

ABSTRACT

As the skilled labour migrates out of the country causing brain drain it also significantly affects the fiscal condition of the nation. As the skilled labour moves out of the origin country, the country loses out on its potential tax payers & hence the tax base of the country is reduced in turn. Almost 80% of Indian skilled labour migrates to U.S.A. thus their counterfactual income is taken under consideration to calculate the loss in the tax base of Indian fiscal system for the years 2008-2010. The counterfactual incomes are acquired using the PPP conversion factor. These counterfactual incomes of the migrants are then run through the fiscal regulation to derive the fiscal impact. Other than the loss in the tax base migration also increases the FDI inflow & remittances which is one the most important of foreign exchange. Skilled labour migration also reduces the scope for research and development.

Key words: Skilled labour migration, Fiscal Impact, PPP Conversion Factor.