States model. The rate
of growth of land revenue is greater than the rate of growth
of population in case of Maharashtra and All-States model.
But the difference between these two in case of All-States
model is very small whereas in case of Maharashtra it is
quit e large.

## 5.2.6 Buoyancy and Income-Elasticity of Land Revenue :

Buoyancy and income elasticity of land revenue have
dismally low values both in Maharashtra and All-States model.
Moreover, in case of All-States model, the values for
buoyancy and income elasticity of land revenue are negative.

## 5.2.7 Developmental Significance of Land Revenue :

Revenue account developmental significance of land
revenue is decreasing over the period under study both in
Maharashtra and All-States model. The growth rate of land
revenue is notably less than the rate of growth of revenue
account developmental expenditure both in Maharashtra and
All-States model. Revenue account developmental significance
of land revenue in case of All-States model is greater than
that of Maharashtra for the majority of years under study.

We find that developmental significance of land revenue vis-a-vis expenditure on a agriculture is quite high in the first half period and in the latter half period it shows a sudden fall both in Maharashtra and All-States model. This justifies the criticism that agricultural sector is not sufficiently taxed even to finance developmental expenditure incurred on the same.

The ratio between land revenue and capital account developmental expenditure shows decling trend both for Maharashtra and All-States model. However, this ratio is consistently higher in case of All-States model than in case of Maharashtra. The growth rate of developmental expenditure on capital account is much higher than the rate of growth of land revenue. Similarly, if the developmental significance of land revenue is estimated by relating it to the developmental expenditure on agriculture on capital account, it provides further evidence for the justness of criticism that in India agriculture is increasingly under-taxed in a relative sense.

5.2.8 Cost of Collection Ratio :

The ratio between cost of collection and land revenue is increasing in respect of both Maharashtra and All-States model. This ratio in case of Maharashtra is higher than that in case of All-States model for the majority of years under consideration. But the rate of growth of cost of collection

is much greater than the rate of growth of land revenue in respect of both Maharashtra and All-States model. This may be an indication of decreasing efficiency of the administration or the result of relative stagnation of land revenue in contrast to the growth of revenue administration.

### 5.3.1 Revenue Significance of Agricultural Income Tax :

The other major direct tax on agriculture is the agricultural income tax. Revenue from agricultural income tax has gradually increased in case of All-States model but the increasing trend is not definite over the whole period. Moreover, in case of Maharashtra, the situation is totally uncertain as there are ups and downs in the rate of growth of agricultural income tax every year. The magnitude of revenue from agricultural income tax shows only the mere existence of agricultural income tax and nothing more than that. We find that this tax, also is an insignificant part of the revenue system both in case of Maharashtra and All-States model.

### 5.3.2 Level of Agricultural Income Tax :

The level of agricultural income tax is falling in case of All-States model but this cannot be said regarding Maharashtra as the trend is very much uncertain and

fluctuating. The yield from agricultural income tax lags far behind the income generated in agricultural sector which is near about 45% of the national income. Comparing the rate of growth of agricultural income tax with the rate of growth of national income, we come to know that in case of All-States model this tax is largely inelastic but is elastic in case of Maharashtra. However, this is not supported by estimated income elasticity of this tax. The sectoral level of agricultural income tax is also insignificant both in case of Maharashtra and All-States model.

### 5.3.3 Per-hectare Agricultural Income Tax :

It can be argued that increase in productivity of agriculture should lead to a rise in per-hectare agricultural income tax. This is supported in case of All-States model but it is not supported in case of Maharashtra. The reason may be the high exemption limit. Per-hectare agricultural income tax is less in Maharashtra than in case of All-States model. Broadly, it can be said that revenue from agricultural income tax is responsive to the growth in net area sown both in respect of Maharashtra and All-States model.

### 5.3.4 Per-capita Agricultural Income Tax :

Per-capita agricultural income tax is less in Maharashtra than in case of All-States model. At the same

time per-capita agricultural income tax is almost stable in
case of All-States model but it is continuously fluctuating
in case of Maharashtra.

## 5.3.5   Buoyancy and Income
Elasticity of AIT :

Agricultural income tax is non-buoyant and income
inelastic in case of Maharashtra and it has negative values
in case of All-States model.

## 5.3.6   Developmental Significance
of AIT :

The extent to which developmental expenditure on
revenue account could have been financed by AIT has changed
in an erratic manner both in case of Maharashtra and All-
States model. The rate of growth of revenue from agricul-
tural income tax is greater than the rate of growth of
developmental expenditure on revenue account in case of
Maharashtra while the reverse is the fact in case of
All-States model. The rate of growth of revenue account
developmental expenditure on agriculture is notably greater
than the rate of growth of revenue from agricultural income
tax both in  respect of Maharashtra and All-States model.
This implies that developmental significance of agricultural
income tax is falling both in Maharashtra and All-States
model.

Developmental significance of agricultural income tax
in respect capital account developmental expenditure does not
show any definite trend in case of Maharashtra, whereas in
case of All-States model, it is fluctuating. The rate of
growth of revenue from agricultural income tax is greater
than rate of growth of capital account developmental
expenditure in Maharashtra whereas the reverse is true in
case of All-States model. Developmental significance of AIT
vis-a-vis capital account developmental expenditure on
agriculture oan not be properly explained. Moreover,
developmental expenditure on agriculture on capital account
shows inexplicable and extreme variations both in positive
and negative direction. The rate of growth of revenue from
agricultural income tax is much less than the rate of growth
of capital account developmental expenditure on agriculture
both in respect of Maharashtra and All-States model.

### 5.3.7 Cost of Collection ratio of AIT :

We find that cost of collection ratio shows a weak
but rising trend in case of Maharashtra but it shows a
gradual and rising trend upto 1974 and later on a falling
trend in case of All-States model. However, this is not
the result of efficiency of collection machinary particularly
in case of Maharashtra. But in case of All-States model,
it may suggest improvement in the administrative machinery.
Such an argument can be made on the basis that the rate of

## 5.4.1  Alternatives :

Agriculture is the backbone of our economy, as it accounts for 45% of national income and provides livelihood for nearly 65 to 75% of the population. But the yield from direct taxes of agriculture is not commensurate with the national income generated in agricultural sector. On the contrary, it is declining, due to certain inherent defects. A large part of the yield from direct taxation of agriculture comes from land revenue and agricultural income tax. But the systems both of land revenue and agricultural income tax are defective. In case of land revenue system the main defects are (i) The incidence of land revenue in relation to productivity is not uniform throughout the country due to different rates of land revenue applicable in various States. (ii) Equity has been ignored in the present land revenue system because of mainly the flat rate system. (iii) The system lacks elasticity as the assessment has been fixed permanently or for long periods. (iv) The base of assessment is unjust. Profits should have been made the base for land revenue. (v) The system of agricultural income tax is defective in the sense that it is not introduced through out the country and, the States which have introduced agricultural income tax have either given high exemption limits or if exemption limit is low; certain other concessions have been given limiting the tax base and ultimately the yield from agricultural income tax.

Considering the major defects of present agricultural taxation the Raj Committee (1972) has recommended the introduction of Agricultural Holding Tax. According to the Committee, this tax would bring progression in agricultural taxation and fetch larger amount of revenue to the Government. AHT is a tax on potential productivity of agricultural land. The assessment of AHT is to be made on the basis of objective criteria and uniform procedure is to be followed. It takes into consideration both inter-regional productivity diffe- rences and productivity as well as prices' differences over the period.

The major criticisms levelled against AHT are -
(i) It is difficult to fix the ratable value of AHT
(ii) There would be problems of unit of assessment.
(iii) Exemption has not been considered in AHT. (iv) Admini- stratively, it would be inconvenient and costly. However, AHT being a tax on potential productivity of land, it will lead to better and fuller utilization of land and labour and would bring in higher revenue to the Government.

Some States have resorted to surcharges on land revenue to get additional revenue from agricultural taxation. In this context,if we examine progressive surcharges on land revenue vis-a-vis agricultural holding tax, it becomes evident that progressive surcharges on land revenue would

not fulfil the basic objective of land taxation i.e. better
progression and higher yield from agricultural taxation
because the base of surcharges itself remains small and
defective   It would aggravate the present reggressivity
of agricultural taxation.  On the contrary, AHT would
introduce progression and provide for higher revenue to the
Government.  Moreover, AHT would lead to increased
productivity of land as well as labour.

Agricultural holding tax should be introduced
provided all direct taxes on agricultural land currently
in force, are abolished including agricultural income tax.