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GROWTH OF TAX REVENUE IN PUNJAB: AN EVALUATION

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ABSTRACT

Government has to play an important role in socio-economic development of society. It has not only to perform its traditional functions (defence, maintenance of law and order) but also to undertake welfare and development activities such as health, education, sanitation, rural development, water supply etc. It has also to pay for its own administration. All these functions require huge public finance. Taxes constitute the main source of public finance whereby government raises revenue for public spending. In India, the power to levy taxes is divided between the Central Government and State Governments. Article 265 of the constitution refers that no tax shall be levied or collected except by authority of law. The principal taxes levied by the State Governments are Sales Tax, Stamp Duty, State Excise, and Duty on electricity, Tax on vehicles, Land Revenue and duties on commodities and services. The economic crisis of 1991 led to structural tax reforms in India with main purpose of correcting the fiscal imbalance. The introduction of Value Added Tax is one of the most radical reforms at the State level. Punjab is one of the 21 states which have introduced the value added tax system of taxation. In the view of fiscal developments, the present paper is an attempt to examine the revenue growth of Punjab Government. The analysis showed that there was not much significant change in contribution of different sources of Punjab Government Receipts. Further, the analysis revealed that there was not a significant improvement in tax revenue to SGDP ratio during the study period. Tax buoyancy coefficient has shown a downfall in case of total tax revenue, sales tax, excise duty, stamp duty and other taxes. Moreover, it remained less than 1 or negative in number of years. All this puts a question mark on revenue collection efficiency of the Government. Thus, Government should make efforts to bring more fiscal reform to raise the growth of tax revenue.