CHAPTER   V

REDISTRIBUTIVE IMPACT OF THE PERSONAL

INCOME TAXATION IN NEPAL

Introduction :

Although the inequalities in the distribution of income

and wealth are global phenomena, they are more glaring in

developing countries.[1] Developing countries of today are,

in fact, characterised by the existence of extreme

inequalities in income and wealth distribution.[2] The

existing inequalities are likely to be aggravated as these

countries proceed towards higher level of economic growth.

Faster rate of industrialization, urbanization and growth of

agriculture through the use of modern productive resources,

technology and modern method of production have generated

new economic inequalities.[3] As Prof. Lakdawala observes,

"the economic history of countries is replete with such

instances in the early part of the Industrial Revolution,

1.   Lakdawala, D.T., *Taxation and the Plan*, Popular Book
     Depot, Bombay, 1956, p.73.

2.   Government of India, *Report of the Taxation Enquiry
     Commission*, 1953-54, Vol.1, p.146; Tripathi, R.N.
     Public Finance in underdeveloped countries, op.cit., p.89.

3.   Ahmed, Mehfooz, "Taxation and changes in Income
     Distribution", *Indian Economic Journal*, Vol.XII, No.4,
     April-June, 1965, pp.380-381.

which have been aptly styled as the curse of Midas, where wealth accumulates but man decays."[4]

As a matter of fact, during the process of economic growth the economy gradually transforms itself from a subsistence self-sufficient system with customary mutual right and obligation into a market economy governed by contract and competition which in turn gives rise to accumulation of income and wealth by the handful of persons, depriving a majority of their customary entitlements, making majority, thereby, mere survivors. Thus the marketization of economy brought about by the process of economic growth leads, unavoidably, to the extreme inqualities in income distribution.[5] Regarding the process of how economic inequalities worsen during process of economic growth, Prof. Lakdawala's observations are illuminating. He states, "development mainly consists in the establishment of opportunities for better life, and these are likely to be availed by various groups broadly according to their existing economic strength. Planning means in concrete terms more

4. Lakdawala, D.T., op.cit., p.74.

5. See - Curien, C.T., 'State and Market in Economic Processes: Some Basic Issues', Paper presented as the first waheedudin Khan Memorial lecture, Hyderabad, February 10, 1986. Curien, C.T., Victims of Economic Change: A Systemic perspective of the Marketization Process in Third World Countries, invited Paper for the XI World Congress of Sociology, New Delhi, August 18-22, 1986.

irrigation facilities, better and quicker transport, better
communications, cheap and adequate power, finance at
reasonable rates of interest etc. Most of these services
are in the first instance mainly useful only to large and
medium producers who have a surplus to sell, and to those
who are or can easily be made creditworthy."[6] It is because
of these processes of transfer of economic power gradually
from masses to the handful of people during economic growth
that only a small proportion of them rise high to the income
pyramid as the countries move towards high level of
development. The large section of the population, thus,
can not avail of the fruits of economic growth. So the
high growth rate is no guarantee against continuing poverty,[7]
at least in the initial stages.

The governments have, of course, been implementing
various welfare programmes for the upliftment of the
survivors in these countries but due to institutional and
several other barriers the benefits have not reached the
real target group. And as a result, a pyramid type of
income distribution has evolved in developing countries.
Inflation has further aggravated the situation in this
regard in many of these countries.

6. Lakdawala, D.T., op.cit., p.74.

7. Haq, Mahbub ul, The Poverty Curtain: Choices for Third World, Oxford University Press, Delhi, 1976, p.32.

Income Distribution in Nepal :

Data regarding the income and wealth distribution
are extremely limited in Nepal. The only data available
in this regard is from the "Survey of Employment, Income
Distribution and Consumption Patterns in Nepal" conducted
by the Planning Commission in 1977. Since then neither follow-
up has been done to that survey nor any additional work has
been attempted so far. Since this survey was confined only
to the income and expenditure of the sample families, data
relating to distribution of wealth is completely absent in
Nepal.

The data supplied by this survey also have several
limitations. It does not provide data on the distribution
of income and expenditure on the basis of the occupation.
It represents situation perceived at a point of time. It
was carried over in 128 village panchayats and in 10 Town
Panchayats out of a total of 3339 village panchayats and 18
town panchayats respectively in 1977 in Nepal. In the
agricultural incomes, there is likely to be an underestimation
of incomes arising out of vagaries in the minds of farmers
about their total produce of all types (including the minor
ones) and the price at which they are valued, particularly
the self-consumed portion of the produce. Elsewhere in
other secótrs subsidiary and casual sources of income are
likely to be underreported. Richer households may have a

tendency to underreport the incomes. Also the component
of owner occupied houses is missed. Any way the data supplied
by this survey provide some clue with respect to the nature
of income distribution in Nepal. The data supplied by the
survey are presented in Table V-1 below.

TABLE V-1

Percentage Distribution of Families and

Their Share in Total Income in 1977

Income class	Percentage of Families	Percentage Share in Total Income	Cumulative Percentage	
			Families	Income
1	2	3	4	5
Below 500	2.94	0.08	2.94	0.08
500 - 1500	10.20	1.17	13.14	1.25
1500 - 2500	15.87	3.65	29.01	4.90
2500 - 3500	14.99	5.17	44.00	10.07
3500 - 4000	7.22	3.12	51.22	13.19
4000 - 5000	10.12	5.24	61.34	18.43
5000 - 8000	16.65	19.60	77.99	38.03
8000 - 10000	5.85	6.06	83.84	44.09
10000 - 15000	6.33	9.10	90.17	53.19
15000 - 25000	4.13	9.51	94.30	62.70
25000 - 40000	2.61	9.76	96.91	72.46
40000 - 75000	2.05	13.53	98.96	85.99
75000 and above	1.04	14.01	100.00	100.00
Total	100.00	100.00	–	–

Source : Government of Nepal, The Survey of Employment, Income
Distribution and Consumption Patterns in Nepal, 1977,
p.91.

According to this, 51.22 per cent of the sample families who earned income less than Rs.4000 each per annum received only 13.19 per cent of the total income in 1977 where as the top 9.83 per cent of the total families who earned income Rs.15000 or above each per annum received 46.81 per cent of the total income. And top one per cent families earning income of Rs.75,000 or more each per annum received 14 per cent of the total income. The extreme inequalities of income distribution in Nepal are evident.

In the face of such a glaring picture of inequalities in income distribution, 'the government can not afford to leave the problem of equity to the automatic functioning of the economic and social forces.[8] Also the constitution of the country itself envisages the establishment of the exploitationless society.[9] In this connection, taxation, among other measures, can be and has been used to aid egalitarian distribution of income. And among taxes, income tax is the best weapon in the state armoury to adjust its taxation system to the requirement of justice.[10] According to the celebrated Carter Commission also equity requires heavy reliance on income taxation.[11]

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8.   Government of India, Report of the Taxation Enquiry Commission, Vol.1, op.cit., p.145.

9.   The Constitution of the Kingdom of Nepal, 1962.

10. Lakdawala, D.T. Justice in Taxation in India, op.cit., p.51.

11. Report of the Royal Commission on Taxation, Vol.2, Canada, 1966, p.44.

Income Tax and Its Impact on Distribution of Income :

Income tax system has been assuming paramount importance
in public policy not only in terms of mobilization of
resources for development but also in terms of mitigating the
inequalities in income distribution.[12] Income Tax has distinct
superiority over other taxes in terms of revenue productivity
and in terms of mitigating the economic inequalities because
of its progressive nature, which is based on the ability-to-
pay principle. A progressive income tax structure and its
effective administration reduces the inequalities in income
distribution after tax.[13] But its effectiveness to reduce
inequalities is greatly restricted in countries where incomes
from all sources are not being brought into the income tax net.
Agricultural income is the important case in point. In almost
all the developing countries including Nepal and India,
agricultural income which constitutes lion's share in the
national income is outside the income tax net. So the
progressive income tax has no effect at all on the inequalities

12. Gupta, Anand P., "Central Government Taxes: Have They
    Reduced Inequality", Economic and Political Weekly,
    January 22, 1977, p.88. Gupta, Anupam, "Income
    Distribution, Tax Yield and Progression in Income
    Taxation", Economic and Political Weekly, October 14,
    1974, pp.2111-2118.

13. Basu, Sreelekha, "Distribution of Income Among Tax
    Payers", Economic and Political Weekly, January 25,
    1975, p.123.

existing in the agriculture sector. In this case, progressive income tax structure can by no means, achieve the horizontal equity. What it achieves is only the vertical equity among the tax payers on income other than agricultural income.

Another important limitation of this tax with respect to its redistributive impact is that since this is a tax on income, it can not reach the inequalities in accumulated income, that is, wealth. A separate tax on wealth is required to mitigate inequalities in wealth. And wide spread avoidance and evasion of income tax by high income groups and lack of experience in tax administration have also greatly restricted the real efficacy of income tax structure to narrow down the gap between rich and poor in developing countries.[14]

The third limitation of the income taxation in Nepal from the point of view of distributive justice is the omission of Dividends Income from the calculation of income for tax purposes according to the Nepalese Income Tax Act.

A further blunting of the edge of the income tax progressiveness occurs through a separate counting of interest income which is taxed separately at separate rate and not included in the aggregate income.

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14. Lakdawala, D.T., Justice in Taxation in India, op.cit., pp.24-26.

tax purposes in Nepal. So personal income tax system is virtually the individual income tax system in Nepal. Of course, agricultural income is exempt from income taxation as mentioned earlier. So, here we will examine the redistributive impact of income tax system among the individuals who pay tax on income other than agricultural income. For reasons explained earlier, we have excluded salary incomes from the discussion below.

The Data :

The redistributive impact of the income tax structure is measured by way of comparison of the distribution of income among tax payers before and after tax. Income before tax includes gross income and assessed income and income after tax is the disposable income. So data of these three forms of income are necessary for the study of such nature. The data of mere total income of any of these forms of the whole of the tax payers in any year do not suffice to such study. The data on distribution of these incomes among the tax payers belonging to various income levels are also required for this. The tax demand on all these income levels are also equally necessary. But such data are not available in Nepal, in a published or an unpublished form. They had to be painstakingly constructed by us.

So we have used here, the data maintained in ledgers in the Department of Taxation which we had copied down on the basis of the random sample of 10 per cent for the estimation of the elasticity and buoyancy of the income tax revenue discussed in chapter IV. But these data also have several limitations for our purpose here.

Only two types of figures, as we know, have been maintained in those registers. They are, the figures of assessed income which is the gross income less deductions other than exemption limit of each tax payer and tax demand on them. The figures of gross income and disposable income are not available.

Although the data in each individual entry in the registers give assessed income, we infer that the assessed income and gross income do not differ much because the extent of tax concessions is rather small.

Since redistributive impact of any income tax structure is measured through the comparison of inequalities in income distribution before and after tax, we need the data of incomes after tax also. So for this, we have substracted the respective figures of tax demand from each item of assessed income. So here the figures of income before tax is the assessed income and the figures of income after tax are the figures of assessed income less the figures of tax demand.

We shall measure the redistributive impact of tax structure effective during the year 1980-81. In other words, this measurement will show by how much inequalities in income distribution were reduced among tax payers under the tax structure effective during 1980-81. The point to note at the outset is that this measurement reflects only the partial picture of the redistributive impact of the said tax structure. This is because agricultural and salary incomes are not included in this measurement.

The Methodology :

The difference in inequalities in income before tax and income after tax is generally called the redistributive impact of income tax structure.[15] So the first stage in the measurement of this impact is to measure the inequalities in the distribution of income before and after tax. There are various methods of measuring the inequalities but Lorenz Curve and Gini-Coefficient are widely used.

Lorenz Curve and Gini-Coefficient :

For Lorenz Curve, the income recipients are ranked from the lowest to the highest level, that is, in ascending order.

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15.   See-Gupta, Anupam and Agrawal, Pawan K., op.cit.,p.36
       Basu, Sreelekha, op.cit.,p.123, Gupta, Anupam,
       op.cit., p.2111. Mahfood, Ahmed, op.cit., p.387,
       Gupta, Anand, P. op.cit., p.94.

Then we mark-off the horizontal axis into equal intervals of
income receipients and we mark-off the vertical axis by the
percentage of income received by the respective cumulative
percentage of income recipients. Then we plot the points on
the curve where the respective lines of income recipients
and their cumulative incomes, from the horizontal and vertical
axis respectively intersect.

This means that zero per cent of the population obtains
zero per cent of income and 100 per cent of the population
obtains all the income. If every one has the same income,
the Lorenz Curve will be a diagonal with a slope of 45°.
But in the absence of perfect equality, the bottom income
group receives proportionately lower share of income. It is,
therefore, obvious that the Lorenz Curve would be below the
diagonal and its slope will generally increase as we move
to richer and richer sections of the population. So a
Lorenz Curve runs from one corner of the unit square to the
diametrically opposite corner. And the coefficient of
inequality for a lorenz curve is the area between the curve
and the diagonal line divided by the area of the triangle
under the diagonal. It has a maximum value of one when the
lowest 99.999 per cent of the population receive no income
and a minimum value of zero when all incomes are equal. And
the departure from the perfectly equal distribution of income
is measured numerically through the Gini Coefficient.

Gini-Coefficient is nothing but the lorenz ratio. This is also called the concentration ratio. Gini coefficient is defined as the ratio of the difference between the line of absolute equality (the diagonal) and the lorenz curve to the triangular region underneath the diagonal which is exactly the same as of lorenz ratio as mentioned above. Numerically, it is exactly one half of the relative difference, which is defined as the arithmetic average of the absolute values of differences between all pairs of incomes. In statistical measure, it can be expressed as follows:

$$G = (1/2 / n^2 \bar{Y}) \sum_{i=1}^{n} \sum_{j=1}^{n} |Yi - Yj|$$

$$= 1 - (1/n^2 \bar{Y}) \sum_{i=1}^{n} \sum_{j=1}^{n} \text{Min} (Yi, Yj)$$

$$= 1 + (1/n) - (2/n^2 \bar{Y}) \left[Y_1 + 2Y_2 + 3Y_3 + \ldots + nY_n \right]$$

$$\text{for} \quad Y_1 \geq Y_2 \geq \ldots \ldots \geq Y_n$$

Where   G   stands for Gini Coefficient

         n   stands for population

         $\bar{Y}$ stands for average income

         Y_1 stands for highest income

         Y_2 stands for second highest income and so on.

The Table prepared for the Lorenz Curve can be directly used as the values of the natations given in the equation. So we have measured the inequalities in income distribution for

our purpose on the basis of the Lorenz Curve and

Gini-Coefficient.[16]

The Result

We classified the total tax payers into 20 frequencies

consisting of 5 per cent each on the basis of the income

arranged in ascending order from lowest to highest level

alongwith the assessed income received by the respective

frequencies of the tax payers. This gave us the distribution

of income among the tax payers in absolute as well as in

relative terms. These figures alone show that the bottom

5 per cent of the total tax payers received only 1.69 per

cent of the assessed income before tax where as the top

5 per cent tax payers received 31.03 per cent of the assessed

income. In the same way, the bottom 5 per cent have received

2.01 per cent of the income after tax where as the top 5

per cent are left with 23.32 per cent of income after tax.

Then, from this, we prepared the cumulative percentage of

income and tax payers. Then we plotted these figures in the

vertical and horizontal axis respectively to draw the lorenz

curves of income before tax and that of income after tax as

said earlier. The percentage distribution of the assessed

income before and disposable income after tax and

distribution of tax liability including their cumulative

percentage is presented in Table V-2.

16.   For Lorenz Curve and Gini-Coefficient, See-Cowell,
       F.A. Measuring Inequality, Philip Allan Publishers
       Limited, Oxford, 1977, pp.115-116. Sen, Amartya, on
       Economic Inequality, Oxford University Press, Delhi,
       1975, pp.29-31. Stigler, George J., The Theory of Price
       (Third Edition), Macmillan Publishing Co.,Inc. Newyork,
   1966, pp.293-294.

TABLE V-2

Percentage Distribution of Assessed Income, Disposable Income

and Tax Liability of the Personal Income Taxation in Nepal

(1980-81)

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Percentage of Tax Payers	Assessed Income		Disposable Income		Tax Liability	
	As % of Total	Cumulative Percentage	As % of Total	Cumulative Percentage	As % of Total	Cumulative Percentage
1	2	3	4	5	6	7
First 5 Per cent	1.69	1.69	2.01	2.01	0.05	0.05
Second 5 Per cent	1.79	3.48	2.12	4.13	0.10	0.15
Third 5 Per cent	1.90	5.38	2.25	6.38	0.11	0.26
Fourth 5 Per cent	1.98	7.36	2.34	8.72	0.13	0.39
Fifth 5 Per cent	2.08	9.44	2.45	11.17	0.16	0.55
Sixth 5 Per cent	2.25	11.69	2.65	13.82	0.20	0.75
Seventh 5 Per cent	2.39	14.08	2.81	16.63	0.25	1.00
Eighth 5 Per cent	2.51	16.59	2.93	19.56	0.33	1.33
Ninth 5 Per cent	2.66	19.25	3.11	22.67	0.40	1.73
Tenth 5 Per cent	2.85	22.10	3.31	25.98	0.53	2.26
Eleventh 5 Per cent	3.11	25.21	3.59	29.57	0.69	2.95
Twelveth 5 Per cent	3.32	28.53	3.80	33.37	0.87	3.82
Thirteenth 5 Per cent	3.65	32.18	4.15	37.52	1.15	4.97
Fourteenth 5 Per cent	4.00	36.18	4.49	42.01	1.47	6.44
Fifteenth 5 Per cent	4.34	40.52	4.85	46.86	1.79	8.23
Sixteenth 5 Per cent	4.94	45.46	5.44	52.30	2.35	10.58
Seventeenth 5 Per cent	5.93	51.39	6.40	58.70	3.58	14.16
Eighteenth 5 Per cent	7.35	58.74	7.74	66.44	5.38	19.54
Nineteenth 5 Per cent	10.23	68.97	10.20	76.68	10.14	29.68
Top 5 Per cent	31.03	100.00	23.32	100.00	70.32	100.00
Gini-Coefficient	-	0.452	-	0.375	-	0.841

Source : Prepared from a ten per cent sample from the ledgers.

Lorenz Curves of Incomes Before and After Tax

Diagram 1

Percentage of Tax Payers
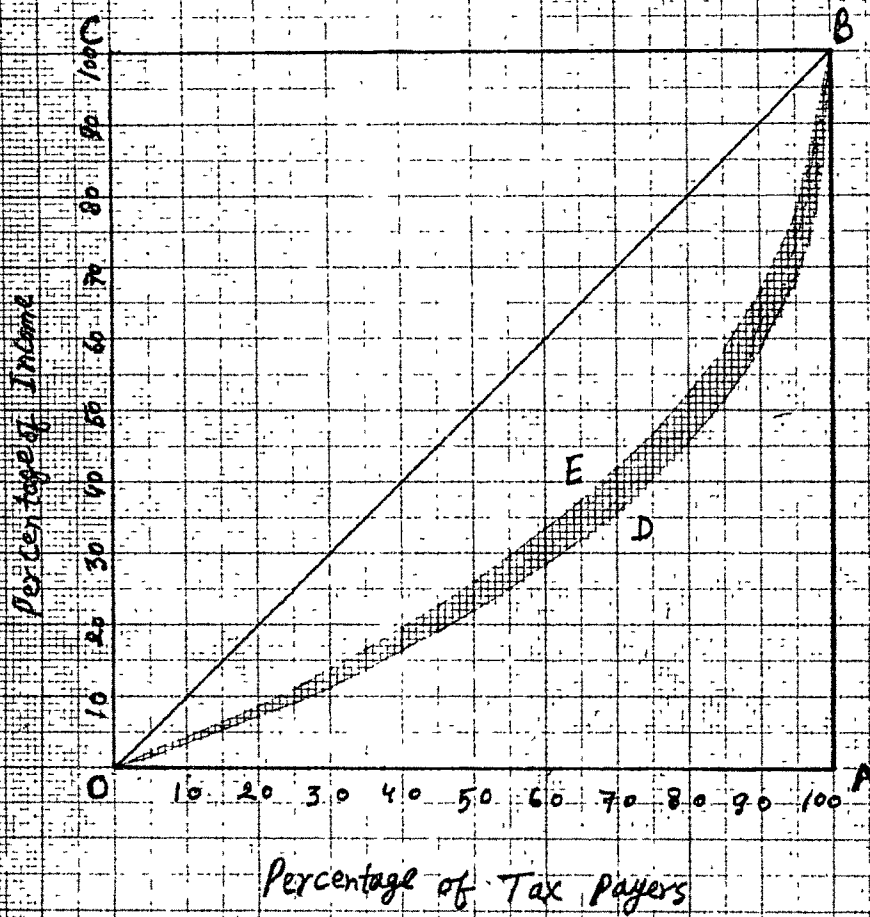
This is only among Taxpayers

Two separate lorenz curves, one of income before tax
and another of income after tax have been ≈ , drawn from the
figures of income distribution given in Table V-2. The
curves are presented in diagram 1.

The diagram clearly shows that the lorenz curve of
income before tax, that is, ODB deviates more from the
diagonal OB, at all points, than the lorenz curve OEB of
income after tax. It means that the distribution of income
before tax is more unequal than that of income after tax.
And, the difference between the areas from diagonal to
lorenz curve of income before tax and lorenz curve of income
after tax, that is, ODBE (the Shaded area) is the redistri-
butive impact of the income tax structure effective during
1980-81.

The numerical value of the inequalities in income
distribution before and after tax as shown by the respective
lorenz curves have been calculated on the basis of the
formula of Gini Coefficient as given above the result of
which is given in the last row of Table V-2. According to
it, the Gini-Coefficient or Concentration ratio of the
distribution of income before tax has come out to be 0.452
and that of income after tax is 0.375. Then the difference
between these two ratios,[17] that is, 0.077 (0.452-0.375=0.77)

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17. Gupta, Anupam, and Agrawal, Pawan K. op.cit.,pp.42-43.

indicates the reduction of inequality in income distribution due to the income tax structure effective during 1980-81. In other words, it may be said that the redistributive impact of the said tax structure is 0.077.

The Basis of the Redistributive Impact of the Income Tax Structure :

The redistributive impact of the income tax structure is a function of two factors, namely, effective rates of tax and the degree of progression of the tax structure.[18] The effective rates of tax in different income classes is a weighted average of the tax rates applicable to the different income levels within the respective income classes, with the share of total net income in respective income classes being the weights.[19] This can be expressed in the following equation.

$$ERT = \sum_{i=1}^{n} ERT \frac{X_i}{X}$$

where   ERT   stands for effective rate of tax

X_i stands for different income levels within the income class.

X   stands for Income class.

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18.   Ibid., p.43.

19.   Gupta, Anupam, op.cit., p.2116.

If one wants to see the proper distrib effect. one should Take not reported inc, but real inc. Is the information that the candidate has calculated not already available commonly?

The effective rates of tax of different income classes calculated by this equation is given in column 4 of Table V-3. In the Table, it is seen that the effective rate of tax for the bottom 5 per cent tax payers is only 0.49 per cent where as that of top 5 per cent tax payers is 37.18 per cent. This gradual rise of effective tax rates in subsequent income levels is the principal basis of the redistributive impact of the income tax structure. This upward variation of effective tax rates in subsequent income levels is nothing but the progression of the tax structure. But mere variation in effective tax rates in different income levels does not give us the actual numerical value of the progression. Since the redistributive impact of any tax structure depends, mainly, upon the degree of progression contained in that tax structure, it becomes necessary to measure this degree to know how much redistributive capacity the said tax structure possesses.

There are various methods applied for the measurement of the degree of progression as has been discussed in chapter II of this study. (Average rate progression, liability progression, and disposable income progression) but for the situation like this where Gini-Coefficient of the distribution of income before tax has already been derived and data on the tax liability of different income levels is available the summary measure of progression suggested

by Kakwani[20] is most appropriate and we have followed this method to measure the degree of progression of tax structure effective during 1980-81. According to the summary measure of progression the difference between the Gini-Coefficient of the distribution of tax liability and that of distribution of income before tax gives us the degree of progression of any tax structure.

So, we have calculated the Gini-Coefficient of the distribution of tax liability as that of incomes before and after tax and is presented along with others in Table V-2 above. The Table shows that the Gini-Coefficient of the distribution of tax liability has come out to be 0.841. Such a high ratio is always natural under progressive tax structure. The distribution of tax liability among the tax payers is such that the bottom 5 per cent tax payers pay only 0.05 per cent of total tax liability whereas the top 5 per cent pay 70.32 of total tax. So the degree of progression of tax structure effective during 1980-81 comes out to be 0.389 (0.841-0.452 = 0.389). The degree of progression and the extent of reduction of inequalities in income distribution after tax are positively related.

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20. Kakwani, N.C., "Measurement of Tax Progressivity: An International Comparison", Economic Journal, March 1977, pp.71-80.

TABLE V-3

Distribution of Assessed Income, Disposable Income Tax Liability and Effective Tax Rates of Personal Income Taxation in Nepal

(1980-81)

Percentage of Tax Payers	Assessed Income (in Rs.)	Tax Liability (in Rs.)	Disposable Income (in Rs.)	Effective Tax Rate in Percentage	Net Income per tax Payer (in Rs.)	Disposable Income per tax Payer (in Rs.)	Tax Liability per tax Payer (in Rs.)
	1	2	3	4	5	6	7
First 5 per cent	5,77,460	2,823	5,74,637	0.49	10,499	10,448	51
Second 5 per cent	6,11,466	5,556	6,05,910	0.91	11,117	11,016	101
Third 5 per cent	6,48,000	6,202	6,41,798	0.96	11,781	11,669	112
Fourth 5 per cent	6,76,521	7,368	6,69,153	1.09	12,300	12,166	134
Fifth 5 per cent	7,08,626	8,934	6,99,692	1.26	12,884	12,721	162
Sixth 5 per cent	7,67,604	11,490	7,56,114	1.50	13,956	13,747	209
Seventh 5 per cent	8,14,588	13,762	8,00,826	1.69	14,810	14,560	250
Eigth 5 per cent	8,55,285	18,422	8,36,863	2.15	15,550	15,215	335
Ninth 5 per cent	9,08,696	22,227	8,86,469	2.45	16,521	16,117	404
Tenth 5 per cent	9,73,674	30,001	9,43,673	3.08	17,703	17,157	545
Eleventh 5 per cent	10,62,909	38,556	10,24,353	3.63	19,325	18,624	701
Twelvth 5 per cent	11,33,319	48,609	10,84,710	4.29	20,605	19,722	883
Thirteenth 5 per cent	12,47,322	64,338	11,82,984	5.16	22,678	21,508	1,169
Fourteenth 5 per cent	13,63,527	82,461	12,81,066	6.05	24,791	23,292	1,499
Fifteenth 5 per cent	14,80,529	1,00,502	13,80,027	6.79	26,918	25,091	1,827
Sixteenth 5 per cent	16,85,297	1,31,583	15,53,714	7.81	30,641	28,249	2,392
Seventeenth 5 per cent	20,25,641	2,00,404	18,25,237	9.89	36,829	33,186	3,643
Eighteenth 5 per cent	25,10,018	3,01,271	22,08,747	12.00	45,636	40,159	5,477
Nineteenth 5 per cent	34,90,085	5,68,101	29,21,984	16.28	63,456	53,127	10,329
Top 5 per cent	1,05,92,614	39,38,482	66,54,132	37.18	1,92,593	1,20,984	71,608
Total	3,41,33,181	56,01,092	2,85,32,089	16.41	-	-	-

Source : Ledgers.

In conclusion, it may be stated that the progressive income tax structure is an important fiscal instrument for raising public revenue as well as for mitigating the inequalities in income distribution. This tax has been so important for these purposes simply because of its progression. But in the countries where incomes from all sources are not brought inside the income tax net, its efficacy in reducing the inequalities is greatly impaired.