CHAPTER-III

EMPIRICAL ANALYSIS OF AGRICULTURAL INCOME TAX

3.1 Introduction :

In this Chapter we present an empirical analysis of agricultural income tax for Maharashtra and All-States model for the period under study (1961-81). This analysis takes into consideration absolute changes in agricultural income tax, revenue significance of agricultural income tax, level of agricultural income tax, per-hectare and per-capita agricultural income tax, buoyancy and income elasticity of agricultural income tax, developmental significance of agricultural income tax and a comparative examination of rate structure of agricultural income tax in certain States.

3.2 Revenue from Agricultural Income Tax :

Table No. 3.1 gives figures for the revenue from agricultural income tax in Maharashtra and All-States model for the period under study. Eventhough it is clear that the revenue from agricultural income tax has gradually increased in case of All-States model from Rs. 9.44 crores in 1961-62 to Rs. 46.40 crores in 1980-81, with a compound growth rate of 8.7% per year, it cannot be said that there is a definite increasing trend over the whole period. In case of Maharashtra the picture is very very uncertain because almost every year there are significant ups and dows and the annual

rate of growth in case of Maharashtra does not indicate any positive trend eventhough this rate is 15.4% which is greater than in case of All-States model. The only significance of this table may be that it is an evidence of the implementation of the agricultural income tax and nothing more than that. This observation will be supported more positively in the next para.

TABLE No. 3.1

REVENUE FROM AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra	All-States
1961-62	-	9.44
1962-63	-	9.59
1963-64	0.02	9.26
1964-65	1.07	10.73
1965-66	0.25	9.88
1966-67	0.31	10.54
1967-68	0.05	11.82
1968-69	0.03	9.93
1969-70	1.06	14.04
1970-71	0.05	10.50
1971-72	0.30	12.80
1972-73	0.02	12.42
1973-74	0.49	11.81
1974-75	0.33	13.88
1975-76	0.24	28.49
1976-77	0.09	34.55
1977-78	0.10	61.90
1978-79	0.50	80.36
1979-80	0.45	58.35
1980-81	0.23	46.40
Overall increase %	1150	491.52
CGR	15.4%	8.7%

Source : R.B.I. Bulletins.

3.3.1 Total Revenue Significance
of Agricultural Income Tax :

Table No. 3.2 gives data regarding total revenue
significance of agricultural income tax for Maharashtra and
All-States model for the period under study. Total revenue
significance of agricultural income tax is measured in the
same way as in case of land revenue in para 2.3.1. On the
basis of this table we can make following observations :

1) Atleast during the period under study agricultural
income tax has been almost an insignificant part of the
revenue system of Maharashtra and All-States model. Period
as a whole, the average total revenue significance of
agricultural income tax in case of Maharashtra is 0.075% and
in case of All-States model 0.46%.

2) The relatively greater insignificance of agricul-
tural income tax in case of Maharashtra is very much evident
and may be explained on the basis of the preposterous
exemption limit provided in the relevant law of the Government
of Maharashtra.

3) In case of Maharashtra, the rate of growth of
revenue from agricultural income tax is almost close to the
rate of growth of total revenue. However, in case of All-
States model, the rate of growth of revenue from agricultural
income tax is significantly less than the rate of growth of
total revenue.

TOTAL REVENUE SIGNIFICANCE OF AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricul-tural income tax	Total Revenue	2 as % of 3	Agricul-tural Income tax	Total Revenue	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	116.77	-	9.44	1073.49	0.9
1962-63	-	145.93	-	9.59	1283.86	0.7
1963-64	0.02	183.61	0.01	9.26	1490.20	0.6
1964-65	1.07	198.43	0.54	10.73	1634.98	0.6
1965-66	0.25	221.45	0.11	9.88	1850.21	0.5
1966-67	0.31	265.70	0.11	10.54	2155.20	0.5
1967-68	0.05	293.14	0.02	11.82	2824.68	0.5
1968-69	0.03	345.49	0.009	9.13	2670.00	0.3
1969-70	1.06	377.03	0.28	14.04	3052.70	0.5
1970-71	0.05	431.14	0.01	10.50	3370.49	0.3
1971-72	0.30	494.61	0.06	12.80	4044.72	0.3
1972-73	0.02	592.54	0.003	12.42	4912.35	0.3
1973-74	0.49	771.04	0.06	11.81	5552.00	0.2
1974-75	0.33	850.67	0.04	13.88	6431.51	0.22
1975-76	0.24	1049.38	0.02	28.49	7938.16	0.36
1976-77	0.09	1204.83	0.007	34.55	9037.02	0.38
1977-78	0.10	1290.20	0.008	61.98	9930.57	0.62
1978-79	0.50	1533.45	0.03	80.36	11646.69	0.69
1979-80	0.45	1794.33	0.02	58.35	13629.31	0.43
1980-81	0.23	2038.06	0.01	46.40	16293.30	0.28
Overall increase %	1150	1745.36	-	491.52	1517.79	-
CGR	15.4%	16.2%	-	8.7%	15.3%	-
Average	-	-	0.075	-	-	0.46

Source : R.B.I. Bulletins.

3.3.2 Own Tax Revenue Significance of Agricultural Income Tax :

Table No. 3.3 shows the own tax revenue significance of agricultural income tax in case of Maharashtra and All-States model for the period under study. It is clear that -

a) Both in case of Maharashtra and All-States model of agricultural income tax shows more or less a falling trend.:

b) Moreover, in this respect also agricultural income tax remains insignificant because in case of Maharashtra fifteen (15) paise is the contribution of agricultural income tax in the collection of hundred rupees of own tax revenue and in case of All-States model it is Rs. 1 and 6 paise.

c) The rate of growth of revenue from agricultural income tax is in case of Maharashtra very close to the rate of growth of own tax revenue whereas in case of All-States model, as before, the rate of growth of revenue from agricultural income tax is significantly less than the rate of growth of own tax revenue.

OWN TAX REVENUE SIGNIFICANCE OF AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	Own Tax Revenue	2 as % of 3	Agricultural Income Tax	Own Tax Revenue	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	66.76	-	9.44	483.68	1.95
1962-63	-	77.46	-	9.59	569.92	1.68
1963-64	0.02	100.39	0.02	9.26	680.70	0.19
1964-65	1.07	112.62	0.95	10.73	764.83	1.40
1965-66	0.25	122.43	0.20	9.88	842.60	1.17
1966-67	0.31	153.01	0.20	10.54	937.24	1.12
1967-68	0.05	168.17	0.03	11.82	1065.52	1.11
1968-69	0.03	187.49	0.02	9.93	1205.00	0.82
1969-70	1.06	216.53	0.49	14.04	1355.51	1.04
1970-71	0.05	255.56	0.02	10.50	1526.85	1.69
1971-72	0.30	274.57	0.40	12.80	1695.28	0.76
1972-73	0.02	302.82	0.002	12.42	1928.48	0.64
1973-74	0.49	382.31	0.13	11.81	2305.77	0.51
1974-75	0.33	497.87	0.07	13.88	2880.57	0.48
1975-76	0.24	585.96	0.04	28.49	3546.16	0.80
1976-77	0.09	679.97	0.01	34.55	4033.45	0.86
1977-78	0.10	712.80	0.01	61.98	4349.24	1.43
1978-79	0.50	850.81	0.06	80.36	4970.35	1.62
1979-80	0.45	980.85	0.05	58.35	5669.14	1.03
1980-81	0.23	1130.34	0.02	46.40	6616.18	0.70
Overall increase %	1150	1693.13	-	491.52	1367.88	-
CGR	15.4%	16.1%	-	8.7%	14.3%	-
Average	-	-	0.15	-	-	1.06

Source : R.B.I. Bulletins.

3.4.1 Level of Agricultural
Income Tax :

Table 3.4 gives information about the level of agricultural income tax for Maharashtra and All-States model for the period under study. Here also level of the tax is measured in the same way as for land revenue under para 2.4.1. It is seen that -

a) **The** level of agricultural income tax is gradually decreasing atleast in case of All-States model but the same cannot be said regarding Maharashtra, because in case of Maharashtra the trend is very uncertain and widely fluctuating. The overall average of the level of agricultural income tax in case of Maharashtra is 0.008% and in case of All-States model 0.04%. In other words, the agricultural sector which contributes more or less about 45% of national income yields only an extremely paltry tax revenue to the Government.

b) Throughout the period, the level of agricultural income tax in case of All-States model is much greater than in case of Maharashtra.

c) If we compare the rate of growth of revenue from agricultural income tax with the rate of growth of national income it becomes evident, that in case of All-States model this tax is largely inelastic whereas in case of Maharashtra the rate of growth of revenue from agricultural income tax is

much greater than the rate of growth of State domestic product.
This may be considered as a proof of the income elastic nature
of this tax in case of Maharashtra.   But this is not supported
by the estimated income-elasticity value of this tax, as
given in para 3.7 in Table No. 3.8.

TABLE No.3.4
LEVEL OF AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricul- tural Income Tax	State Domestic Product	2 as % of 3	Agricul- tural Income Tax	Gross National Product	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	1556.20	-	9.44	14799	0.06
1962-63	-	1748.20	-	9.59	15727	0.06
1963-64	0.02	2030.80	0.0009	9.26	17978	0.05
1964-65	1.07	2230.80	0.05	10.73	21113	0.05
1965-66	0.25	2354.50	0.010	9.88	21866	0.05
1966-67	0.31	2759	0.010	10.54	25279	0.04
1967-68	0.05	3155.80	0.002	11.82	29252	0.04
1968-69	0.03	3323.08	0.0009	9.13	30417	0.03
1969-70	1.06	3656.37	0.030	14.04	33669	0;04
1970-71	0.05	4004 P	0.001	10.50	36558 P	0.03
1971-72	0.30	4307 "	0.007	12.80	38814 "	0.03
1972-73	0.02	4307 "	0.0004	12.42	42077 "	0.03
1973-74	0.49	5958 "	0.008	11.81	51902 "	0.02
1974-75	0.33	7463 "	0.004	13.88	63203 "	0.02
1975-76	0.24	7693 "	0.003	28.49	64996 "	0.04
1976-77	0.09	8479 "	0.001	34.55	80600	0.04
1977-78	0.10	9400 "	0.001	61.98	90200	0.07
1978-79	0.50	9909 "	0.005	80.36	97700	0.08
1979-80	0.45	N.A.	-	58.35	108500	0.05
1980-81	0.23	N.A.	-	46.40	104601	0.04
Overall increase %	1150	636.74	-	491.52	706.81	-
CGR	15.4%	11.4%	-	8.7%	10.8%	-
Average	-	-	0.008	-	-	0.04

Source : For A.I.T. - R.B.I. Bulletins.
For S.D.P. - i) Statistical Abstract of Maharashtra,
ii) R.B.I. Bulletins.
For G.N.P. - i) R.B.I. Bulletins, ii) Government of India
Economic Survey, 1982-83, (iii) Yearbook of
National Accounts, 1980, United Nations,
New York, Vol.1, Part-I.

3.4.2 Sectoral Level of Agricultural Income Tax :

In the same manner as in case of land revenue we have related revenue from agricultural income tax to the income-generated in the agricultural sector. The percentage ratio that we get in this way may be considered as formal incidence of agricultural income tax on the agricultural sector. Table No. 3.5 gives data in this regard for Maharashtra and All-States model for the period under consideration. It is seen that in this regard also -

a) Level of agricultural income tax is insigificantly low both in case of Maharashtra (0.03%) and All-States model (0.1%).

b) In case of Maharashtra this level of agricultural income tax shows no certain trend. However, in case of All States model after 1965-66 it gradually decreases upto 1974-75 and subsequently picks-up again.

c) In case of Maharashtra the comparison between the rate of growth of revenue from agricultural income tax and agricultural income shows that in case of Maharashtra it is responsive to changes in agricultural income which, however, is questionnable, for the reasons mentioned in para 3.4.1, point (c). But in case of All-States model this comparison of growth rates supports the general feeling that agricultural income tax is inelastic even with reference to agricultural income.

TABLE No. 3.5

SECTORAL LEVEL OF AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	Agricultural Income	2 as % of 3	Agricultural Tax	Agricultural Income	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	555.10	-	9.44	6776	0.14
1962-63	-	624.10	-	9.59	6908	0.14
1963-64	0.02	711.10	0.003	9.28	8019	0.12
1964-65	1.07	852.70	0.13	10.73	9850	0.11
1965-66	0.25	741.10	0.03	9.88	9534	0.10
1966-67	0.31	889.40	0.03	10.54	11447	0.09
1967-68	0.05	1067.60	0.005	11.82	14255	0.08
1968-69	0.03	1047.57	0.003	9.93	13906	0.07
1969-70	1.06	1110.44	0.10	14.04	15283	0.09
1970-71	0.05	1093	0.005	10.50	16360	0.06
1971-72	0.030	1089	0.03	12.80	16850	0.08
1972-73	0.02	985	0.002	12.42	18020	0.07
1973-74	0.49	830	0.06	11.81	24541	0.05
1974-75	0.33	2460	0.01	13.88	27226	0.05
1975-76	0.24	2352	0.01	28.49	24842	0.11
1976-77	0.09	2470	0.004	34.55	29162	0.12
1977-78	0.10	2749	0.004	61.98	33333	0.19
1978-79	0.50	2881	0.02	80.36	33419	0.24
1979-80	0.45	N.A.	-	58.25	340.88	0.17
1980-81	0.23	N.A.	-	46.40	N.A.	-
Overall increase %	1150	492.97	-	491.52	503.06	-
CGR	15.4%	9.7%	-	8.7%	9.3%	-
Average	-	-	0.03	-	-	0.10

Source : For A.I.T. : i) R.B.I. Bulletins.
For Agri.Income : i) Statistical Abstract of Maharashtra.
ii) Statistical Abstract of India.

3.5 Per-hectare Agricultural Income Tax :

In view of the fact that agricultural income tax is related to income generated in agricultural sector and increased productivity of agriculture, not very much in case of Maharashtra but substantial, nation as a whole, it could be argued that per-hectare agricultural income tax should show a clearly rising trend. Table No. 3.6 gives data regarding per-hectare agricultural income tax for every year under study both in case of Maharashtra and All-States model. It is seen that -

a) The above resoning is not supported in case of Maharashtra but is clearly supported in case of All-States model. This may be mainly due to the very high exemption limit in case of Maharashtra.

b) On the average, in case of Maharashtra the per-hectare agricultural income tax is only 18 paise whereas in case of All-States model it is only Re. 1/- and paise 18. Supposing, in case of average dry land area taking traditional food crops for instance 'jawar' on a five year basis of yield covering good, fair and bad years we can assume that per-hectare yield of Jawar is 7.50 quintals which means on the five year average of price, a gross income of Rs.1500. On this basis the average effective rate of agricultural income tax turns out to be 0.15% in case of All-States model

and in case of Maharashtra 0.02%. If we make the same exercise assuming agriculture having fair, regular irrigation facility this rate will be incredibly low. Given these assumptions, it is a naked proof of the extreme relative under-taxation of agricultural income vis-a-vis non-agricultural income.

c) Both in case of All-States model and Maharashtra revenue from agricultural income tax, it may be said, is responsive to growth in net area sown broadly. For this significant positive difference between growth rates of revenue from agricultural income tax and net area sown can be considered as a proof. However, to make a positive statement in this connection, it may require further empirical evidence.

TABLE No. 3.6

PER-HECTARE AGRICULTURAL INCOME TAX

(Rs. crores - Hectares crores)

Year	Maharashtra			All-States		
	Agricul-tural Income Tax	Net area sown	2 - 3 Rs.	Agricul-tural Income tax	Net area sown	5 - 6 Rs.
1.	2.	3.	4.	5.	6.	7.
1961-62	-	1.78	-	9.44	13.54	0.70
1962-63	-	1.80	-	9.59	13.63	0.70
1963-64	00.02	1.82	0.01	9.26	13.85	0.67
1964-65	01.07	1.83	0.58	10.73	13.81	0.78
1965-66	00.25	1.81	0.14	9.88	13.63	0.72
1966-67	00.31	1.82	0.17	10.54	13.73	0.77
1967-68	00.05	1.83	0.14	11.82	13.99	0.84
1968-69	00.03	1.84	0.13	9.93	13.75	0.72
1969-7o	01.06	1.85	0.57	14.07	13.87	1.01
1970-71	00.05	1.82	0.02	10.50	14.04	0.75
1971-72	00.30	1.66	0.18	12.80	14.02	0.91
1972-73	00.02	1.64	0.01	12.42	13.71	0.91
1973-74	00.49	1.83	0.27	11.81	14.31	0.83
1974-75	00.33	1.82	0.18	13.88	13.84	1.00
1975-76	00.09	1.83	0.05	34.55	12.02	2.46
1976-77	00.09	1.83	0.05	34.55	14.02	2.46
1987-78	00.10	1.82	0.05	61.96	14.22	4.36
1978-79	00.50	-	-	80.36	-	-
1979-80	00.45	-	-	58.35	-	-
1980-81	00.23	-	-	46.40	-	-
Overall increase %	1150	102.24	-	491.52	105.02	-
CGR	15.4%	2.3%	-	8.7%	5.1%	-
Average	-	-	0.18	-	-	1.18

Source : For A.I.T. - R.B.I. Bulletins.
For Net Area sown - i) Indian Agricultural Statistics,
ii) Basic Statistics Relating to Indian Economy,
iii) Statistical Abstract of Maharashtra.

3.6 Per-capita Agricultural
Income Tax :

As before, we have related revenue from agricultural income tax to population to find out per-capita agricultural income tax. In this case, we have used overall population but the analysis would have been more meaningful had we used figures of rural population. Table No. 3.7 gives data in this regard for Maharashtra and All-States model for the years under consideration. On the basis this data we make following observations :

a) In case of All-States model per-capita agricultural income tax is more or less stable in the period 1961-75 but afterwards it seems to have increased significantly. However, in case of Maharashtra per-capita agricultural income tax is significantly less than that in case of All-States model and is continuously fluctuating considerably.

b) On the average, per-capita agricultural income tax in case of Maharashtra is only six paise and in case of All-States model it is 40 paise.

c) In case of Maharashtra the rate of growth of revenue from agricultural income tax is much greater than the rate of growth of population. Even then the per-capita agricultural income tax does not show a significant rise because the growth of revenue from agricultural income tax

is related to a very very small base whereas rate of growth in case of population is related to a very big figure. However, in case All-States model the internal relationship between agricultural income tax and population is supported by the difference between the rate of growth of revenue from agricultural income tax and the rate of growth of population. The observation made under point (b) of para 3.5 can also be made applicable in this regard, if we relate average per-capita agricultural income tax to average per-capita agricultural income.

TABLE No. 3.7

PER-CAPITA AGRICULTURAL INCOME TAX

(Rs. in Crores - Population in crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	Population	2 - 3 Rs.	Agricultural Income Tax	Population	3 - 6 Rs.
1.	2.	3.	4.	5.	6.	7.
1961-62	-	3.99	-	9.44	44.24	0.21
1962-63	-	4.09	-	9.59	45.29	0.21
1963-64	00.02	4.18	0.005	9.28	46.20	0.20
1964-65	01.07	4.23	0.25	10.73	47.21	0.23
1965-66	00.25	4.38	0.06	9.88	48.25	0.20
1966-67	00.31	4.49	0.07	10.54	49.32	0.21
1967-68	00.05	4.50	0.01	11.82	50.42	0.23
1968-69	00.03	4.71	0.006	9.93	51.54	0.19
1969-70	01.06	4.83	0.22	14.04	52.60	0.27
1970-71	00.05	4.95	0.01	10.50	53.89	0.19
1971-72	00.30	5.07	0.06	12.80	55.08	0.23
1972-73	00.02	5.18	0.004	12.42	56.25	0.22
1973-74	00.49	5.29	0.09	11.81	57.42	0.21
1974-75	00.33	5.41	0.06	13.88	58.61	0.24
1975-76	00.24	5.52	0.04	28.49	59.79	0.48
1976-77	00.09	5.60	0.02	34.55	61.33	0.56
1977-78	00.10	5.71	0.02	61.98	62.58	0.99
1978-79	00.50	5.81	0.09	80.36	63.84	1.26
1979-80	00.45	5.91	0.08	58.35	65.10	0.89
1980-81	00.23	6.01	0.04	46.40	66.36	0.70
Overall increase %	1150	150.62	-	491.52	150	-
CGR	15.4%	2.2%	-	8.7%	2.1%	-
Average	-	-	0.06	-	-	0.40

Source : For A.I.T. : R.B.I. Bulletins.
For Population : Statistical Abstracts of India.

3.7 Buoyancy and Income Elasticity of Agricultural Income Tax :

Table No. 3.8 gives buoyancy and income elasticity of agricultural income tax in comparision with buoyancy and income elasticity of all taxes together. In both these respects it becomes evident that agricultural income tax shows very little buoyancy and income elasticity in case of Maharashtra whereas in case of All-States model it has negative values. If we take into consideration the observations made under para 2.7 regarding land revenue, we can say that the direct taxation of agriculture as such, both in case of Maharashtra and All-States model, is income inelastic and shows very little response to discretionary changes introduced during the period. In a more general way we can say that direct taxation of agriculture, instead of contribution to income elasticity of States' tax system, must be reducing it significantly. If we compare buoyancy and income-elasticity of agricultural income tax to that of land revenue it is seen that in case of Maharashtra buoyancy of land revenue is less than buoyancy of agricultural income tax but income-elasticity of land revenue is greater than the income-elasticity of agricultural income tax. Similarly, in All-States model buoyancy of land revenue is greater than buoyancy of agricultural income tax and income elasticity of land revenue is also greater than income elasticity of agricultural income tax.

TABLE No. 3.8

BUOYANCY AND INCOME ELASTICITY OF AGRICULTURAL INCOME TAX

	Buoyancy		Income-Elasticity	
	A.I.T.	All Taxes	A.I.T.	All Taxes
Maharashtra	0.25186	1.43652	0.20074	1.39685
All-States	-0.20546	1.19044	-0.20546	1.06593

Source : Article : Buoyancy and Income
Elasticity of State Taxes in
India, p. 252 By M.C. Purohit,
September, 1978, Vol. XX, No.3.

Journal of the Gokhale Institute
of Politics and Economics.

3.8.1 Revenue Account Developmental Significance of Agricultural Income Tax :

Table No. 3.9 gives data regarding revenue account developmental significance of agricultural income tax for Maharashtra (Col. 4) and All-States (Col. 7). From the table it is seen that -

a) Both in case of Maharashtra and All-States model the extent to which revenue from agricultural income tax could have financed the developmental expenditure on revenue amount has changed in an erratic manner. The same observation is applicable in case of All-States model also.

b) On the average revenue from agricultural income tax could have financed 0.16% of such expenditure in case of Maharashtra and 0.81% in case of All-States model.

c) The rate of growth of revenue from agricultural income tax is greater than the rate of growth of developmental expenditure on current account in case of Maharashtra whereas the reverse is true in case of All-States model.

TABLE No. 3.9

REVENUE ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	Current Account Devp. Expen.	2 as % of 3	Agricultural Income Tax	Current Account Devp. Expen.	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	61.83	-	9.44	660.23	1.43
1962-63	-	64.42	-	9.59	720.06	1.33
1963-64	00.02	79.24	0.03	9.26	797.94	1.16
1964-65	01.07	100.31	1.07	10.73	913.04	1.18
1965-66	00.25	126.91	0.20	9.28	1103.14	0.84
1966-67	00.31	134.77	0.23	10.54	1213.19	0.87
1967-68	00.05	88.51	0.06	11.82	1062.56	1.11
1968-69	00.03	120.62	0.02	9.93	1166.68	0.85
1969-70	01.06	181.60	0.58	14.4	1629.70	0.86
1970-71	00.5	121.46	0.04	10.50	1844.14	0.57
1971-72	00.30	229.04	0.13	12.80	2155.77	0.59
1972-73	00.02	410.81	0.005	12.42	3349.49	0.37
1973-74	00.49	540.84	0.29	11.81	3742.91	0.32
1974-75	00.33	495.99	0.07	13.88	4102.55	0.34
1975-76	00.24	578.17	0.04	28.49	4709.24	0.60
1976-77	00.09	628.87	0.13	34.55	5369.28	0.64
1977-78	00.10	717.06	0.01	61.98	6128.55	1.01
1978-79	00.50	888.09	0.06	80.36	7377.77	1.09
1979-80	00.45	1072.83	0.04	58.35	8601.20	0.68
1980-81	00.23	1277.87	0.02	46.40	10514.74	0.44
Overall increase %	1150	2066.74	-	491.50	1592.58	-
CGR	15.4%	12.9%	-	8.7%	16.2%	-
Average	-	-	0.16%	-	-	0.81%

Source : R.B.I. Bulletins.

3.8.2 Revenue Account Developmental Significance of Agricultural Income Tax vis-a-vis Expenditure on Agriculture :

Table No. 310 relates revenue from agricultural income tax to developmental expenditure on agriculture on revenue account. It is seen that -

a) Both in case of Maharashtra and All-States model the rate of growth of revenue account developmental expenditure on agriculture is significantly greater than the rate of growth of revenue from agricultural income tax.

b) Developmental singificance of agricultural income tax in this sense shows a decreasing trend both for Maharashtra and All-States model.

c) On the average in case of Maharashtra revenue from agricultural income tax could have financed revenue account developmental expenditure on agriculture to the extend of 0.99% and in case of All-States model to the extent of 6.66%.

TABLE No. 3.10

REVENUE ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF AGRICULTURAL INCOME TAX

(Rs. in Crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	C/A, Devp. Expen. Agriculture	2 as % of 3	Agricultural Income Tax	C/A, Devp. Expen. Agriculture	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	8.29	-	9.44	75.77	12.46
1962-63	-	8.94	-	9.59	85.50	11.22
1963-64	00.02	11.66	0.17	9.26	98.45	9.41
1964-65	01.07	16.48	6.49	10.73	121.59	8.82
1965-66	00.25	27.79	1.98	9.88	126.10	7.84
1966-67	00.31	29.81	1.04	10.54	177.63	5.93
1967-68	00.05	19.25	0.26	11.82	121.79	9.71
1968-69	00.03	20.56	0.15	9.93	126.71	7.84
1969-70	01.06	23.54	4.50	14.04	138.73	10.12
1970-71	00.05	8.60	0.58	10.50	147.19	7.13
1971-72	00.30	23.14	1.30	12.80	177.98	7.19
1972-73	00.02	76.84	0.03	12.42	N.A.	-
1973-74	00.49	111.81	0.44	11.81	N.A.	-
1974-75	00.33	148.02	0.22	13.88	836.53	1.66
1975-76	00.24	173.75	0.14	28.49	1005.80	2.83
1976-77	00.09	184.06	0.05	34.55	1142.94	3.02
1977-78	00.10	194.43	0.05	61.98	1317.34	4.70
1978-79	00.50	249.99	0.20	80.36	1673.05	4.80
1979-80	00.45	288.32	0.16	58.35	1964.61	2.97
1980-81	00.23	322.23	0.07	46.40	2368.66	1.96
Overall increase %	1150	3886.97	-	491.52	3126.11	-
CGR	15.4%	21.3%	-	8.7%	19.9%	-
Average	-	-	0.99	-	-	6.65

Source : R.B.I. Bulletins.

3.9.1 Capital Account Developmental Significance of Agricultural Income Tax :

Table No. 3111 gives data regarding capital account developmental significance of agricultural income tax for Maharashtra (Col. 4) and for All-States model (Col.7). It is seen from this table that -

a) In case of Maharashtra developmental significance of agricultural income tax from the capital account point of view shows no definite trend. Similarly in case of All-States model this ratio shows for some time a decreasing trend, again picks-up and in the last stage again decreases. The erratic nature of this ratio in case of Maharashtra may mainly be, due to the erratic nature of changes in the revenue from agricultural income tax whereas in case of All-States model this may be explained, perhaps, by the discrapancies in the annual rates of growth of revenue from agricultural income tax and developmental expenditure on capital account.

b) On the average, revenue from agricultural income tax could have financed about 0.50% of the capital account developmental expenditure in case of Maharashtra and 2.32% in case of All-States model.

c) In case of Maharashtra, the rate growth of revenue from agricultural income tax is greater than the rate of growth of capital account developmental expenditure. But in case of All-States model the rate of growth of capital account developmental expenditure is greater than the rate of growth of revenue from agricultural income tax.

TABLE No. 3.11

CAPITAL ACCOUNT DEVELOPMENTAL SIGNIFICANCE
OF AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	Capital Account Devp. Expen.	2 as % of 3	Agricultural Income Tax	Capital Account Devp. Expen.	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	27.33	-	9.44	315.15	2.99
1962-63	-	25.42	-	9.59	330.20	2.90
1963-64	00.02	24.00	0.08	9.28	350.07	2.65
1964-65	01.07	33.81	3.16	10.73	401.07	2.68
1965-66	00.25	44.75	0.56	9.88	403.49	2.45
1966-67	00.31	46.34	0.67	10.54	421.41	2.50
1967-68	00.05	53.05	0.09	11.82	423.18	2.77
1968-69	00.03	60.49	0.05	9.93	515.05	1.93
1969-70	01.06	67.66	1.57	14.04	500.48	2.81
1970-71	00.05	76.44	0.06	10.50	584.83	1.80
1971-72	00.30	85.40	0.35	12.80	705.49	1.72
1972-73	00.02	89.57	0.02	12.42	718.25	1.73
1973-74	00.49	110.46	0.44	11.81	952.95	1.24
1974-75	00.33	122.21	1.27	13.88	1046.49	1.33
1975-76	00.24	204.01	0.12	28.49	1381.97	2.06
1976-77	00.09	166.93	0.05	34.55	1622.90	2.13
1977-78	00.10	205.46	0.05	61.98	1818.17	3.41
1978-79	00.50	256.91	0.19	80.36	2243.79	3.58
1979-80	00.45	280.13	0.16	58.35	2625.85	2.22
1980-81	00.23	340.49	0.07	46.40	3128.66	1.48
Overall increase %	1150	1245.84	-	491.52	912.75	-
CGR	15.4%	14.2%	-	8.71%	12.8%	-
Average	-	-	0.50	-	-	2.32

Source : R.B.I. Bulletins.

3.9.2 Capital Account Developmental Significance of Agricultural Income Tax with Reference to Expenditure on Agriculture :

Table No. 3.12 relates revenue from agricultural income tax to developmental expenditure on capital account for agriculture. In this case, it must be pointed out that nothing significant can be said regarding any trend in this ratio both for Maharashtra as well as All-States model because the developmental expenditure on agriculture on capital account shows inexplicable and extreme varitions both in positive and negative direction. However, on the average, revenue from agricultural income tax could have financed only about 14.49% of developmental expenditure on agriculture on capital account in case of Maharashtra and in case of All-States model this ratio is as high as 115.86%. But both in case of Maharashtra and All-States model the lowest values for this ratio are 0.33% and 8.30% respectively. In case of Maharashtra the rate of growth of revenue from agricultural income tax is significantly less than capital account developmental expenditure on agriculture. Similarly in case of All-States model capital account developmental expenditure on agriculture has grown at a much faster rate than the rate of growth revenue from agricultural income tax.

TABLE No. 3.12

CAPITAL ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF AGRICULTURAL INCOME TAX

(Agricultural Expenditure)

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricul-tural Income Tax	Capital Account Devp. Expen. Agril.	2 as % of 3	Agricul-tural Income Tax	Capital Account Devp. Expen. Agril.	5 as % of 6
1.	2.	3.	4.	5.	6.	7.
1961-62	-	0.37	-	9.44	4.72	200.00
1962-63	-	0.41	-	9.59	3.31	289.73
1963-64	00.02	0.43	4.65	9.26	10.32	89.73
1964-65	00.25	1.55	103.88	10.73	9.92	108.77
1965-66	00.25	1.55	16.13	9.88	12.20	8.99
1966-67	00.31	1.96	15.82	10.54	16.31	64.62
1967-68	00.05	1.01	4.35	11.82	17.29	68.36
1968-69	00.03	1.05	2.96	9.93	34.99	28.38
1969-70	01.06	1.05	100.95	14.04	- 0.52	-
1970-71	00.05	2.25	2.22	10.50	- 0.36	-
1971-72	00.30	-3.61	-	12.80	1.19	1075.63
1972-73	00.02	1.64	1.22	12.42	N.A.	-
1973-74	00.49	25.04	1.96	11.81	N.A.	-
1974-75	00.33	17.39	1.90	13.88	167.29	8.30
1975-76	00.24	81.72	0.29	28.49	233.86	12.18
1976-77	00.09	-4.88	-	34.55	174.43	19.81
1977-78	00.10	11.011	0.91	61.98	130.77	47.40
1978-79	00.50	31.08	1.61	80.36	216.59	37.10
1979-80	00.45	44.29	1.02	58.35	350.44	16.65
1980-81	00.23	68.79	0.33	46.40	448.48	10.35
Overall increase %	1150	18591-89	-	491.52	9501.69	-
CGR	15.4%	31.6%	-	8.7%	27.1%	-
Average	-	-	14.42	-	-	115.86

Source : R.B.I. Bulletins.

3.10 Cost of Collection of
      Agricultural Income Tax :

Table No. 3.13 gives cost of collection ratio for
agricultural income tax in case of Maharashtra (Col. 4)
and in case of All-States model (Col. 7). It is seen from
this ta b le that in case of Maharashtra cost of collection
ratio for agricultural income tax shows a weak rising
tendency whereas in case All-States model it shows a strong
but gradually rising tendency upto 1973-74. But because of
large increase in the revenue from agricultural income tax,
this ratio substantially decreases in last two years.
However, these trends cannot be considered as indicators
of the efficiency of collection machinery because of the
large fluctuations in the revenue from agricultural income
tax perticularly in case of Maharashtra but in case of
All-States model it suggests, perhaps, an improvement in the
administrative efficiency. This is supported by the fact
that in case of Maharashtra, the rate of growth cost of
collection is much greater than the rate of growth of
revenue from agricultural income tax whereas in case of
All-States model, the revenue from agricultural income tax
has grown at a faster rate than the rate of growth of cost
of collection.

TABLE No.3.13

COST OF COLLECTING AGRICULTURAL INCOME TAX

(Rs. in crores)

Year	Maharashtra			All-States		
	Agricultural Income Tax	Cost of collecting Agril. Income Tax	3 as % of 2	Agricultural Income Tax	Cost of collecting Agril. Income Tax	6 as % of 5
1.	2.	3.	4.	5.	6.	7.
1961-62	-	-	-	9.44	0.40	4.25
1962-63	-	-	-	9.59	0.32	3.33
1963-64	00.02	-	-	9.26	0.32	3.44
1964-65	01.07	0.0015	0.14	10.73	0.35	3.26
1965-66	00.25	0.0015	0.60	9.88	0.37	3.73
1966-67	00.31	0.0015	0.48	10.54	0.40	3.77
1967-68	00.05	0.0015	3.00	11.82	0.41	3.47
1968-69	00.03	0.0015	5.00	9.93	0.48	4.83
1969-70	01.06	0.0015	0.14	14.04	0.58	4.14
1970-71	00.05	0.0010	2.00	10.50	0.61	5.80
1971-72	00.30	0.0015	0.50	12.80	0.67	5.23
1972-73	00.02	0.0015	7.50	12.42	0.76	6.11
1973-74	00.49	0.0050	1.02	11.81	0.85	7.19
1974-75	00.33	0.0050	1.51	13.88	0.80	5.76
1975-76	00.24	0.0040	1.67	28.49	0.82	2.87
1976-77	00.09	0.0050	5.55	34.55	0.92	2.66
1977-78	00.10	N.A.	-	61.98	N.A.	-
1978-79	00.45	N.A.	-	80.36	N.A.	-
1979-80	00.45	N.A.	-	58.35	N.A.	-
1980-81	00.23	N.A.	-	46.40	N.A.	-
Overall increase %	1150	333.33	-	491.52	230.00	-
CGR	15.4%	34.00	-	8.7%	5.7%	-
Average	-	-	2.24	-	-	4.36

Source : For A.I.T. : R.B.I. Bulletins.
For Cost Collection- i) Combined Finance and Revenue Accounts of the Union and State Governments.
ii) Budget of Maharashtra.

3.11 Rate Structure and Legal Base of Agricultural Income Tax :

As agriculture is the state subject, the tax on agricultural income is levied by the States of the Indian Union. As a result, rate structure and legal base of agricultural income tax differ from State to State. We examine as before the rate structure of agricultural income tax in Maharashtra and for comparison, rate structures of agricultural income tax in Karnataka and Tamilnadu are taken into consideration as these States are somewhat similar to Maharashtra in case of agricultural and industrial development.

3.4.1 Maharashtra :

Agricultural income tax was first introduced in Maharashtra in 1962. The tax is levied under the Maharashtra Agricultural Income Tax Act, 1962.

While levying the agricultural income tax, the net income of Rs. 36,000 is exempted from the total taxable agricultural income i.e. exemption limit in case of agricultural income tax is Rs. 36,000. The person whose agricultural income of the previous year exceeds Rs. 36,000/- is liable to pay agricultural income tax at the rate of 50% on the income above Rs. 36,000/- i.e. flat rate has been fixed in case of taxable agricultural income.

. **3.4.2 Karnataka :**

Agricultural income tax first appeared in 1955 in the erstwhile State of Mysore. When the State was reorganized, uniform law was brought in force applying it to all parts of the State, on October 1, 1957. Now-a-days agricultural income tax is imposed on the income derived from lands upon which certain commercial crops are grown (Total 31), such as coffee, tea, pepper and cardamom.

When total agricultural income from commercial crops goes above Rs. 3500/- in the case of individual and Rs. 7000/- in case of Hindu undivided family as well as total area under commercial crops exceeds 50 acres of specified class of land, a person or the family is liable to this tax. As the same time, super tax is imposed on income above Rs. 25,000/-. Agricultural income tax is not applicable on the first Rs. 1000/- of agricultural income. However, certain deductions are allowed while computing agricultural income for tax purpose. These are amounts paid towards the land revenue, local rates, municipal taxes, cesses, excise duty, rents, expenditure on maintainance of irrigation works and protective works as well as depreciation are permitted to be deducted. At the same time, there is a provision that 10% of the total agricultural income is also permitted to be deducted towards the 'earned income relief.'

A peculiar feature of the rate structure is that there
is a clubbing provision in case of assesses deriving income
from non-plantation crops at rates ranging from Rs. 2/- to
Rs. 33.3 per acre according to the size of land holding.

3.4.3 Tamilnadu :

Agricultural income tax was introduced first on 1st
April, 1955. In the beginning, it was applicable to incomes
from plantation crops only. Later on it was applied to all
other agricultural crops, by making an amendment in the Act
of 1955. Tamilnadu Agricultural Income Tax Act, 1955 was
amended twice and it is applicable to all parts in Tamilnadu.

The second amendment to Tamilnadu Agricultural Income
Tax Act was made in 1971, in order to bring about rationali-
zation of the rate structure, by making the levy bear a
greater correlation to the income derived from the land. Upto
this time, land revenue based on 'taram' assessments was the
base to convert ordinary acres into standard acres for the
non-plantation areas. But the new amendments (1971) made the
provision that the scale on which different crops are raised
on the land and availability of irrigation for raising these
crops would be the base for conversion of ordinary acres into
standard acres.

At present, agricultural income tax is levied on the
persons holding more than 7½ standard acres yielding total
agricultural income exceeding the exemption limit of Rs.4000/-.

The range of the rates is 5% to 55% in the different slabs of land holdings is imposed at the maximum rate on the whole of the total agricultural income in respect of every company.

A provision has been made to give option to have the tax comounded on an extended basis, so that difficulties of maintaining accounts of small assessess can be lessened. The tax is compoundable on all non-plantation crops. A person getting tax compounding is not required to maintain accounts or submit returns to the Department. There is a ceiling fixed for the purpose of compounding under the act without considering whether the crop is plantation or non-plantation crop. The ceiling limit is of 30 standard acres.

Compounding	Rate per Standard Acre Rs.
1) On the first 7½ standard acres	Nil.
2) On the next 5 standard acres	15-00
3) On the next 5 standard acres	25-00
4) On the next 5 standard acres	35-00
5) On the next 5 standard acres	45-00
6) On the next 6 standard acres	60-00

On the presumption that one standard acre will accrue net income of Rs. 500/- per year, the farmers getting the income below Rs. 15000/- per year, can have their tax liability compounded. If a company want agricultural income tax compounded, the lumpsome payable on composition in

chargeable at the maximum rate on the whole of the total extent of the land in respect of which the company is permitted to compound agricultural income tax.

3.4.4 Comparison of Rate Structure of Agricultural Income Tax of Maharashtra with the rate structure of agricultural income tax in Karnatak and Tamilnadu :

If the rate structure of Maharashtra agricultural income tax is compared with rate structures in Tamilnadu and Karnataka, in case exemption limit, we find that exemption limit is very high in Maharashtra (Rs. 36,000/-), whereas in Tamilnadu and Karnataka exemption limit is Rs. 4000/- and Rs. 700/- respectively. Hence exemption limit must be brought down as far as possible, in a more realistic manner.

Regarding the rate by which agricultural income above the exemption limit is taxed, it is lower in Maharashtra than in Tamilnadu. A progressive rate structure is introduced in Tamilnadu i.e. incomes above Rs. 4000/- are taxed at the rate varying between 5% to 55% in different slabs of land holding whereas a flat rate of 50% has been introduced for the income above Rs. 36,000/- in Maharashtra. Therefore, it will be appropriate if a progressive rate structure is introduced in Maharashtra also.

R E F E R E N C E S

1. Appendix,
   Direct Taxes on Agriculture, levied by the
   States of Indian Union,
   Government of India,
   Report of the Committee on Taxation of Agricultural
   Wealth and Income,
   Ministry of Finance,
   October, 1972,
   p. 118.