

Revenue position of the states and the union government in India: Analysis of its trends and patterns

Bhadra Vineed¹ Sumalatha B. S²

¹ Third year B.A Honours in Economics, Miranda House, University of Delhi

² Assistant Professor, Gulati Institute of Finance and Taxation, Thiruvananthapuram

Abstract

This paper analyses the trends and composition of revenue receipts of the Union Government and those of the State Governments in India for a period of 22 years, from 2002-03 to 2023-24. Using official data from the Controller General of Accounts and the Reserve Bank of India, the study examines the shifting structure of tax and non-tax revenues at both tiers of the government. It highlights the significant impact of the Goods and Services Tax (GST), introduced in 2017, which centralised indirect taxation and altered fiscal autonomy. Findings reveal a structural shift at the central level toward greater reliance on tax revenue, particularly direct taxes and GST, while states maintained a more stable but dependent revenue mix, increasingly reliant on devolved central taxes. The analysis also brings to light the declining relevance of legacy taxes and the persistent fiscal asymmetry between the Centre and the States. The study concludes that despite higher aggregate revenue generation by the States, their fiscal dependence on the Centre has intensified, and therefore, emphasises the need for reforms to enhance state-level revenue capacity and strengthen cooperative federalism.

1. Introduction

India's federal governance structure is based on a complex framework of fiscal decentralisation, with constitutionally defined roles for both Union and State governments to mobilise and spend public resources (Vaidya & Srivastava, 2023). At the core of this fiscal architecture lies revenue receipts, which are the primary non-debt source of income for governments. These receipts, comprising tax and non-tax revenue, are fundamental for financing developmental programs, maintaining fiscal discipline, and ensuring macroeconomic stability (Singh, 2019). Revenue collection and fiscal autonomy are distributed unevenly in India. The union government controls the bulk of high-yielding tax instruments, such as income tax (except for tax on agricultural income), corporation tax, and customs duties. The states are left with taxes like stamp duty, sales tax, and vehicle tax. Additionally, states rely heavily on transfers from the centre in the form of Finance Commission devolution and grants-in-aid, especially Special Category States (SCS), which are historically lagging behind Non-Special Category States (NSCS) in own-revenue mobilisation (Veni, 2020).

A significant turning point in India's tax landscape came with the implementation of the Goods and Services Tax (GST) in 2017, which replaced a range of central and state indirect taxes. While intended to simplify and harmonise the tax regime, GST also altered centre-state fiscal relations by consolidating major sources of state-level taxation. The introduction of GST also called for cooperative decision-making through the GST council (Sharma, 2021). In this context, this paper aims to compare the revenue receipts of the union government with the combined revenue receipts of all state governments. By analysing trends in aggregate tax and non-tax revenues at both levels from 2002 to 2024, the study highlights shifts in revenue composition and growth patterns.

2. Literature Review

Revenue receipts of the Union Government of India are those receipts that do not lead to the creation of liabilities for the government or the sale of its assets. It broadly consists of two components: tax revenue and non-tax revenue (Khandare & Maheboob, 2019; Amarjothi & Azhakaraja, 2013). A tax is imposed as a compulsory charge by a public authority through the regulatory and administrative power vested in it, in India, by the constitution (Singh,

2019; Vaidya & Srivastava, 2023). A non-tax revenue may be a fee for the provision of a service by the government, or interest receipts on debt issued by the government (Amarjothi & Azhakaraja, 2013). For the centre, tax revenue comprises the income received from taxes collected by the union government, such as income tax (except for tax on agricultural income), corporation tax, customs, CGST, union excise duties, etc. (Sharma, 2021; Khandare & Maheboob, 2019). Non-tax revenue includes interest receipts, dividends, profits, registration fees, licensing fees, grants-in-aid and contributions (Amarjothi & Azhakaraja, 2013). For the states of India, tax revenue consists of agricultural income tax, sales tax, state excise duties, SGST, vehicle tax and entertainment tax, among others (Veni, 2020; Nayudu, 2019). Non-tax revenue consists broadly of States' Own Non-Tax Revenue and Grants from the Centre (Vaidya & Srivastava, 2023). All the revenue raised is used for expenditure of the government on various projects, schemes, services, infrastructural investment and the like (Sharma, 2021; Singh, 2019).

A major inflexion point in the existing trend was the introduction of the Goods and Services Tax (GST) in 2017. GST replaced a complex system of indirect taxes, significantly restructuring and simplifying both the source and distribution of tax revenue. Its impact is visible in the sharp increase in tax revenue's share in 2017-18 (from 68.6% in 2016-17 to 73.7% in 2017-18). Introduction of GST and other tax policy reforms post-2010 contributed to improved transparency, better compliance, and a broader tax base. Further, digitisation and structural improvements have facilitated the identification of taxpayers by the government, thus making it harder to evade taxes and easier to identify if one does. This led to steadily rising dominance of tax revenue in India's fiscal framework. This indicates a conscious effort from the central government to anchor revenue collection increasingly towards tax revenue, so as not to rely on non-tax revenue so much. The unpredictable nature of non-tax revenues like dividends and profits has encouraged the centre to lean towards a more robust tax structure, and the consistently rising share of tax revenue in total revenue receipts shows that the centre was successful in achieving this (Khandare & Maheboob, 2019).

The centre retains authority over tax policy design, especially after the GST reform, making the states more dependent on shared revenues and grants from the centre. This structural imbalance creates fiscal asymmetry, where states have larger expenditure responsibilities but limited own-source revenue and have to depend heavily on the centre for development activities (Sharma, 2021; Mathew, 2003). To address fiscal imbalances between the centre and

the states, the Constitution (Article 280) provides for a Finance Commission every five years. The formula for grants-in-aid, tax devolution, and fiscal parity between richer and poorer states is suggested by the Finance Commission. Since the 14th Finance Commission increased the states' share of divisible taxes to 42%, tax devolution has emerged as the main method of transfers. At the sub-national level, this mechanism is essential for maintaining fiscal equity and sufficient spending capacity (Bandyopadhyay & Chakraborty, 2019).

While GST made indirect taxation more efficient and effective, it also reduced the states' autonomy over tax policy reforms and made them more dependent on grants and shared revenues from the centre. The centre had a stronger control over Integrated Goods and Services Tax (IGST) and Goods and Services Tax Network (GSTN), further anchoring fiscal power upwards. GST, therefore, represents not just a tax reform, but also a restructuring of the fiscal framework and relations at the national and subnational levels. The establishment of the GST Council ensured joint decision-making between the union and states, but simultaneously centralised control over rate-setting and policy changes. As a result, states surrendered significant fiscal autonomy over indirect taxes, which was one of their key independent revenue sources before the GST came into effect. With the arrival of GST, a unified, destination-based taxation system took the place of a complex network of numerous taxes, including Value Added Tax (VAT), excise taxes, service taxes, and entry taxes, at both the federal and state levels. The distribution structure, collection method, and composition of India's revenue receipts were all drastically changed by this reform (Sharma, 2021).

3. Data Sources

This study is based on a 22-year dataset covering the financial years from 2002-03 to 2023-24. Data for the union government's revenue receipts were obtained from the Finance Accounts, official reports of the Controller General of Accounts (CGA), Ministry of Finance, Government of India. These figures include detailed components of tax and non-tax revenues. Data for the combined revenue receipts of all state governments and Union Territories (UTs) were taken from the Reserve Bank of India's (RBI) annual publication, *State Finances: A Study of Budgets*, which provides consolidated revenue information of all states and UTs.

4. Comparison of Revenue Receipts: Union vs States

Over the last two decades, as evident from Table 1, the structure of the central government's

revenue receipts in India has undergone a significant transformation, both in composition and scale. Data from 2002-03 to 2023-24 shows a marked increase in the share of tax revenue relative to total revenue receipts, rising from 53.4% in 2002-03 to 75.6% in 2023-24. This reflects a trend of increased reliance on taxation as a primary tool for public resource mobilisation. Conversely, the share of non-tax revenue has consistently declined during this period, from 46.0% to 24.3%, while grants-in-aid and contributions have remained marginal throughout. These shifts point out a structural realignment in central finances, where the share of non-tax income sources such as dividends, interest, and fees in revenue receipts has been falling. The grants in aid and contributions are the funds provided by the union government to state governments or other entities for specific purposes.

Table 1: Revenue components of the Union Government (in percentages)

Year	Tax Revenue to total revenue	Non-tax revenue to total revenue	Grants-in-Aid and Contributions to Total Revenue	Total
2002-03	53.4	46.0	0.6	100
2003-04	55.6	43.8	0.6	100
2004-05	60.1	39.3	0.7	100
2005-06	63.1	36.2	0.7	100
2006-07	67.2	32.3	0.5	100
2007-08	68.0	31.6	0.4	100
2008-09	68.1	31.5	0.4	100
2009-10	65.2	34.3	0.4	100
2010-11	61.5	38.2	0.3	100
2011-12	69.6	30.1	0.3	100
2012-13	70.5	29.2	0.2	100
2013-14	67.4	32.3	0.3	100
2014-15	68.3	31.6	0.1	100
2015-16	66.1	33.7	0.1	100
2016-17	68.6	31.4	0.1	100
2017-18	73.7	26.1	0.2	100
2018-19	73.0	26.9	0.1	100
2019-20	69.8	30.2	0.0	100
2020-21	76.8	23.1	0.1	100
2021-22	74.3	25.6	0.1	100
2022-23	77.6	22.3	0.1	100
2023-24	75.6	24.3	0.0	100

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts, Government of India

Table 2 is evidence of the significant restructuring that the centre's internal tax structure underwent following the introduction of GST in July 2017. Before GST, taxes on commodities and services (excluding GST) contributed the majority of central tax revenue, over 53% in 2002-03. However, this category's share declined steadily, reaching 20.7% by 2016-17. Following the implementation of GST, it accounted for 29.4% of the centre's tax revenue in 2017-18, and this share fell to 26.5% in 2023-24. Meanwhile, the share of income and expenditure taxes, including personal income tax and corporation tax, remained relatively steady throughout the period, ranging between 47% and 51%. Taxes on property, capital transactions, and other minor categories consistently contributed less than 2%. The shift reflects the centre's pivot from older indirect taxes toward GST, while preserving its stable income tax base.

Table 2: Components of Tax Revenue of the Union government (in percentages)

Year	GST to tax revenue	Taxes on Income and Expenditure to Tax Revenue	Taxes on Property, Capital and Other Transactions to Tax Revenue	Taxes on Commodities and Services other than GST to Tax Revenue	Total
2002-03	0.0	38.3	0.1	61.6	100
2003-04	0.0	40.6	0.1	59.4	100
2004-05	0.0	42.1	0.3	57.6	100
2005-06	0.0	43.3	1.2	55.6	100
2006-07	0.0	46.5	1.5	51.9	100
2007-08	0.0	50.3	2.2	47.5	100
2008-09	0.0	54.3	1.4	44.2	100
2009-10	0.0	57.4	1.8	40.9	100
2010-11	0.0	53.4	1.4	45.2	100
2011-12	0.0	53.0	1.0	46.1	100
2012-13	0.0	51.7	0.8	47.5	100
2013-14	0.0	55.4	0.7	43.9	100
2014-15	0.0	53.4	0.9	45.7	100
2015-16	0.0	48.7	0.9	50.4	100
2016-17	0.0	46.0	0.8	53.2	100
2017-18	29.4	48.9	1.0	20.7	100
2018-19	28.9	50.3	0.9	19.9	100
2019-20	30.7	47.2	0.9	21.2	100
2020-21	26.2	39.4	1.2	33.2	100
2021-22	24.8	47.1	1.3	26.7	100
2022-23	27.8	47.8	1.2	23.2	100
2023-24	26.5	51.0	1.5	21.0	100

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts, Government of India

From Table 3, we see that after the implementation of GST in 2017, there is a growing dominance of Central GST (CGST). In the fiscal year 2017-18, CGST made up 52.8% of the total GST revenue collected at the central level. This percentage has been on the rise every year, reaching 77.1% by 2023-24. On the other hand, Integrated GST (IGST), which initially contributed nearly 30% of GST revenue in 2017-18, experienced a decline and eventually turned negative due to various adjustments and revenue settlements. Meanwhile, the GST compensation cess has remained a steady contributor, increasing from 17.1% in 2017-18 to 22.8% in 2023-24. GST compensation cess was the compensation given by the centre to the states for the revenue loss they were facing due to the implementation of GST. A rising compensation cess is thus proof that the loss to the states is still a standing issue. The growing share of CGST suggests a trend towards a concentration of indirect tax revenue at the centre, with IGST adjustments and cess collections taking a backseat.

Table 3: Components of GST of the Union Government (in percentages)

Year	Central GST to GST	Union Territory GST to GST	Integrated GST to GST	GST Compensation Cess to GST	Total
2017-18	52.8	0.4	29.7	17.1	100
2018-19	70.7	0.7	3.7	24.9	100
2019-20	74.2	0.7	2.2	22.9	100
2020-21	74.6	0.7	1.9	22.7	100
2021-22	75.3	0.9	0.5	23.3	100
2022-23	76.9	0.8	0.8	21.5	100
2023-24	77.1	0.9	-0.8	22.8	100

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts, Government of India

Within the broader category of taxes on income and expenditure, there was a visible rebalancing between corporation tax and income tax over time. Table 4 shows that in 2002-03, corporation tax accounted for 66.6% of this category, while income tax held a 33.4% share. The dominance of corporation tax peaked in 2010-11 at 69.4%, after which its share declined to 48 % by 2023-24. During the same period, income tax's share rose to 52 %, indicating a gradual shift toward more balanced contributions between corporate and personal income taxation. Fringe benefit tax and interest tax were completely phased out, and hotel receipts tax remained insignificant. This transition reflects broader structural changes in the

tax base, such as increased income disclosure and formalisation in the personal tax domain. The share of Interest Tax in Taxes on Income and Expenditure in the years 2002-2003 and 2003-2004 is negative, reflecting their negative value in the accounts, which is due to high debt levels, interest rate environment at the time, and accounting adjustments. Similarly, Other Taxes on Income and Expenditure also saw a negative value in the year 2018-2019, which may be due to refunds and adjustments, or policy changes.

Table 4: Components of Taxes on Income and Expenditure of the Union Government (in percentages)

Year	Corporation Tax to Taxes on Income and expenditure	Taxes on Income other than Corporation to Taxes on Income and expenditure	Hotel Receipts Tax in Taxes to Taxes on Income and expenditure	Interest Tax to Taxes on Income and expenditure	Fringe Benefit Tax to Taxes on Income and expenditure	Other Taxes on Income and Expenditure to Taxes on Income and expenditure	Total
2002-03	55.1	45.2	0.0	-0.4	0.0	0.1	100
2003-04	59.8	40.2	0.0	-0.1	0.0	0.1	100
2004-05	63.3	36.6	0.0	0.1	0.0	0.0	100
2005-06	63.9	32.0	0.0	0.0	4.1	0.0	100
2006-07	64.9	31.8	0.0	0.0	3.2	0.0	100
2007-08	65.1	31.7	0.0	0.0	3.2	0.0	100
2008-09	66.5	30.2	0.0	0.0	3.3	0.0	100
2009-10	67.0	32.1	0.0	0.0	0.9	0.0	100
2010-11	69.4	30.6	0.0	0.0	0.1	0.0	100
2011-12	66.2	33.8	0.0	0.0	0.1	0.0	100
2012-13	65.2	34.8	0.0	0.0	0.0	0.0	100
2013-14	63.2	36.8	0.0	0.0	0.0	0.0	100
2014-15	64.1	35.9	0.0	0.0	0.0	0.0	100
2015-16	63.4	36.6	0.0	0.0	0.0	0.0	100
2016-17	56.8	40.2	0.0	0.0	0.0	3.0	100
2017-18	59.8	38.4	0.0	0.0	0.0	1.8	100
2018-19	60.1	40.2	0.0	0.0	0.0	-0.2	100
2019-20	52.2	47.8	0.0	0.0	0.0	0.0	100
2020-21	49.3	50.8	0.0	0.0	0.0	0.0	100
2021-22	52.0	48.0	0.0	0.0	0.0	0.0	100
2022-23	50.6	49.4	0.0	0.0	0.0	0.0	100
2023-24	48.0	52.0	0.0	0.0	0.0	0.0	100

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts, Government of India

Table 5 shows that the Taxes on Property, Capital and Other Transactions remain minor in the Centre's overall tax structure. However, within this category, the Security Transaction Tax (STT) emerged as the dominant component. In 2004-05, STT made up 80.3% of taxes on property and capital transactions, and this figure rose to 98.8% by 2023-24. Other components, such as wealth tax, gift tax, and land revenue, either diminished in relevance or were abolished entirely. The Wealth Tax was abolished in the Union Budget of 2015, due to high administrative costs and the relatively low revenue it generated. In 2016-17, the share of Security Transaction Tax exceeded 100% due to a significant spike in STT collections alongside minimal or negative contributions from other subcomponents like Wealth Tax and Estate Duty. This statistical anomaly likely arose from strong capital market activity boosting STT revenue, combined with negligible or declining receipts from other taxes in the group. Estate Duty was abolished much earlier, in the year 1985, but it still occurs in the financial accounts, either as zero receipts or as negative balances, because of processing refunds or adjustments. There may be instances where old tax liabilities, disputes, or refunds related to Estate Duty are settled years or even decades later, which can result in amounts being entered under the Estate Duty account head. Thus, Estate Duty remains in the accounts only as a legacy item, and not as an active source of revenue.

Table 5: Components of Taxes on Property, Capital and Other Transactions of the Union Government (in percentages)

Year	Land Revenue	Stamps and Registration Fees	Estate Duty	Miscellaneous Tax Receipts	Taxes on Wealth	Gift Tax	Security Transaction Tax	Taxes on Immovable Properties	Banking Cash Transaction Tax	Total
2002-03	0.9	19.1	0.2	-	80.9	-1.1	-	-	-	100
2003-04	1.5	23.6	-0.2	-	74.7	0.4	-	-	-	100
2004-05	0.2	6.1	0.0	-	13.1	0.3	80.3	-	-	100
2005-06	0.1	2.3	0.0	-	6.3	0.1	81.1	-	10.2	100
2006-07	0.0	1.8	0.0	-	3.5	0.1	85.2	-	9.3	100
2007-08	0.0	0.9	0.0	-	3.0	0.0	89.9	-	6.1	100
2008-09	0.0	1.8	0.0	-	5.3	0.0	83.8	-	9.1	100
2009-10	0.0	1.1	0.0	-	4.3	0.0	91.5	-	3.1	100
2010-11	0.0	1.9	0.0	-	6.4	0.0	89.7	-	2.0	100
2011-12	0.1	2.1	0.0	-	6.4	0.0	91.4	-	0.0	100
2012-13	0.4	2.2	0.0	-	11.5	0.0	85.9	-	0.0	100
2013-14	0.1	2.7	0.0	-	12.1	0.0	85.1	-	0.0	100
2014-15	0.0	1.9	0.0	-	9.2	0.0	88.9	-	-	100
2015-16	0.2	1.9	0.0	-	12.1	-	85.8	-	-	100
2016-17	0.0	2.1	0.0	-	-2.9	-	100.8	-	-	100
2017-18	0.0	1.7	0.0	0.0	0.6	-	97.7	-	-	100
2018-19	0.1	1.9	0.0	0.0	-0.5	-	98.5	-	-	100
2019-20	0.1	2.4	0.0	0.0	0.0	0.1	97.4	-	-	100
2020-21	0.1	1.4	0.0	0.0	0.1	-	98.5	-	-	100
2021-22	0.0	1.3	0.0	0.0	-0.2	-	98.9	0.0	-	100
2022-23	1.1	1.4	0.0	0.0	0.0	-	97.5	-	-	100
2023-24	0.1	1.2	0.0	0.0	0.0	-	98.8	-	-	100

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts, Government of India

Before the rollout of GST, Taxes on Commodities and Services other than GST included significant contributors like union excise duties, customs, and service tax. The share of service tax, which grew steadily in the early 2000s, fell sharply after being subsumed into GST in 2017. In response, the share of union excise duties showed a temporary spike due to the shrinking base of other taxes, although its actual revenue significance declined. By 2023-24, this entire category had reduced in relative importance as the GST system took over the majority of indirect taxation responsibilities. Table 6 highlights the restructuring effect that GST had on the composition of commodity-based taxes at the central level. We observe the share of Service Tax falling drastically in the year 2017-2018, following which it dipped into the negatives in recent years, and finally fell to zero in 2023-2024. This is because Services Tax was completely subsumed under GST, and the separate Service Tax regime was abolished. However, negative values were recorded due to refunds or adjustments related to earlier liabilities.

Table 6: Components of Taxes on Commodities and Services other than GST of the Union Government (in percentages)

Year	Commodities Transaction Tax	Customs	Union Excise Duties	State Excise	Taxes on Sales, Trade etc.	Taxes on Vehicles	Taxes on Goods and Passengers	Taxes and Duties on Electricity	Service Tax	Share of Other Taxes and Duties	Total
2002-03	-	32.2	63.1	0.1	0.5	0.0	0.0	0.0	2.7	1.0	100
2003-04	-	30.9	62.8	0.1	0.5	0.0	0.0	0.0	4.9	0.9	100
2004-05	-	32.1	59.2	0.1	0.5	0.0	0.0	0.0	7.7	0.3	100
2005-06	-	30.9	57.4	0.1	0.6	0.0	0.0	0.0	10.7	0.2	100
2006-07	-	34.3	50.5	0.1	0.6	0.0	0.0	0.0	14.3	0.2	100
2007-08	-	35.9	45.9	0.1	0.5	0.0	0.0	0.0	17.3	0.2	100
2008-09	-	35.2	41.6	0.1	0.5	0.0	0.0	0.0	22.3	0.3	100
2009-10	-	32.0	44.9	0.1	0.6	0.0	0.0	0.0	21.9	0.3	100
2010-11	-	37.6	42.3	0.1	0.5	0.0	0.0	0.0	19.1	0.3	100
2011-12	-	36.0	39.8	0.1	0.6	0.1	0.0	0.0	23.1	0.3	100
2012-13	-	33.0	40.4	0.1	0.6	0.0	0.0	0.0	25.6	0.3	100
2013-14	-	33.3	36.8	0.1	0.6	0.0	0.0	0.0	28.8	0.3	100
2014-15	0.0	32.2	38.2	0.1	0.5	0.0	0.0	0.0	28.7	0.3	100
2015-16	-	27.0	45.9	0.2	0.5	0.0	0.0	0.0	26.2	0.2	100
2016-17	-	24.0	48.2	0.1	0.5	0.0	0.0	0.0	26.8	0.3	100
2017-18	0.0	23.7	72.5	0.3	0.7	0.1	0.0	0.0	2.4	0.4	100
2018-19	0.0	24.4	74.5	0.4	0.4	0.1	0.0	0.0	0.0	0.2	100
2019-20	-	23.6	73.2	0.4	0.4	0.1	0.0	0.0	2.1	0.3	100
2020-21	0.0	21.7	77.7	0.2	0.2	0.0	0.0	0.0	-0.2	0.3	100
2021-22	0.0	27.8	73.3	0.3	0.3	0.1	0.0	0.0	-2.3	0.6	100
2022-23	0.2	36.0	62.9	0.3	0.3	0.1	0.0	0.0	-0.2	0.4	100
2023-24	0.1	39.5	59.2	0.3	0.3	0.1	0.0	0.0	0.0	0.6	100

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts, Government of India

In contrast to the trend of the union government, it is evident from Table 7 that state governments already had a higher tax share (68.9% in 2002-03) and maintained it across the period, and in 2023-24, it was at 74.4%. This suggests a more balanced structure for states, but one that has not changed as dramatically. Conversely, non-tax revenue for the states started at 31.1% in 2002-03 and fell to 25.6% in 2023-24. Non-tax revenue at the national level fell more rapidly than that at the states' level, indicating that the states have maintained a more diversified revenue mix. States' limited access to dynamic tax bases and ongoing reliance on central transfers, like tied grants and Finance Commission devolution, are reflected in the stability of their tax shares.

Table 7: Components of Revenue Receipts of the State Governments (in percentages)

Year	Tax revenue to total revenue	Non-tax revenue to total revenue	Total
2002-03	68.9	31.1	100
2003-04	68.4	31.6	100
2004-05	71.9	28.1	100
2005-06	71.1	28.9	100
2006-07	70.3	29.7	100
2007-08	70.2	29.8	100
2008-09	69.5	30.5	100
2009-10	68.7	31.3	100
2010-11	72.7	27.3	100
2011-12	74.0	26.0	100
2012-13	75.6	24.4	100
2013-14	75.3	24.7	100
2014-15	70.2	29.8	100
2015-16	73.8	26.2	100
2016-17	70.5	29.5	100
2017-18	74.8	25.2	100
2018-19	74.9	25.1	100
2019-20	70.2	29.8	100
2020-21	65.6	34.4	100
2021-22	73.0	27.0	100
2022-23	74.2	25.8	100
2023-24	74.4	25.6	100

Source: State Finances: A Study of Budgets, 2002-2003 to 2023-2024, Reserve Bank of India

Table 8 shows the components of tax revenue of the states. Taxes on Income, Taxes on Property and Capital Transactions and Taxes on Commodities and Services are part of an umbrella component of tax revenue, called State's Own Tax Revenue (SOTR), while Share in Central Taxes is a separate component on its own. In these, Taxes on Commodities and Services is the component with the biggest share of them all in the tax revenue of the states. Starting from 62.3% in 2002-2003, its share in total tax revenue fell slightly over the years to 56.2% in 2023-2024. Share in central taxes started at 28.3% in 2002-2003 and rose to 35.2% in 2023-2024. Taxes on income and taxes on property and capital transactions contribute marginally to the tax revenue of the states. Unlike the centre, we do not observe a shift in the composition of tax revenue in the states over the years.

Table 8: Components of Tax Revenue of the State Governments (in percentages)

Year	Taxes on Income to Tax Revenue	Taxes on Property and Capital Transactions to Tax Revenue	Taxes on Commodities and Services to Tax Revenue	Share in Central Taxes to Tax Revenue	Total
2002-03	1.7	7.7	62.3	28.3	100
2003-04	1.7	7.6	62.9	27.8	100
2004-05	0.9	8.3	61.4	29.3	100
2005-06	0.8	9.0	59.4	30.7	100
2006-07	0.8	9.6	57.3	32.3	100
2007-08	0.8	9.5	55.2	34.6	100
2008-09	0.7	8.6	57.4	33.3	100
2009-10	0.7	8.5	59.5	31.2	100
2010-11	0.6	8.9	58.2	32.3	100
2011-12	0.6	9.0	59.0	31.4	100
2012-13	0.5	9.0	59.6	30.8	100
2013-14	0.5	8.5	60.1	30.9	100
2014-15	0.5	8.5	60.8	30.2	100
2015-16	0.4	7.7	54.5	37.4	100
2016-17	0.4	6.9	54.1	38.6	100
2017-18	0.3	7.1	57.7	34.9	100
2018-19	0.3	7.0	54.6	38.1	100
2019-20	0.3	7.6	57.3	34.7	100
2020-21	0.3	7.4	60.1	32.2	100
2021-22	0.3	8.0	54.2	37.5	100
2022-23	0.3	8.4	56.3	35.0	100
2023-24	0.3	8.3	56.2	35.2	100

Source: State Finances: A Study of Budgets, 2002-2003 to 2023-2024, Reserve Bank of India

The components of Taxes on income, as Table 9 shows, are Agricultural Income Tax and Taxes on Professions, Trades, Callings and Employment. The share of Agricultural Income Tax has always been marginal, and in recent years it fell to zero. Taxes on Professions, Trades, Callings and Employment is the major component of Taxes on Income, starting at 97.8% in 2002-2003 and constituting the entirety of the component Taxes on Income by 2021-2022, and maintaining that share for the next 3 years.

Table 9: Components of Taxes on Income of the State Governments (in percentages)

Year	Share of Agricultural Income Tax in Taxes on Income	Share of Taxes on Professions, Trades, Callings and Employment in Taxes on Income	Total
2002-03	2.2	97.8	100
2003-04	2.8	97.2	100
2004-05	0.6	99.4	100
2005-06	0.6	99.4	100
2006-07	0.5	99.5	100
2007-08	0.8	99.2	100
2008-09	1.2	98.8	100
2009-10	3.2	96.8	100
2010-11	4.2	95.8	100
2011-12	3.4	96.6	100
2012-13	2.8	97.2	100
2013-14	2.9	97.1	100
2014-15	1.7	98.3	100
2015-16	1.0	99.0	100
2016-17	0.9	99.1	100
2017-18	0.7	99.3	100
2018-19	0.2	99.8	100
2019-20	0.2	99.8	100
2020-21	0.1	99.9	100
2021-22	0.0	100	100
2022-23	0.0	100	100
2023-24	0.0	100	100

Source: State Finances: A Study of Budgets, 2002-2003 to 2023-2024, Reserve Bank of India

From 2002-03 to 2023-24, the structure of property-related taxes in state revenues remained relatively consistent, with stamps and registration fees dominating this category. Its share ranged from 86.5% to 91.5%, peaking in 2022-23, indicating a continued reliance on such revenue by the states. Land revenue, once a more prominent source, declined from 13.0% in 2003-04 to 8.8% in 2023-24, reflecting administrative neglect and policy shifts. Urban immovable property tax remained underutilised, with its share never exceeding 2.2%, and standing at just 0.9% in 2023-24. Overall, data show that states depend heavily on transactional taxes, while the potential of recurrent property taxes remains largely untapped (Table 10).

Table 10: Components of Taxes on Property and Capital Transactions of the State Governments (in percentages)

Year	Land Revenue to axes on Property and Capital Transactions	Stamps and Registration Fees to Taxes on Property and Capital Transactions	Urban Immovable Property Tax in Taxes to Property and Capital Transactions	Total
2002-03	11.9	87.6	0.5	100
2003-04	13.0	86.5	0.5	100
2004-05	11.3	88.4	0.3	100
2005-06	9.8	89.9	0.3	100
2006-07	9.2	90.2	0.6	100
2007-08	9.6	89.6	0.8	100
2008-09	11.7	87.2	1.2	100
2009-10	11.4	87.7	0.9	100
2010-11	12.4	86.7	1.0	100
2011-12	9.7	88.1	2.2	100
2012-13	10.2	88.5	1.3	100
2013-14	10.3	88.4	1.3	100
2014-15	9.2	89.6	1.2	100
2015-16	10.3	88.4	1.3	100
2016-17	11.3	87.2	1.4	100
2017-18	9.9	89.0	1.1	100
2018-19	8.4	90.6	1.0	100
2019-20	8.2	90.6	1.1	100
2020-21	10.0	88.7	1.3	100
2021-22	8.0	91.0	0.9	100
2022-23	7.7	91.5	0.8	100
2023-24	8.8	90.3	0.9	100

Source: State Finances: A Study of Budgets, 2002-2003 to 2023-2024, Reserve Bank of India

Between 2002-03 and 2016-17, as is evident from Table 11, the tax structure on commodities and services in states was largely dominated by sales tax, which consistently contributed over 68% of revenue in this category. However, a dramatic structural shift occurred with the introduction of the Goods and Services Tax (GST) in 2017-18. The share of sales tax dropped sharply from 72.5% in 2016-17 to 40.1% in 2017-18 and further declined to just 24.4% by 2023-24. This decline corresponds with the introduction and increasing weight of SGST, which accounted for 35.3% in its first year and rose to 49.8% in 2023-24, becoming the largest contributor. Other traditional components, such as state excise, vehicle taxes, and taxes on electricity, maintained relatively stable contributions. State excise hovered around 13-15%, while vehicle taxes and electricity duties stayed within 5 % to 7% and 3 % to 4% respectively. Notably, taxes like the entertainment tax have nearly disappeared after the introduction of GST, with a negligible contribution of 0.3% in 2023-24. The compositional transformation in state commodity taxation before and after GST is very evident from this table. The growing dominance of SGST marks a shift toward a unified consumption tax framework, while the declining share of legacy taxes reflects the broader consolidation of the indirect tax system. But the growth of GST in states' total tax revenue (SGST and share in CGST) increased more slowly than the GST trend of the centre. This reflects the weaker autonomy of states in setting tax rates and the dependence on central compensation.

Table 11: Components of Taxes on Commodities and Services of the State Governments (in percentages)

Year	Sales Tax to Taxes on Commodities and Services	State Excise to Taxes on Commodities and Services	Taxes on Vehicles to Taxes on Commodities and Services	Taxes on Goods and Passengers to Taxes on Commodities and Services	Taxes and Duties on Electricity to Taxes on Commodities and Services	Entertainment tax to Taxes on Commodities and Services	SGST to Taxes on Commodities and Services	Other Taxes and Duties to Taxes on Commodities and Services	Total
2002-03	68.6	15.3	6.7	3.4	4.2	0.7	-	1.1	100
2003-04	69.0	15.1	6.6	3.3	4.2	0.6	-	1.1	100
2004-05	71.0	13.3	6.6	3.2	4.4	0.5	-	1.0	100
2005-06	70.7	13.8	6.6	3.5	4.2	0.4	-	0.8	100
2006-07	71.9	13.7	6.2	3.2	3.8	0.3	-	0.9	100
2007-08	71.7	14.1	6.3	2.8	3.8	0.4	-	0.8	100
2008-09	71.6	14.8	5.9	3.1	3.4	0.4	-	0.8	100
2009-10	70.3	15.4	6.1	3.1	3.9	0.4	-	0.9	100
2010-11	70.5	15.0	6.2	2.9	4.4	0.3	-	0.9	100
2011-12	71.9	15.0	6.0	2.4	3.6	0.4	-	0.7	100
2012-13	71.6	14.6	6.0	2.7	3.9	0.4	-	0.8	100
2013-14	73.2	13.1	5.8	3.1	3.6	0.3	-	0.7	100
2014-15	72.8	13.3	6.1	2.9	3.8	0.4	-	0.8	100
2015-16	71.7	13.7	6.1	3.2	4.2	0.4	-	0.8	100
2016-17	72.5	13.3	6.1	3.2	3.9	0.4	-	0.7	100
2017-18	40.1	12.7	6.5	1.4	3.5	0.1	35.3	0.4	100
2018-19	27.0	13.9	6.4	0.3	3.8	0.0	48.3	0.3	100
2019-20	27.0	15.1	6.7	0.2	3.8	0.0	47.0	0.3	100
2020-21	26.5	15.9	5.5	0.2	4.4	0.0	47.2	0.3	100
2021-22	27.6	15.8	5.8	0.1	3.3	0.0	47.1	0.2	100
2022-23	26.4	15.4	6.4	0.1	4.0	0.0	47.6	0.2	100
2023-2024	24.4	15.5	6.2	0.2	3.6	0.0	49.8	0.3	100

Source: State Finances: A Study of Budgets, 2002-2003 to 2023-2024, Reserve Bank of India

Table 12 shows that the average annual growth rate of total revenue for the union government fell from 13.9% in 2002-2013 to 11.3% in 2013-2024, indicating a general slowdown in revenue expansion over the second decade. Tax revenue followed a similar pattern, decelerating from 17% to 11.1%, reflecting possible impacts of structural tax reforms like GST implementation after 2017. The growth rate of non-tax revenue has increased from 9.7% to 10.1% during the same period. A major change during the second period was the introduction of the Goods and Services Tax (GST) in 2017. This change is shown in the positive average growth rates of the new components: CGST (17.4%), Union Territories GST (24.9%), and GST Compensation Cess (16.2%). However, the Integrated GST (IGST) showed a negative growth rate of 48.5%. This unusual result was mainly due to transitional accounting adjustments and redistribution problems between the centre and states. This was also supported by the significant negative annual growth values seen from 2018 to 2020 in the year-wise growth of IGST.

Among traditional tax heads, Taxes on Income and Expenditure maintained strong growth, although decelerating slightly from 20.6% to 11.9%. This deceleration may reflect economic shocks like the pandemic and corporate tax rate cuts in 2019. Taxes on Commodities and Services excluding GST also slowed to 7.2%, from 14.3% in the first decade, due to rationalisation and consolidation of indirect taxes after GST was introduced. Taxes on Property, Capital, and Other Transactions recorded a sharp fall in average growth from 79.4% to 18.6%.

Estate Duty mostly exhibited slow growth throughout, which is -111.4% in the first period and 33.6% in the second period. Despite reporting a positive average growth rate of 33.6%, Estate Duty does not reflect genuine fiscal expansion. The apparent growth is distorted by anomalous spikes caused due to accounting adjustments. Customs duties declined from 15.5% to 8.9%, Union Excise Duties rose slightly from 9.3% to 10.1%, reflecting their gradual replacement under GST, and changes in trade and fuel taxation structures. These shifts were deliberate and reflect the Centre's effort to streamline indirect taxes under a unified framework (Table 12).

Table 12: Average Annual Growth Rate of the Revenue Components of the Union Government (in percentages)

Components	Average Annual Growth Rate from 2002-2003 to 2012-2013	Average Annual Growth Rate from 2013-2014 to 2023-2024
Total Revenue	13.9	10.5
Tax Revenue	17	11.1
Non-Tax Revenue	9.7	10.1
Grants-In-Aid and Contributions	3.3	33.7
GST	0	9.9
Taxes on Income and Expenditure	20.6	11.9
Taxes on Property, Capital and Other Transactions	79.4	18.6
Taxes on Commodities and Services other than GST	14.3	7.2
Central Goods and Services Tax (CGST)	0	17.4
Union Territory Goods and Services Tax	0	24.9
Integrated Goods and Services Tax	0	-48.5
Goods and Services Tax Compensation Cess	0	16.2
Estate Duty	-111.4	33.6
Security Transaction Tax	58	20.2
Customs	15.5	8.9
Union Excise Duties	9.3	10.1

Source: Finance Accounts, 2002-2003 to 2023-2024, Controller General of Accounts

The analysis of the average annual growth rates of the revenue components of Indian states over the two decades reveals notable structural and policy-induced shifts (Table 13). Total revenue, which grew at 15.7% from 2002-2003 to 2012-2013, slowed to 11.8% in the subsequent decade, reflecting the effects of economic expansion, fiscal consolidation, and the reorganisation of indirect taxation following the introduction of the GST. This deceleration is mirrored almost entirely in tax revenue, which declined from 16.8% to 11.9%, as states gave up several high-yielding taxes to the GST regime. Non-tax revenue remained largely stable (13.1% to 13.2%), supported by consistent income from royalties, fees, and interest. Among specific tax categories, taxes on income, which mainly include professional tax at the state level and agricultural income tax, saw modest growth from 5.2% to 6.3%.

Agricultural Income Tax, which grew by an average of 30.8% in the first period, registered a steep contraction of -10.7% in the second period, reflecting its diminishing relevance and erratic collections throughout the period. A similar pattern was observed for Urban

Immovable Property Tax, which dropped from an average of 44.9% to 7.3%, but even as it fell drastically, it did not contribute significantly to revenue in the first period either. Its share just fell relatively more and became negligible in the second period. Land Revenue and Stamps and Registration Fees also saw their average growth decline significantly, from 17.5% to 9.7% and 19.2% to 11.5% respectively. Several erstwhile significant sources, such as Sales Tax, and Taxes on Goods and Passengers saw sharp contractions or stagnation in the second decade due to structural reforms in the taxation system. Sales tax, which recorded 16.7% average growth earlier, grew at just 2.2% in the second period, having been subsumed under SGST. Similarly, Taxes on Goods and Passengers recorded zero growth after 2013, having been entirely absorbed by GST. Surprisingly, Entertainment Tax showed a slightly higher growth in the latter decade, from 11.1% to 14.0%.

The States' Share in Central Taxes also declined, from 18.0% to 14.5%, which can be attributed to the increased use of cesses and surcharges (which are not shared with states) and the structural shift brought by GST. The introduction of GST redefined the structure of state revenue. SGST, operational after 2017, recorded a strong average growth of 17.3%, becoming a major source of tax revenue for the states. The exceptionally high average growth rate of CGST (308%) under state revenue after 2017 is primarily a result of the implementation of GST. Although CGST is a central tax, the figure reflects IGST settlements divided and allocated to states, initially low base effects, and transitional accounting practices, where GST inflows, including compensation transfers, were sometimes recorded under CGST. This does not imply direct collection by states but highlights the evolving fiscal architecture under GST. Customs and Union Excise Duties were both central taxes, partly devolved to states. The growth of Customs fell from 16.0% to 3.0%, while that of Union Excise Duties remained stable at 6.6%. Corporate Tax and Income Tax showed declines in their average growth rates. While the growth of Corporate Tax fell from 19.3% to 13.2%, the growth of Income Tax fell only slightly from 19.2% to 18.5%

Table 13: Average Annual Growth Rate of the Revenue Components of the States
(in percentages)

Components	Average Annual Growth Rate from 2002-2003 to 2012-2013	Average Annual Growth Rate from 2013-2014 to 2023-2024
Total Revenue	15.7	11.8
Tax Revenue	16.8	11.9
Non-Tax Revenue	13.1	13.2
Taxes on Income	5.2	6.3
Agricultural Income Tax	30.8	-10.7
Taxes on Professions, Trades, Callings and Employment	5	6.6
Land Revenue	17.5	9.7
Stamps and Registration fees	19.2	11.5
Urban Immovable Property Tax	44.9	7.3
Sales Tax	16.7	2.2
State Excise	15.8	11.6
Taxes on Vehicles	15	11.9
Taxes on Goods and Passengers	14.1	0
Taxes and Duties on Electricity	16	10.9
Entertainment Tax	11.1	14
SGST	0	17.3
Share in Central Taxes (of which)	18	14.5
CGST	0	308
Corporation Tax	19.3	13.2
Income Tax	19.2	18.5
Union Excise Duties	6.6	6.6
Customs	16	3

Source: State Finances: A Study of Budgets, 2002-2003 to 2023-2024, Reserve Bank of India

5. Conclusion

This paper examined the revenue receipts of the union government and the state governments combined from 2002-03 to 2023-24. The quality of the states' revenue base is still structurally weaker, even though they have demonstrated greater overall revenue growth and currently generate more total revenue than the centre. As a result of the introduction of the GST, states now have less autonomy and are more reliant on shared revenues and compensation, which further centralised indirect taxation. A component-wise analysis of their share and growth demonstrates that the tax base at the centre is more concentrated and elastic, while states

continue to operate on a more fragmented structure. Overall, states remain fiscally dependent on the centre due to limited control over high-growth tax instruments. Taxes such as Stamps and Registration Fees remain significant at the state level but not at the central level. Several legacy taxes, such as Estate Duty, Wealth Tax, and Gift Tax, continued to appear in the accounts despite having been abolished, occasionally producing distorted averages due to irregular accounting entries and adjustments. Electricity duties, once a steady contributor, saw a marked decline due to exemptions and the rising popularity and use of renewable resources. Similarly, certain components like Service Tax and Banking Cash Transaction Tax demonstrated sharp falls due to structural reforms and policy transitions. Enhancing capacity at the state level, restructuring outdated tax architecture, and re-examining share and compensation frameworks of revenue are necessary to strengthen cooperative federalism and give the states more autonomy and fiscal strength.

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