CHAPTER FOUR

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LEVEL OF ESTATE DUTY

4.1 INTRODUCTION :

In this chapter we examine information regarding level of estate duty, and developmental significance of estate duty.

Level of estate duty is measured by three methods. :

i) Percentage ratio of revenue from estate duty to national income (SDP in case of state and GNP in case of All-States)

ii) Per capita burden of estate duty.

Developmental significance of estate duty is measured by two methods,

i) Percentage ratio of revenue from estate duty to developmental expenditure on revenue account.

ii) Percentage ratio of revenue from estate duty to developmental expenditure on capital account.

Level of estate duty, in our opinion measures macro level and micro level burden of estate duty where revenue from estate duty, as a % ratio to national income is the macro measure and per capita burden of estate duty as % ratio of per capita income is micro level of taxation. However, ratios calculated in respect of micro level will be necessarily the same because micro level of estate duty is essentially a different version of macro level because,

(Rs. in Lakhs)

Year	Maharashtra				Bengal		All States		
	SDP	ED	3 as % 2	SD	ED	15 as % 14	GNP	ED	18 as % 17
1	2	3	4	5	15	16	17	18	19
1960 – 61	159640	27	0.02	738	20	0.02	1399900	289	0.021
1961 – 62	164730	35	0.02	829	27	0.02	1479900	389	0.026
1962 – 63	181240	35	0.02	836	29	0.02	1572700	387	0.025
1963 – 64	203690	39	0.02	910	33	0.02	1797800	422	0.024
1964 – 65	226630	62	0.03	1114	52	0.03	2111300	306	0.015
1965 – 66	235450	62	0.03	1152	53	0.03	2186600	678	0.031
1966 – 67	275900	38	0.02	1338	21	0.02	2525000	453	0.018
1967 – 68	313090	147	0.05	1588	116	0.07	2961200	657	0.022
1968 – 69	332310	62	0.02	1511	44	0.03	3029300	553	0.018
1969 – 70	365640	64	0.02	1777	52	0.02	3352100	1099	0.021
1970 – 71	387550	81	0.02	2189	64	0.02	3645200	629	0.017
1971 – 72	409440	70	0.02	2242	37	0.01	3897200	766	0.020
1972 – 73	434220	121	0.03	2108	82	0.02	4293900	734	0.017
1973 – 74	575790	127	0.02	3169	102	0.02	5344700	1188	0.021
1974 – 75	735930	75	0.01	3017	33	0.01	6297200	978	0.016
1975 – 76	767680	32	0.01	3697	105	0.02	6611500	819	0.012
1976 – 77	856350	35	0.01	4283	74	0.01	7122300	899	0.013
1977 – 78	961650	130	0.02	7557	76	0.01	8043300	1016	0.013
1978 – 79	1063250	100	0.01	4955	82	0.01	8689000	1081	0.012
1979 – 80	1227930	321	0.03	5381	128	0.01	9513100	1104	0.012
1980 – 81	1395130	232	0.02	6142	284	0.03	11460100	1168	0.010
1981 – 82	1574060	660	0.04	7542	119	0.01	13079500	1706	0.013
1982 – 83	1627210	285	0.02	7703	126	NA	14514100	1595	0.011
Overall increase %	1018.66	1055.55		1043	30.00		1036.80	551.90	
CGR	11.9	11.3		11.	8.6		11.2	7.9	
Average			0.02			0.02			0.017

Note : SDP : State Domestic Produce.

Source : India.

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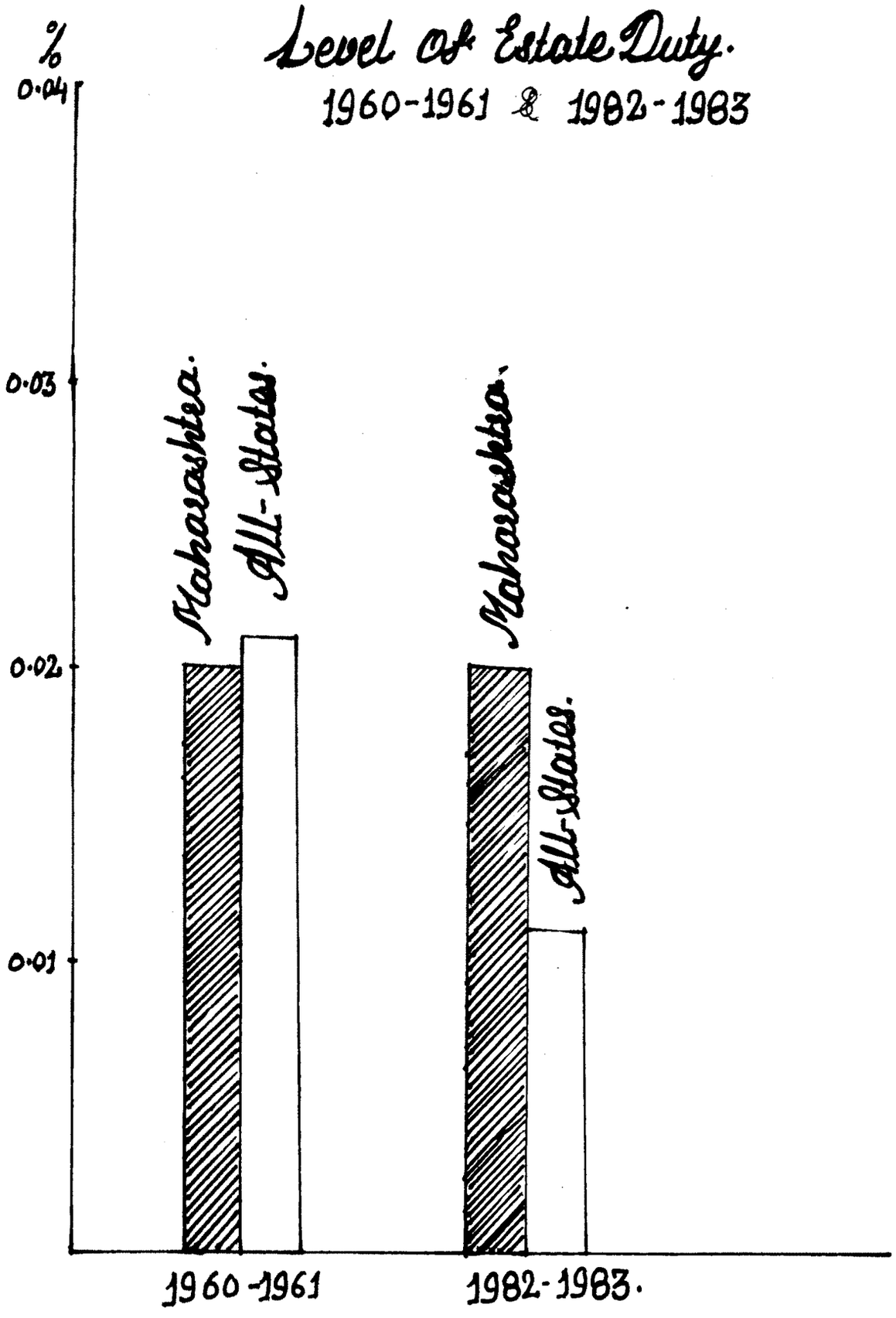
Graph No 3.

Level of Estate Duty.

1960-1961 & 1982-1983



4.2 MACRO LEVEL OF ESTATE DUTY :

Table No. 4.1 gives data regarding macro level of estate duty. It is seen that in case of states under study. it is less than 0.1%. To be more precise, it is maximum 0.07% in year 1967-68 in case of West Bengal and Tamilnadu. In the same year it is 0.05% in case of Maharashtra.

It can broadly be said that the level of estate duty shows a very gradual declining trend in respect of Tamilnadu, Karnataka and West Bengal. However, in case of Maharashtra and Gujarat the macro level of estate duty seems to be fluctuating upwards.

Comparatively, the growth rate of revenue from estate duty is smaller than respective growth rate of state income, in case of states excepting Gujarat. In case of Gujarat the growth of revenue from estate duty is greater than the growth of state income.

On the whole, considering the whole period we can say that the macro level of estate duty, in case of All States together is less than 0.02%. In case of other states under study, it is around 0.02% only. In simple we can say that out of a State income of hundred rupees the collection under estate duty is only two paise.

4.3 PER CAPITA BURDEN OF ESTATE DUTY :

As explained earlier, per capita burden of estate duty can be considered as one measure of micro level of estate duty.

(Rs. in Lakhs)

Year	Maharashtra			Gujarat			All States.		
	Population.	RED	3 as % 2	Population	RED	15 as % 14	Population	RED	18 as % 17
1	2	3	4	5	6	16	17	18	19
1960 – 61	390.23	27	0.07	203.65	11	0.06	4323.72	289	0.07
1961 –62	398.80	35	0.09	208.12	17	0.08	4423.72	389	0.09
1962 – 63	308.92	35	0.11	213.76	21	0.08	4528.89	387	0.09
1963 – 64	418.06	39	0.09	219.04	20	0.09	4620.27	422	0.09
1964 – 65	427.98	62	0.14	224.71	32	0.14	4721.32	306	0.06
1965 – 66	438.25	62	0.14	230.54	32	0.14	4825.30	678	0.14
1966 – 67	448.86	38	0.08	236.52	18	0.08	4932.09	453	0.09
1967 – 68	459.82	147	0.32	242.65	57	0.28	5041.62	657	0.13
1968 – 69	771.15	62	0.13	248.93	29	0.11	5154.14	553	0.11
1969 – 70	482.84	62	0.13	255.37	33	0.12	5269.86	699	0.13
1970 – 71	494.90	81	0.16	261.95	33	0.15	5388.81	629	0.12
1971 – 72	506.88	70	0.14	268.66	35	0.08	5508.22	766	0.14
1972 – 73	518.15	221	0.23	275.44	55	0.18	5624.67	734	0.13
1973 – 74	529.50	127	0.24	282.27	87	0.22	5742.16	1118	0.19
1974 – 75	540.94	75	0.14	289.15	49	0.07	5860.56	978	0.17
1975 – 76	552.32	32	0.06	295.99	42	0.22	5976.68	819	0.14
1976 – 77	560.10	35	0.06	299.78	48	0.15	6132.73	899	0.15
1977 – 78	570.57	130	0.23	306.30	49	0.15	6258.18	1016	0.16
1978 – 79	580.95	100	0.17	312.90	50	0.16	6383.88	1081	0.17
1979 – 80	591.24	321	0.54	319.54	102	0.24	6509.82	1104	0.17
1980 – 81	601.45	232	0.39	326.15	66	0.51	6635.96	1168	0.18
1981 – 82	630.00	660	1.04	340.00	306	0.22	6850.00	1706	0.25
1982 – 83	630.00	285	0.45	350.00	240	0.21	7010.00	1595	0.23
1983 – 84	630.00	49	0.08	630.00	137	0.06	6850.00	1455	0.21
1984 – 85	690.00	228 RE	0.33	370.00	184 RE	0.66	7500.00	2023 RE	0.27
Overall increase %	176.82	844.44		181.68	1672.0		173.46	700.00	
CGR	2.3	9.2		2.3	12.		2.3	8.4	
Average			0.222			0.219			0.144

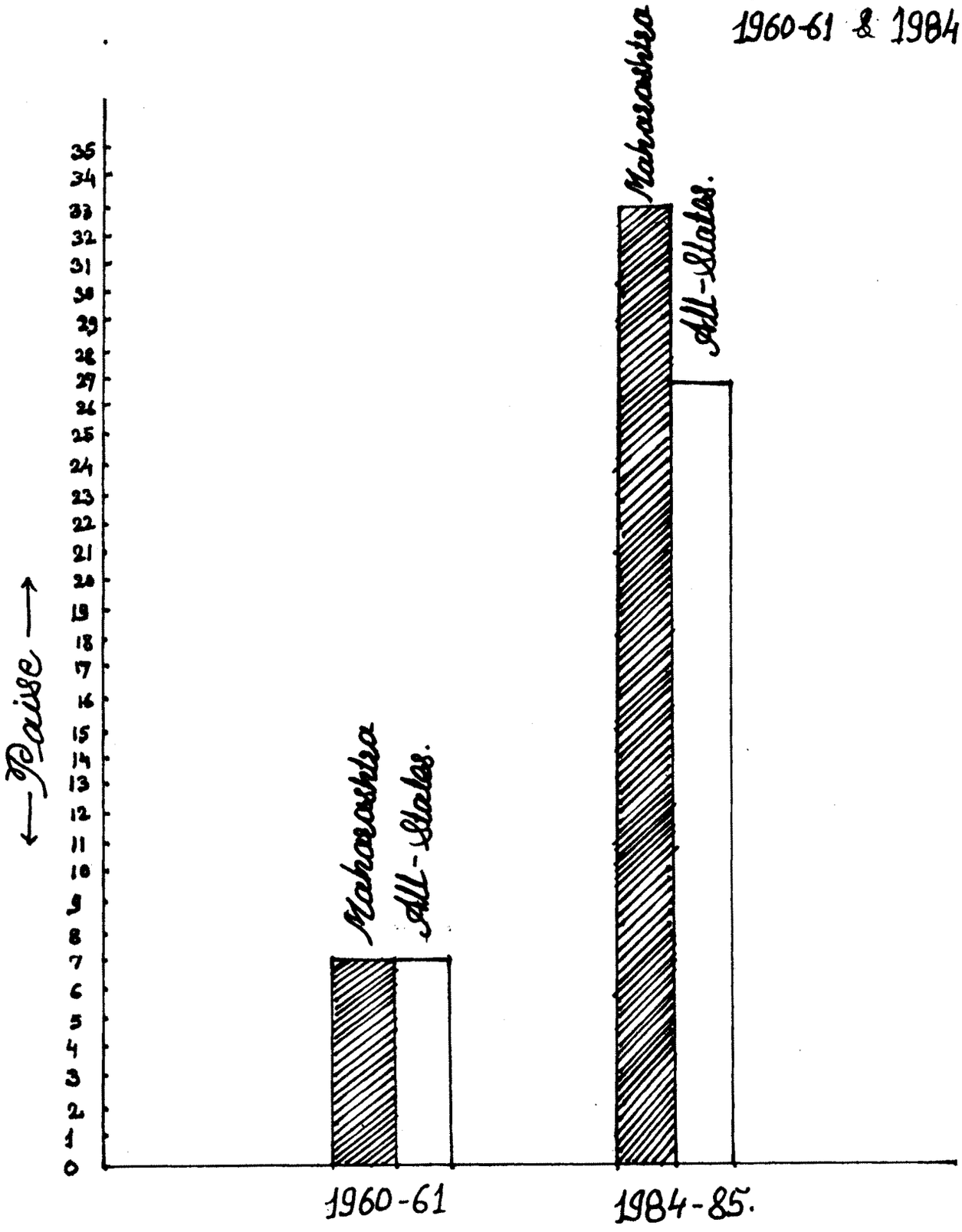
Note : RED : Revenue from Estate Duty, RE year estimate Indian Economy

Source: 1) Population from 1960 Basic Statistics Supplemen

Graph No-4

Per Capita Burden of Estate Duty

1960-61 & 1984-85



i) If we consider All States together, we see that the per capita burden of estate duty shows a gradually increasing trend. It is seen that in the year 1960-61 the per capita burden of estate duty was only 7 paise which increased to 27 paise in the year 1984-85.

ii) The same trend is observed in case of Maharashtra, Gujarat Tamilnadu and West Bengal. But in case of Karnataka there seems to be a long term stability in theper capita burden of estate duty because it was 7 paise in 1960-61 which became 10 paise in 1961-62 and has become only 14 paise in the year 1984-85.

iii) In case of Maharashtra, the per capita burden of estate duty was 7 paise in the year 1960-61, which became 104 paise in the year 1981-82 and then decreased to 33 paise in the year 1984-85.

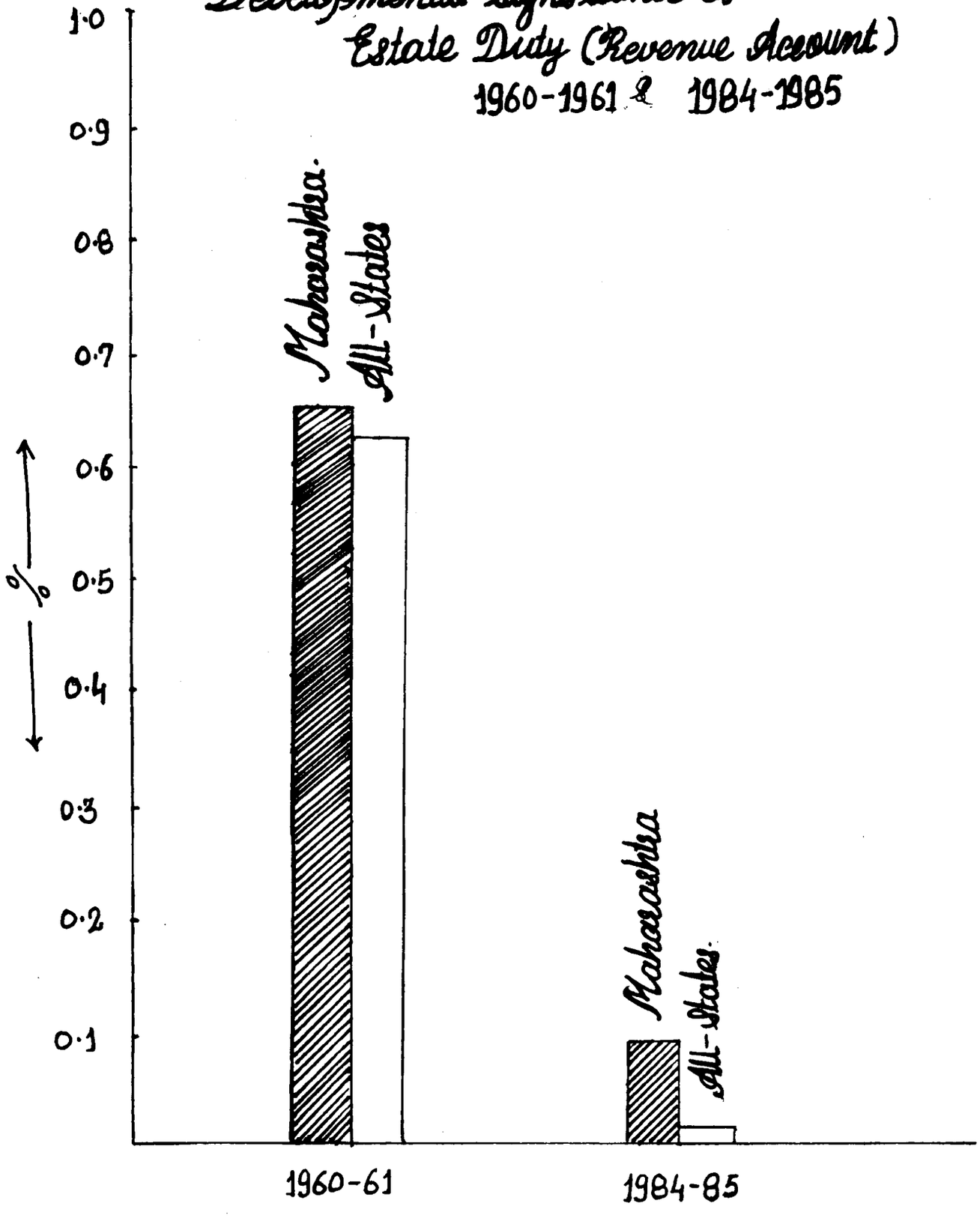
iv) In the year 1960-61 the differences in the per capita burden of estate duty among various states under study were marginal, in the range of 9 paise to 5 paise only. However, in the year 1984-85, the differences in ther per capita burden of estate duty seem to have widened significantly the lowest being 14 paise in case of Karnataka and highest being 66 paise in case of West Bengal.

4.4 DEVELOPMENTAL SIGNIFICANCE OF ESTATE DUTY (REVENUE ACCOUNT)

If we try to find out the developmental revenue significance of estate duty, we can relate the revenue from estate duty to developmental expenditure on revenue account. Alternatively, we can relate the revenue from estate duty to the developmental expenditure on capital account. In this exercise we assume for analytical purposes that the entire revenue from estate duty is to be earmarked only for developmental expenditure either on revenue account or on capital account. In a way this ratio indicates the extent to which revenue from estate duty can finance developmental expenditure. In Table No. 4.3 information regarding revenue account developmental significance of estate duty is given. On the basis of this information, we can make the following observations.

Graph No-5

Developmental Significance of Estate Duty (Revenue Account) 1960-1961 & 1984-1985



i) The rateof growth of developmental expenditure on revenue accout is . greater than the rate of growth of revenue from estate duty. In case of Maharashtra respective growth rates are 18.4% and 9.2%. In case of Gujarat respective growth rates are 19.4% and 12.2%. In case of Tamilnadu they are 15.7% and 5.8%. In case of Karnataka they are 16.4% and 5.3%. In case of West Bengal they are 16.5% and 13.2%. In case of All States respective growth rates are 17.1% and 8.4%. On this basis we can say that only in case of Gujarat and West Bengal, the increasing revenue from estate duty seems to have kept a closer rate with increasing developmental expenditure on revenue account. In case of other states and All States model, the growth of revenue from estate duty is far less than the growth of developmental expenditure on revenue account.

ii) Period as a whole, revenue account developmental significance of estate duty shows decreasing trend in respect of each state under study as also in case of All States model. In case of Maharashtra, revenue from estate duty could have financed 0.75% of revenue account developmental expenditure. This ratio came down to 0.09% in the year 1984-85. The same is almost true in case of All States model where this ratio was 0.64% in the year 1960-61. This came down to 0.10%

in the year 1984-85. The same trend is seen in respect of Tamilnadu and Karnataka. However, relatively speaking, Gujarat and West Bengal show higher ratio in this respect in the year 1984-85.

iii) Another interesting observation is that it was in the year 1967-68 that we find the highest revenue account developmental significance of estate duty in respect of every state under consideration. For example, in Maharashtra it is 1.66%, in case of Gujarat 1.40%, in Tamilnadu 1.39%, in Karnataka 1.07%. However, in case of All-States model respective ratio is relatively very low at 0.62. This may be an indication of much smaller revenue account developmental significance of estate duty, in case of the states which we have not included in our study.

4.5 CAPITAL ACCOUNT DEVELOPMENTAL SIGNIFICANCE OF ESTATE DUTY

Table No. 4.4 gives information regarding percentage ratio of revenue from estate duty to capital account developmental expenditure.

On the basis of this table, we can make following observations.

i) In each of the states under study, it is seen that the rate of growth of developmental expenditure on capital account is greater than the rate of growth of revenue from estate duty. However, the difference between these growth rates is smaller in comparision with the similar difference in respect of growth rate of revenue account developmental expenditure and revenue from estate duty.

ii) Period as a whole, the capital account developmental significance shows a decreasing trend in respect of Maharashtra, Tamilnadu, and Karnataka. In case of Gujarat however, no such trend is seen. In case of West Bengal surprisingly the capital account developmental significance of estate duty shows a comparatively higher level throughout the period and shows an upward trend during last three years. In case of All-States model the capital account developmental significance shows a decreasing trend.

iii) In comparision with revenue account developmental significance of estate duty, the capital account developmental significance of estate duty is higher in each state under consideration as well as in case of All States model.

iv) Similarly, it is seen that there are greater fluctuations in the capital account developmental significance of estate duty.