Implication of Goods and Service Tax inthe Economic Development of Himachal Pradesh – Empirical evidence

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ABSTRACT

The persistent and binding nature of the tax has made it a crucial instrument for revenue generation and resource mobilization which is an important goal of tax reform. This paper examines the indirect tax buoyancy in Himachal Pradesh economy and its impact of buoyancy on the stability level. The statistical measures like Mean, Standard deviation and coefficient of variation have been applied to find out pertinent substance of the paper. Single Factor ANOVA is applied along with the Augmented Dicky Fuller (ADF) test to test the stability with the empirical data.The empirical findings manifests the buoyancy of GST is greater than one which reflects the elasticity of tax system. It also tests tax mobilization's responsiveness to economic growth.

Key Words: Revenues, Indirect Tax Buoyancy, Stability, Himachal Pradesh.

INTRODUCTION

Covid-19 pandemic is not only responsible for disrupting the normal course of the lives of people alone but it has also drastically affected the world economy. As far as the Indian economy is concerned it is also not spared from the mar of this pandemic. The Indian economy, which is indeed one of the largest economies in the world, experiences such variability from time to time. In order to keep an economy high or low, these fluctuations are fundamentally important and are the basic measures of an economy's growth. Himachal has a vibrant economy due to steady efforts of the simple and hardworking people of the State and by the implementation of progressive policies and programmes of the Central and State Government. Himachal has become one of the more prosperous and fast growing economy in the country but due to the impact of pandemic covid-19 the economy of the State is expected to have a negative growth of 6.2 per cent in the current financial year 2020-21, H.P Economic Survey (2020-21). Taxes are one of the most significant sources of public revenue. Tax revenue is the foundation of government functioning. Taxation is an important instrument for attaining a proper pattern of resource allocation, income distribution, and economic stability, in order that the benefits of economic development are evenly distributed, Bonga (2015).An increase in the tax revenue in the Indian Tax System is due to increase in the National Income and the tax policy decisions of the government. The total response of the tax system due to the above two factors that is increase in the National Income and the tax policy decisions of the government is known as Tax buoyancy, Upender, M (2008). The principles of this tax buoyancy are used to estimate the efficacy of a tax system, i.e., the tax system's ability to mobilize revenue with and without adjustments in tax policy. This rise in the government's income and tax policy decisions together results in tax buoyancy which is defined as total response of the tax system. An advantageous characteristic of a tax system is that it should be equal to or greater than unity for buoyancy. Such assets ensure that, without regular discretionary adjustments, revenue growth keeps pace with that of Gross State Domestic Product (GSDP). The State Government mobilizes financial resources through direct and indirect taxes, non-tax revenue, share of central taxes and grants-in-aid from Central Government to meet the expenditure on administration and developmental activities. Total tax revenues in Himachal Pradesh comprise direct tax revenues and indirect tax revenues. The share of indirect taxes in the total tax revenue has been continuously increasing after the tax reform initiated in the form of VAT and then GST. Therefore, it would be interesting and gainful to examine whether the growth rate in various types of Indirect taxes are different and to predict the growth of Indirect taxes in Himachal Pradesh for a future period of time along with the Tax Buoyancy and Stability in the state.

RESEARCH DESIGN

The present research is an attempt to study the growth, buoyancy and stability of indirect taxes in Himachal Pradesh.

LITERATURE REVIEW

Review of related studies has been greatly helpful in understanding the different dimensions of the present investigation. Therefore a careful screening of the following works has been done to establish a relevant relationship with the present study, as:

Upender. M (2008)provided an empirical content to differential coefficient of tax (revenue) buoyancy during post tax reform period in India by fitting a double – log regression model with an interaction variable to the stationary time series data based on Augumented – Dicky Fuller (ADF) and Phillips – Perron (PP) Tests for the period 1950-51 to 2004-05 considering the period after 1992 as post tax reform period to look at the prognostications of tax reforms that had been initiated by the government of India. The study elucidated that the gross tax buoyancy estimate was just above the unity during the pre – tax – reform period evinced the fact that the ratio of gross tax revenue to gross domestic product was increasing with the increase in gross domestic product during the pre – tax – reform period and less than unity during the post – tax – reform period evinced the fact that the ratio of gross tax revenue to gross domestic product was declining with the increase in gross domestic product.

Ahmed and Mohammed (2010) founded the determinant of tax buoyancy of developing countries. The authors used 25 countries cross section data for the year 1998 to 2008 and used pooled least square method for result analysis. Their result showed that the import, manufacturing sector, services sector, monetization and budget deficit influence positively the tax buoyancy while growth in grants impact negatively on tax buoyancy. The growth of agriculture sector has insignificant impact on tax buoyancy in case of developing countries because they are not taxed or under taxed.

Kargbo and Egwaikhide (2012) examined the elasticity of the tax system in Sierra Leone using annual data covering the period between 1977 and 2009. The empirical results indicated that buoyancy estimates were higher than elasticity estimates; and that short-run elasticities were lower than the static long-run elasticities. Estimation results further showed that discretionary tax measure were effective in mobilizing additional tax revenues and that the tax system was inelastic during the period.

Mawia and Nzomoi(2013) empirically studied the tax buoyancy in Kenya from 1999/2000 to 2010/2011 using a time series approach. It also analysed the tax buoyancy of Pay as You Earn (PAYE), other income tax, as components of income tax and local and import VAT as components of Total VAT. The evidence showed that the total tax was buoyant while the individual taxes were not buoyant except the excise duty. Tax bases were found to respond well to economic changes with buoyancy values greater than unity.

Bonga et.al (2015) studied the tax system performance of Zimbabwe through the traditional tax ratio trends, tax buoyancy and tax elasticity by fitting regression equation of tax revenue on GDP by OLS methods. Using the Dummy Variable Approach, the study revealed that there was no significant difference in the tax performance for the Zimbabwean Dollar Era and the Dollarisation Era. The study also found a buoyant tax system which was very responsive to income changes in Zimbabwe during the study period i.e., 2000-2013.

Krushna (2015) examined the tax buoyancy in India by using log – linear regression technique for the period 1950 - 2010. The period of study was divided into five decades, the tax buoyancy was higher than the national income. The study found a declining trend in tax revenue during 1970's to 1980's but it was not too high after 1980's to 2010.

Seydou (2020) examined the productivity of revenue from the Ivorian tax system for the period 1984 to 2016 by estimating buoyancy and elasticity of tax revenue of period. The study used Ordinary Least Square (OLS) method to estimate the buoyancy and elasticity and concluded that buoyancy and elasticity stood at less than one, reflected inelasticity in the tax system during the study period.

Objectives of the Study
- **To study the growth pattern of indirect tax collections in Himachal Pradesh.**
- **To examine and interpret the buoyancy and stability of indirect tax in Himachal Pradesh.**

The scope of study

The study is related to the Himachal Pradesh Indirect Tax Revenue and Gross State Domestic Product. Indirect Tax Revenue is a part of the government revenue receipt. For analyzing the Indirect Tax and Gross State Domestic Product, government data has been used. Data used for this study are secondary time series data.

The Methodology of Study

The study is based on secondary data. Statistical tools like mean, coefficient of variation, correlation and ANOVA are used. It also proposes to study the buoyancy and stability by fitting a double log regression model based on Augmented – Dicky Fuller (ADF) test with the empirical data. The fact that the paper uses annual time series data, the first step in the analysis is to test the stationarity of the variables. Following this, we then determine the optimal lag structure of the model.

H_0 = The Indirect Tax structure is not stable.
H_{01} = There is no significant growth found in the Indirect tax collection in Himachal Pradesh.
H_{02}= The indirect tax structure of the state is not buoyant.
H_{03}= The growth in indirect tax is not stable.

ANALYSIS AND INTERPRETATION

Indirect Tax Revenue Performance

The revenue statistics by indirect tax heads for the past eleven years (2010-11 to 2020-21) against Ministry of Finance targets:

Table 1 showing Revenue Receipts from 2010-11 to 2020-21.

Revenue Receipts			
Year	**Budget**	**Actual**	**Variance %**
2010-11	2910.6	3040.29	4.46
2011-12	3750.31	3573.46	-4.72
2012-13	4442.51	3971.19	-10.61
2013-14	4259.39	4524.24	6.22
2014-15	4998.08	5179.76	3.63
2015-16	5574.12	5614.75	0.73
2016-17	6364.9	6171.04	-3.05
2017-18	6488.52	6133.56	-5.47
2018-19	5860.63	6421.55	9.57
2019-20	6888.62	6796.03	-1.34
2020-21	6886.14	7044.24	2.30
Mean	5311.256	5315.4645	0.156

Source: Data compiled from hptax.gov.in and authors calculation.

The above table shows the revenue performance of the state against what is expected. Net Revenue collection for the past eleven years amounting to ₹ 5315.4645 crores against a target of ₹ 5311.256 crores resulting in favourable variance of 0.156%.

Table 2 showing the growth rate in collections (in ₹ crores) w.r.t. State Excise, Sales Tax / VAT, SGST, PGT, OTD.

Year	State Excise	Sales Tax / VAT	SGST	PGT	OTD	Total
2000-01	1	1		1	1	1

2001-02	1.13	1.18		0.80	1.21	1.14
2002-03	1.14	1.27		0.73	1.43	1.20
2003-04	1.34	1.45		0.79	1.62	1.38
2004-05	1.43	1.80		0.89	1.86	1.61
2005-06	1.57	2.41		0.99	2.36	2.01
2006-07	1.63	3.03		1.17	2.26	2.35
2007-08	1.86	3.62		1.28	2.61	2.76
2008-09	2.06	4.13		1.45	3.21	3.15
2009-10	2.39	4.93		2.06	3.75	3.75
2010-11	2.69	6.96		2.17	5.39	5.01
2011-12	3.38	8.20		2.19	5.61	5.89
2012-13	3.87	9.03		2.36	6.31	6.54
2013-14	4.55	10.40		2.44	6.20	7.46
2014-15	4.99	12.12		2.56	6.94	8.54
2015-16	5.41	13.22		2.68	7.13	9.25
2016-17	6.25	14.51		2.82	6.84	10.17
2017-18	6.27	8.36	1.00	2.59	6.68	10.11
2018-19	7.08	3.92	1.82	2.42	5.85	10.58
2019-20	7.94	3.87	1.94	2.42	5.93	11.20
2020-21	7.65	5.40	1.89	1.94	5.02	11.61

Source: Authors calculation.

The above table indicates 7.65 times increase in state excise, 14.51 times increase in Sales Tax / VAT in 2016-17 which was subsequently reduced after that due to the implementation of SGST, 1.94 times increase in PGT, 5.02 times increase in OTD in 2020-21 compared to 2000-01 and 1.89 times increase in SGST from 2017-18 to 2020-21. However, there was an overall growth of 11.61 times.

Table 3 showing the relationship in growth of collections (in ₹ crores) w.r.t State Excise, Sales Tax / VAT, SGST, PGT, OTD.

	State Excise	Sales Tax / VAT	SGST	PGT	OTD	Total
State Excise	1					
Sales Tax / VAT	0.57	1				
SGST	0.92	-0.93	1			
PGT	0.82	0.86	-0.60	1		
OTD	0.83	0.88	-0.79	0.98	1	
Total	0.99	0.67	0.81	0.88	0.89	1

Source: Authors calculation.

The above correlation matrix indicates high positive correlation between state excise, PGT and OTD, while a negative correlation amongst Sales Tax, PGT, OTD and SGST. However, moderate correlation is observed amongst Total and State excise, Sales Tax, SGST, PGT and OTD.

Table 4 showing the significance in the growth rate of collections (in ₹ crores) w.r.t State Excise, Sales Tax / VAT, SGST, PGT, OTD.

ANOVA				

SUMMARY

Groups	Count	Sum	Average	Variance
State Excise	21	75.65	3.60	5.60
Sales Tax / VAT	21	120.79	5.75	17.55
SGST	4	6.65	1.66	0.20
PGT	21	37.74	1.80	0.55
OTD	21	89.21	4.25	4.87
Total	21	116.69	5.56	14.76

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	242.671	5	48.5342	5.7652	9.9E-05	2.30261
Within Groups	867.103	103	8.41848			
Total	1109.77	108				

Source: Authors calculation.

The result of one way Anova indicates that as regards total 5.56 times growth has been observed. However, as regards state excise, sales tax / VAT, SGST, PGT and OTD growth has been 3.60, 5.75, 1.66, 1.80 and 4.25 times respectively. The statistical significance of the above was tested and it revealed that there is significant difference in the growth rate of State excise, sales tax / VAT, SGST, OTD and PGT.

Indirect Tax Ratio Analysis

The Tax to GDP ratio is an economic measurement that compares the amount of taxes collected by a government to the amount of income that country receives for its products, Bonga et al (2015).

Table 5 showing Indirect Tax to GSDP Ratio (at constant prices) from 2011-12 to 2020-21.

Year	Sales Tax to GSDP Ratio	Sales Tax / VAT to GSDP Ratio	SGST to GSDP Ratio	PGT to GSDP Ratio	OTD to GSDP Ratio	Total Tax to GSDP Ratio
2011-12	0.97	3.41		0.13	0.41	4.91
2012-13	1.05	3.53		0.13	0.43	5.13
2013-14	1.15	3.79		0.13	0.39	5.46
2014-15	1.17	4.11		0.12	0.41	5.82
2015-16	1.18	4.15		0.12	0.39	5.83
2016-17	1.27	4.25		0.12	0.35	5.99
2017-18	1.20	2.31	1.68	0.10	0.32	5.61
2018-19	1.27	1.02	2.87	0.09	0.26	5.51
2019-20	1.36	0.96	2.90	0.09	0.26	5.56
2020-21	1.39	1.42	3.02	0.07	0.23	6.14
Mean	1.20	2.89	2.62	0.11	0.34	5.60

Source: Authors calculation.

The above table shows the Tax to GSDP ratio of Himachal Pradesh from 2011-12 to 2020-21. The maximum Sales Tax to GSDP ratio experienced in Himachal Pradesh was 1.39 in 2020-21 and the lowest was 0.97 in 2011-12. The maximum Sales tax / VAT to GSDP ratio was 4.25 in 2016-17 and the lowest was 0.96 in 2019-20. The maximum SGST to GSDP ratio was 3.02 in 2020-21 whereas the lowest was 1.68 in 2017-18. The highest PGT to GSDP ratio was 0.13 in 2011-12 to 2013-14 whereas the lowest was 0.07 in 2020-21 and the OTD to GSDP ratio was counted maximum 0.43 in 2012-13 and lowest 0.23 in 2020-21. The maximum Total Tax to GSDP ratio experienced in the state was 6.14 in 2020-21 and the lowest was 4.91 in 2011-12.The tax performance as measured by the Mean was 1.20 in sales tax, 2.89 in sales tax / VAT, 2.62 in SGST, 0.11 in PGT, .034 in OTD and Total tax to GSDP ratio was 5.60. A rise in the total tax ratio implies that performance is increasing over time.

The same fact can be explained graphically as below:
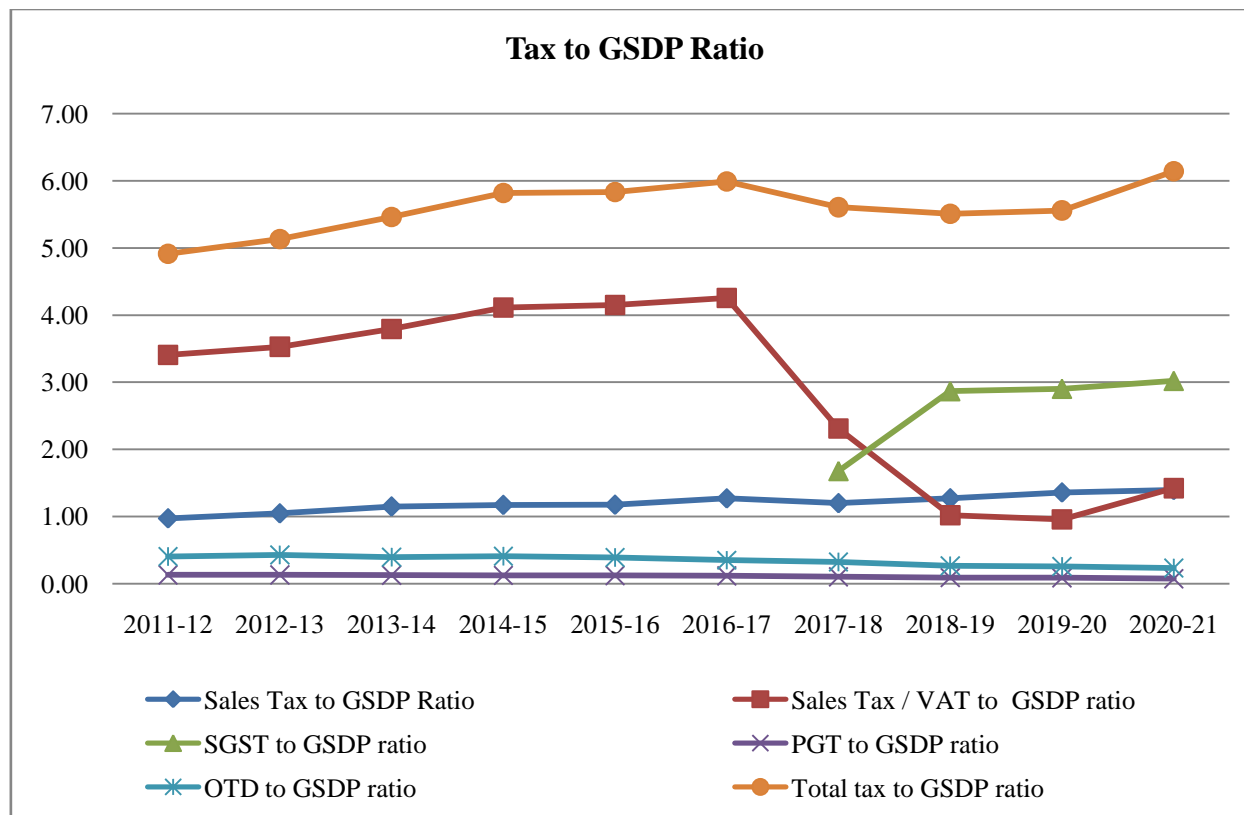
Figure 1: Tax to GSDP Ratio in Himachal Pradesh.

According to the line graph above the Sales tax / VAT to GSDP ratio trend is not stable implying inconsistency in tax performance but other ratios was almost stable showing consistence in tax performance.

Movement in Indirect Tax Revenue and Gross State Domestic Product
The line graph below has been drawn to check for the movement in the Indirect Tax revenue which includes State excise, sales tax / VAT, SGST, PGT, OTD and state income which is often named as Gross State Domestic Product. The linear line depicts the consistency in the growth over a period of time.
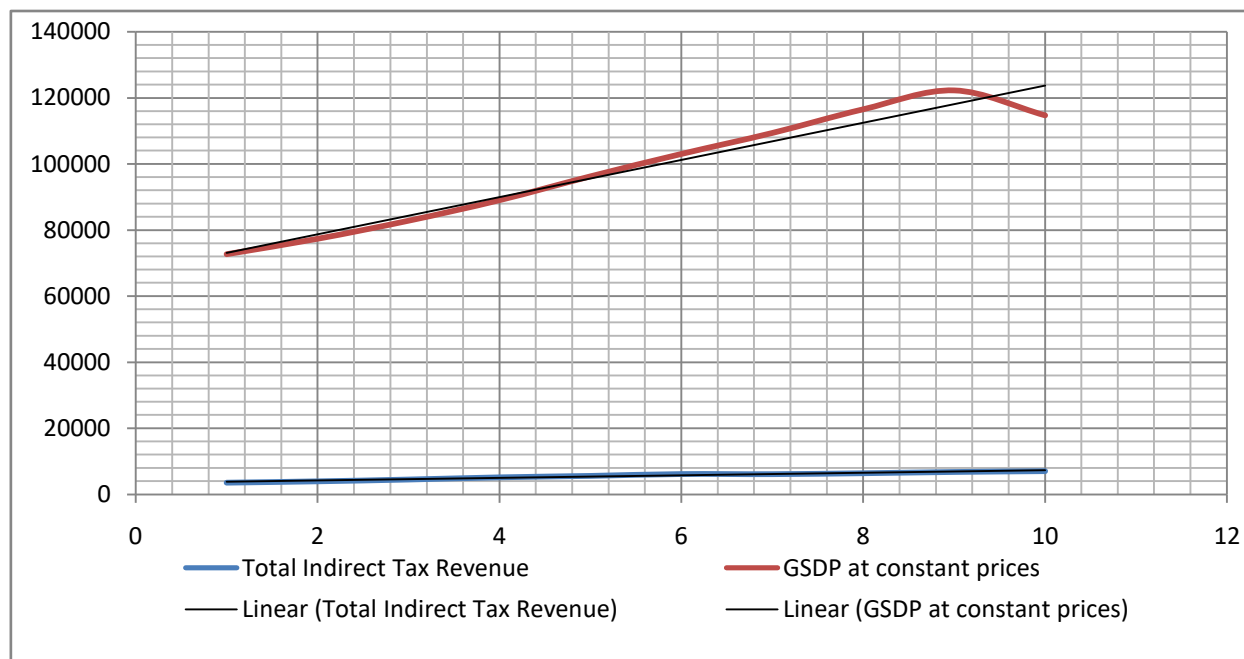
Figure 2 showing movementin Tax Revenue and state income.

Degree of Variability in Indirect Tax Revenue Growth Rate and Income Growth Rate
Revenue stability is desirable, at least from the government's perspective, in that it makes it easier to put together plausible spending and borrowing plans for the years ahead, Haughton (1998). A simple measure of variability is the coefficient of variation.

$$\text{Coefficient of variation} = \frac{\text{Standard Deviation}}{\text{Mean}}$$

Table 6 showing % change in growth of Indirect Tax Revenue and GSDP.

Year	State Excise	Sales Tax / VAT	SGST	PGT	OTD	Total	GSDP at constant prices
2012-13	14.49	10.15		7.45	12.52	11.13	6.41
2013-14	17.55	15.13		3.50	-1.69	13.92	7.06
2014-15	9.68	16.54		4.86	11.88	14.49	7.50
2015-16	8.34	9.08		4.76	2.81	8.40	8.10
2016-17	15.62	9.74		5.28	-4.11	9.91	7.04
2017-18	0.26	-42.36		-7.98	-2.29	-0.61	6.16
2018-19	12.99	-53.07	82.35	-6.54	-12.56	4.70	6.55
2019-20	12.04	-1.34	6.21	-0.34	1.51	5.83	4.90
2020-21	-3.63	39.38	-2.36	-19.69	-15.33	3.65	-6.18
Mean	9.70	0.36	28.73	-0.97	-0.81	7.94	5.28
Standard Deviation	7.11	29.46	46.63	8.86	9.48	4.99	4.39
CoV	0.73	81.33	1.62	-9.18	-11.75	0.63	0.83

Source: Authors calculation.

It is evident from the table above that the state excise revenue has been growing on an average of 9.70 percent from 2012-13 to 2020-21, where it is highest 17.55% in 2013-14 and lowest to a negative growth of -3.63 percent in the year 2020-21.

The coefficient of variation has been estimated to see the degree of variability in the growth of Indirect Tax revenue which includes State Excise, Sales Tax / VAT, SGST, PGT and OTD and Gross State Domestic Product from 2012-13 to 2020-21. The above table 6 shows the percentage change in the growth rates of taxes inHimachal Pradesh from 2012-13 to 2020-21. The degree of variability is somewhat low in indirect tax revenue as compared to Gross State Domestic Product implying greater stability in the revenue collection.

Tax Buoyancy
Tax Buoyancy is an indicator to measure efficiency in revenue mobilization in response to growth in GDP. If tax buoyancy is high, it indicates built – in – flexibility in the tax structure. Further, if it is greater than one, it indicates more than proportionate response of the tax revenue to rise in GDP.Buoyancy of a tax system is measured by the proportional change in total tax revenue relative to the proportional change in national income. The buoyancy is expressed as follows:

$$B_{T_t}^y = \frac{\%\Delta \text{ Indirect Tax Revenue}}{\%\Delta \text{ GSDP}}$$

Table 7 showing the Indirect Tax Buoyancy

Year	State Excise	Sales Tax / VAT	SGST	PGT	OTD	Total
2012-13	2.26	1.58		1.16	1.95	1.74
2013-14	2.49	2.14		0.50	-0.24	1.97
2014-15	1.29	2.21		0.65	1.58	1.93
2015-16	1.03	1.12		0.59	0.35	1.04
2016-17	2.22	1.38		0.75	-0.58	1.41
2017-18	0.04	-6.87		-1.29	-0.37	-0.10
2018-19	1.98	-8.11	12.58	-1.00	-1.92	0.72
2019-20	2.46	-0.27	1.27	-0.07	0.31	1.19
2020-21	0.59	-6.37	0.38	3.19	2.48	-0.59
Mean	1.59	-1.47	4.74	0.50	0.40	1.03

Source: Authors calculation.

From the above table it is inferred that the indirect tax system is buoyant with respect to increasing national income. It shows that a one percent increase in national income is being accompanied by roughly 1.03 percent increase in total indirect tax revenue, 1.59 percent increase in state excise, 4.74 percent increase in SGST, 0.50 percent increase in PGT and 0.40 percent increase in OTD but a decrease of 4.74 percent in Sales Tax / VAT. This might be due to the fact that the revenues which were earlier a part of Sales Tax / VAT now shifted to SGST. Despite all the variations, the buoyancy of total indirect tax is more than one reflecting the indirect tax system of the state is buoyant. This implies that the indirect tax system of the state is responsive to the growth in state gross domestic product (SGDP).

Table 8 showing the significance in the Buoyancy rate.

Anova: Single Factor

SUMMARY				
Groups	**Count**	**Sum**	**Average**	**Variance**

State Excise	9	14.3533	1.59481	0.79414
Sales Tax / VAT	9	-13.19	-1.4656	18.6797
SGST	3	14.2267	4.74223	46.2385
PGT	9	4.46795	0.49644	1.69215
OTD	9	3.55884	0.39543	1.93687
Total	9	9.30058	1.0334	0.79581

ANOVA						
Source of Variation	**SS**	**df**	**MS**	**F**	**P-value**	**F crit**
Between Groups	100.626	5	20.1252	2.97976	0.02167	2.43769
Within Groups	283.666	42	6.75396			
Total	384.292	47				

Source: Authors calculation.

Table 8 shows that the critical value at 5 percent level of significance is 2.43769 which is less than the calculated F-calculated i.e., 2.97976. Therefore, the test rejects the null hypothesis and hence it is concluded that buoyancy found in the indirect tax structure is significant during the study period.

Stationarity Test

Time series data on log (State Excise Revenue), log (Sales tax / VAT Revenue), log (PGT), log (OTD), log (Total Indirect Tax Revenue) and log (GSDP) will be analyzed for stationary (order of integration determined) using Augmented - Dicky Fuller (ADF) test. Therefore the order of integration of each time series variable is examined by the Augmented Dicky Fuller (ADF) test in levels on log (State Excise Revenue), log (Sales tax / VAT Revenue), log (PGT), log (OTD), log (Total Indirect Tax Revenue) and log (GSDP) before estimating the coefficients of tax buoyancy. As supported by Upender,M (2008), if the calculated ADF statistics are more than the critical values then the variables log (State Excise Revenue), log (Sales tax / VAT Revenue), log (PGT), log (OTD), log (Total Indirect Tax Revenue) and log (GSDP) are said to be stationary to the order zero in log levels. If the calculate ADF statistics is less than the critical values then the time series variables log (State Excise Revenue), log (Sales tax / VAT Revenue), log (PGT), log (OTD), log (Total Indirect Tax Revenue) and log (GSDP) are said to be non-stationary in log levels.

Table 9: ADF Test Statistics

Variable	LOG LEVEL					
	ADF Test	1% Critical Value	5% Critical Value	10% Critical Value	Conclusion	H_o
State Excise Growth Rate	-0.90202				$\log(SE) \sim I(0)$	Reject
Sales Tax / VAT Growth Rate	-1.75166				$\log(ST / VAT) \sim I(0)$	Reject
PGT Growth Rate	0.574128	-3.750	-3.000	-2.63	$\log(PGT) \sim I(0)$	Reject
OTD Growth Rate	-1.14075				$\log(OTD) \sim I(0)$	Reject
Total Indirect Tax Revenue Growth Rate	-0.85174				$\log(IT) \sim I(0)$	Reject

GSDP Growth Rate	0.881176				log(GSDP) ~ I(0)	Reject

Source: Author's calculations and Mackinnon Critical Values.

According to the test above, the ADF statistics are greater than the critical values at all levels. This implies that the logs of State Excise, Sales Tax / VAT, PGT, OTD, Total Indirect Tax Revenue and GSDP are stationary. Mackinnon critical values for rejection of null hypothesis of unit root (non stationary) are taken for consideration. The null hypothesis that the time series variable of State Excise Growth Rate, Sales Tax / VAT Growth rate, PGT Growth rate, OTD Growth rate, Total Indirect TaxGrowth rate and GSDP Growth rate has a unit root (i.e., it is non stationary) is rejected as the calculated ADF statistics are more than the critical values. This implies that the Indirect tax structure of Himachal Pradesh is significantly stable.

SUGGESTIONS

As the economy changes, there should be constant review of the tax structure to improve on shortcomings in the administration of tax system. We recommend that tax evasion magnitude, composition, growth and determinants be estimated and handled to help minimize noncompliance as this effectively defrauds the government of legally due tax revenues, thereby reducing the government's ability to provide public services, while increasing the nation's debt burden. Although the overall tax seemed to respond well to changes in national income, individual taxes were not responding positively to changes in their respective bases. Revenue authority should work on enhancing tax collection strategies by improving public confidence and trust. Tax authorities should improve tax information system to enhance the evaluation of its performance and facilitate adequate macroeconomic planning and implementation, Mawia(2013). It is desirable to have a tax system with buoyancy and elasticity coefficients greater than one. This indicates that during times of economic growth tax revenues would be increasing at a faster rate than GDP. This can facilitate increasing in savings or growth in expenditure (preferably that related to development) without the need for increases in the tax rate. Conversely a tax buoyancy or elasticity coefficient that is lower than one may point towards issues related to the structure of the tax, administration or compliance, Bonga (2015).

CONCLUSION

The study establishesan existence of a buoyant tax structureand its estimated buoyancy is greater than unity. It reflects meaning the government receives an increasing share of the rising GSDP as tax revenue. The buoyancy estimate for excise duty was greater than unity suggesting that excise duty was responding positively to changes in income. Furthermore, the buoyancy estimates of all other taxes were less than unity, implying that they grew less than their respective bases. Sales tax and value added tax manifests the lowest and negative buoyancy. It indicates towards incurring of loss of revenue from this source that suggestscarelessness and deficiencies in tax administration. The study also finds out the stability of indirect tax structure in Himachal Pradesh. Moreover, the causality between economic development and tax collection shows downward trend as tax collection solely not sufficient to give impetus to economic development of the economy of Himachal Pradesh. The tax collection in Himachal Pradesh is generally used for providing freebies to the people below poverty line. Most of the work of the economic development continent upon the public borrowing and debt form different form financial institutions which is also not good for the health of the economy of Himachal Pradesh.

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