

ABSTRACT

This paper deals with State Value Added Tax (VAT) and its revenue implications in India. Specifically it tests whether the State VAT has brought more revenues than sales tax to the major state governments in India. For this uses the panel data during 2001 to 2009 and panel data random effects methodology to estimate the Sales tax/State VAT revenue function. Per capita income (GSDP at constant prices), GSDP deflator, Per capita transfers from the central government and the literacy rate are assumed to determinants of sales tax revenue. A structural dummy indicator for the State VAT regime is included to see whether state VAT has increased the tax revenues or not. Results indicate that as compared to sales tax regime the state VAT regime has brought more tax revenues to the state governments in India.