

## Tax and Non-Tax Revenues of the Autonomous District Councils in Mizoram and their Dependence on the State Government Fund Transfers

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### Abstract

*Autonomous District Councils (ADCs) were established under the Sixth Schedule to the Constitution of India with a mandate of the administration of tribal institutions and protection of the interest of the tribals by regulating trading and control of land for the welfare and development of the tribal people in North East India. Presently, there are three ADCs in Mizoram, namely Chakma Autonomous District Council (CADC), Lai Autonomous District Council (LADC), and Mara Autonomous District Council (MADC). These Councils are heavily dependent on the state government fund transfer, and more than 98% of their expenditure requirements are met from it owing to the negligible collection of tax and non-tax revenues from their own sources. This paper examines the trends and patterns of tax and non-tax revenues and the financial dependency of the ADCs on the State government. It was observed that professional tax is the most important source of tax revenue. Among the three ADCs, it was found that LADC has shown the highest tax efforts in tax revenue collection and the number of sources mobilized, while the performance of the CADC is the poorest in these measures.*

### Introduction

The emergence of the Autonomous District Council (ADC) in the Constitution of India can be traced back to its inclusion in the Sixth Schedule Provisions and Article 244 (2) and 275 (1). The provisions of the Sixth Schedule were created so as to facilitate the tribals of Excluded and Partially Excluded Area of the then undivided Assam and enable them to preserve their customs, culture, ethnicity, tradition, land, and language (Doungel, 2010; Ralte et al., 2021). The district council is like a miniature government at the district level (Prasad, 2004). They possess lesser power than the

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states but more than that of the local governments; and represent the incorporation of the predominantly tribal population as communities into the Indian states (Stuligross, 1999). Although ADCs are endowed with legislative, executive, and judicial powers, their primary mandate is the administration of tribal institutions and protection of the interest of the tribals by regulating trade and control of land ownership for the welfare and development of the tribal people of North East India (Umdor & Syiem, 2017; Islam, 2020).

The Sixth Schedule to the Constitution of India accords powers to ADCs to mobilize their resources through law-making powers for the socioeconomic development of their area. Article 275 (1) is the source of the ADCs for obtaining grants-in-aid from the Consolidated Fund of India through the concerned state government. The Sixth Schedule vested law-making powers to the district councils concerning land reform and allotment of land for agriculture and other purposes, management of forests other than reserved forests, use of canals for agriculture, regulation of *Jhum* or shifting cultivation, and public health. The district councils also have the powers to establish, construct or manage dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport, and waterways within its administered areas. They also possess the power to levy and collect taxes on land and building, profession, trade, calling and employment, animal, vehicles and boats, and entry of goods. Thus, the district councils have been provided a fair degree of autonomy for the welfare of tribal people living in Assam, Meghalaya, Manipur, and Mizoram (Stuligross, 1999; Prasad, 2004; Doungel, 2013).

ADCs came into existence in Mizoram with the establishment of *Lushai* (later changed to *Mizo* in 1954) Hills District in 1952 in the erstwhile Assam state as per The Assam Autonomous District (Constitution of District Councils) Rules 1951 framed by the Government of Assam under Sixth Schedule to the Indian Constitution. The Pawi-Lakher Regional Council (PLRC) was also constituted in 1952 as per The Pawi-Lakher (Constitution of Regional Council) Rules, 1952, adopted by the Assam government under the Sixth Schedule of the Constitution of India. The PLRC, which functioned from 1953 to 1972, was the only Regional Council established under the Sixth Schedule to the Constitution of India (Doungel, 2015). The Mizo District Council was abolished in 1972 following its attainment of Union Territory status. Meanwhile, the PLRC was trifurcated into three Regional Councils on 2<sup>nd</sup> April 1972 and subsequently upgraded to the status of ADCs on 29<sup>th</sup> April 2019, namely, Lai Autonomous District Council (LADC), Mara Autonomous District Council (MADC) and Chakma Autonomous District Council (CADC). They are in the southernmost part of the State, falling within two administrative districts, Lawngtlai and Siaha. According to the population census of 2011, the total population of the three ADCs, viz., LADC, MADC, and CADC, were 82806, 56574, and 45307, respectively.

The administration of the district councils in Mizoram has been governed by "The Mizoram Autonomous District Council (Constitution and Conduct of Business) Rules, 1974", and a separate department called the District Council & Minority Affairs (DC

& MA) was created under these Rules. The State government entrusts the DC&MA Department with the affairs of the ADCs, and the latter would seek budget allocation for the ADCs from the former and channel it to them. The department became the main controlling authority concerning the affairs of the ADCs of the State (Doungel, 2008). The Sixth Schedule to the Constitution empowered the district councils to levy and collect taxes on profession, trades, callings, and employment; taxes on animals, vehicles and boats; taxes on the entry of goods into the market for sale therein, and tolls on passengers and goods carried in ferries; and taxes for the maintenance of schools, dispensaries, or roads (Prasad, 2004). At the same time, under Article 275(1) of the Constitution, the State government provides Grants-in-Aid (GIA), also called statutory grants, to the ADCs for specific purposes such as maintenance of primary schools, and development of roads, water supply, sanitation, and management of forests. Thus, the revenues of the ADCs broadly comprise grants received from the state government and revenue earned from their own sources.

### **Review of Literature**

There have been a few studies on the finance of the ADCs of North-East India. These include studies on Karbi Anglong ADC in Assam; Khasi Hills ADC, Jaintia Hills ADC and Garo Hills ADC in Meghalaya; and MADC in Mizoram. They share numerous similar results. In terms of revenue income, studies show that the main sources of own revenue in Karbi Anglong ADC and MADC came from forests and taxes. Major source of revenue from the forest is accounted for by sale of bamboo and timber, minor forest produce, etc. At the same time, the major sources of revenue in respect of tax comes from professional tax, sale tax, excise tax, land revenue, entry tax on the vehicle, trade license fees, and stamp and registration (Kumaran, 2003; Vanlalchhawna, 2021). The ADCs in Meghalaya have a low revenue base as assigned tax and non-tax revenue sources are limited. The annual revenue of Jaintia Hills Autonomous District Council (JHADC) is highest because of the high receipt under its share of royalty from coal and limestone as the area is rich in mineral deposits. The high dependency of the councils on the share of royalty on minerals is a major cause of concern, as any disruption in the flow of revenue from this source will severely affect the functioning of the ccouncils (Syiem, 2016; Umdor & Syiem, 2017)

In all the states studied, the pattern of revenue receipts indicated a high proportion of higher government grants-in-aid and a marginal contribution from internal revenue receipts. The council's' own revenue receipts from tax and non-tax revenue were negligible, and they could only meet a small percentage of their revenue expenditure from their own revenue. The ability of ADCs to fund their expenditure from their own revenue source is limited in the range of 6% to 43% in Meghalaya. Revenue transfers or grants-in-aid constituted as high as 99% of the revenue receipts of MADC in Mizoram. As such, there is circumscribed financial decentralization, indicating the negligible impact of the functions and activities of the ADCs in the states due to limited funds under their disposal. Even though ADCs continue to be heavily dependent on

financial support from higher government, the councils share a common problem in that sources of revenue originating from higher governments show high revenue volatility, indicating unpredictability and irregularity in the sharing of revenues between state government and the councils and also in the flow of grants from the State and Union governments to the councils. Primary information showed that grants provided by the Union government were not released timely by state governments, thus hampering their function even further (Kumaran, 2003; Syiem, 2016; Vanlalchhawna, 2021).

The most vocal political slogan of the ADCs in Mizoram at present is the issue of direct funding - the financial channel in which the ADCs will be empowered to receive funds directly from the Central government without passing through the state government (Doungel, 2014). Article 275(1) provides the funding pattern of the states from the Consolidated Fund of India through the state government. There is no constitutional provision where the ADCs can bypass the state government in receiving funds and financial assistance from the Central government (Ralte et al., 2021). As such, all answers from the Central government to the repeated requests of Mizoram ADCs on this issue suggest the amendment and enactment of the Village Council system in line with the provision of Panchayati Raj. This would enable villages of the Sixth Schedule area of Mizoram to receive Panchayati Raj funds directly from the Central government. Since the leaders of ADCs could not accept this suggestion, the Ministry of Home Affairs took steps to appease them and facilitate the ADCs with direct funding of the Border Area Development Programme (BADP) fund (Doungel, 2014; Ralte et al., 2021).

Syiem (2016) compared the revenue base of ADCs with Panchayati Raj Institutions and found that the Sixth Schedule had assigned very limited powers to the former to levy and collect taxes as compared to the assignment of tax and non-tax powers of the latter. Alok (2012) identified as many as 32 taxes or fees collected by the panchayat raj institutions in different states of India, while only about 20 sources of revenue for ADCs were identified in Meghalaya. Despite the sources available to them, a common problem faced by the councils was that they do not fully exploit their powers to raise their own revenue (Kumaran, 2003; Umdor & Syiem, 2017; Vanlalchhawna, 2021).

Some studies raised the constraints and challenges of the district council finances. Despite the facilities for direct economic administration provided by the Sixth Schedule, ADCs have had great difficulty both in collection of funds and administration of small-scale projects. ADCs face annual budget difficulties in the form of inadequate and irregular flow of funds and late disbursements by the state. The ADCs made no revisions to the old systems of revenue collection, and collection in itself is irregular. This shortcoming, with the fact that many tax sources are still untapped, amplifies the resource crunch. The lack of effort in mobilization of additional revenue by developing financial resources for undertaking development activities can be cited as the major constraint of ADCs (Stuligross, 1999; Kumaran, 2003; Kakati, 2019; Islam, 2020).

A major issue for researchers is that the ADCs do not follow a uniform reporting system of their sources of receipts, even in those of the same state (Umdor & Syiem, 2017). Also in some cases, receipts and expenditures of the councils are not properly maintained and classified (Syiem, 2016). There arises a need for better uniformity in the accounting of receipts and expenditures of the ADCs and these studies recommended that the councils may follow the accounting structures and system as maintained by state and union governments so as to bring clarity, transparency, and accountability to their finances.

Aside from these limitations, ADCs also face political challenges as they do not actually practice full autonomy. Schemes have been terminated before its successful implementation due to lack of funds. In addition, some schemes have been criticized for being too focused on the interest of the councils and not being demand-oriented for common people (Kumaran, 2003; Kakati, 2019). Also, the accommodation of competing for ethnic claims and interests has become the focus of the autonomy movement in North East India, instead of tackling the real issues of isolation and socioeconomic development, which was its initial purpose (Sarmah, 2011; Doungel, 2013; Riamei, 2021).

As mentioned earlier, there is limited literature on the revenue positions of the autonomous district councils in North-East India. The available literature is mostly concentrated on the history, legislative powers, and political issues of the ADCs. There have been no empirical studies on finances that encompass all the ADCs, and no such studies have been conducted for the three ADCs present in Mizoram. Considering their potential and relevance for grassroots implementation of development policies, it is pertinent to understand their current revenue sources and suggest measures to strengthen their financial positions.

### Methodology

The study used data available in the budget documents of the Mizoram State Government, CADC, LADC, and MADC. As the three ADCs do not follow a uniform budget accounting system, no clear-cut division was made between tax and non-tax revenue items in the budget documents. So, the classification of the two revenue sources was made by simply following the pattern used by the Mizoram State Finance Commission. A field visit to the three ADCs was conducted in June-July 2022 to enhance the data collected from budget documents. Officials of the district councils, leaders of NGOs, and knowledgeable persons were interviewed during the field survey. Data were analyzed primarily using simple statistical tools like percentage and average, and compound annual growth rate (CAGR) was estimated to examine the trend of each budgetary variable. CAGR is calculated by estimating the following log-linear regression

$$\log Y = \alpha + \beta \log T + \varepsilon, \text{ and } CAGR(r) = e^{\beta} - 1$$

where Y is any budget variable (Tax Revenue, Non-Tax Revenue, State Fund Transfer, etc.), T is the time (year), and  $\varepsilon$  is error in regression.

Further, to find out the real growth of the tax and non-tax and state transfers, the current values were converted into real terms using the Gross Domestic Product (GDP) deflator. The GDP deflator is a price index that measures the aggregate price level of goods and commodities in the current year relative to prices in the base year (Mankin, 2015). It is calculated as

$$GDP\text{-deflator} = \frac{\text{Nominal GDP (current prices)}}{\text{Real GDP (at constant price)}}$$

The GDP 2011-12 series (constant and nominal) obtained from the Economic Survey, 2021-22, Ministry of Finance, were used to calculate the deflator. Accordingly, real (inflation-adjusted) revenues were computed by dividing the revenues at current prices by the GDP deflator (Anderson, 2012).

### State Fund Transfer to ADCs

The revenue sources of the ADCs in Mizoram can be broadly classified into two categories: Own Revenue (OR) and State Fund Transfer (SFT) from the concerned state government. Own Revenue (OR) comprises of tax revenue (TR) and non-tax revenue (NTR). Similarly, Grants-in-Aid (GIA) is broadly divided into three categories, namely (1) GIA for Salary, (2) GIA for non-salary (office expenses, etc.), and (3) state grants for creation of capital assets, CSS, and other plan schemes - categorized as Other Grants (OG).

Table 1 presents the trends in the revenue receipt of the three ADCs and indicates the contribution of OR (i.e., TR+NTR), SFT, and OG since 2010-11. The total combined revenue receipt of all the ADCs has increased by more than double in 12 years, from ₹17893.3 lakh in 2010-2011 to ₹49816.7 lakh in 2022-2023. SFT in the form of Grants-in-Aid (GIA) for Salary has increased rapidly from ₹17353 lakhs to ₹45949 lakhs in the same time period for all the ADCs. It may be noted that there was a sudden increase in GIA (Non-Salary) by several times from 2010-11 to 2011-12, but there was no clear pattern afterward in all the ADCs. The budget documents did not specify the reasons for this sudden increase, nor did the officials interviewed during the fieldwork could furnish the reason. At the same time, the OR, though meagre relative to state transfer, has shown robust growth from ₹168.1 lakh in 2010-2011 to ₹613.6 lakh in 2022-2023. The combined own revenue contribution of the ADCs on the total revenue receipts is exiguous as it revolved around 1% throughout the 13 years presented, except for the year 2020-21, when it spiked to 1.4% of the total revenue receipts but declined to 1.1% the following year. The Councils' own revenue receipts from tax and non-tax revenue were negligible, and the Councils could meet only a small percentage of their revenue expenditure from their own revenue (Kumaran, 2003).

Based on the Gazette Notification in 1992 and 2011, the State government has entrusted the three ADCs the task of implementation of some Centrally Sponsored Schemes (CSS) on a need basis. The funds received are included under OG in Table 1. Notably, the OG has not shown a clear trend but showed a sharp decline in recent years and no receipt after 2020-21, with the apparent reason being the financial problems faced by the state government in the wake of the Covid-19 pandemic. Meanwhile, GIA-Salary constituted over 90% of the state fund transfer to the ADCs for most of the years. Excessively high salary component of GIA with limited own revenue contribution, in turn, indicate limited abilities on the part of the ADCs to undertake development efforts.

**Table 1: Revenue Receipt Trends of the Three Autonomous District Councils in Mizoram**

Year	CADC					LADC				
	OR	GIA(S)	GIA (NS)	OG	Total	OR	GIA(S)	GIA (NS)	OG	Total
2010-11	28.0	3964.0	27.5	84.0	4103.5	81.4	7217.0	30.0		7328.4
2011-12	45.6	3616.0	565.0	745.5	4972.1	113.1	6058.0	1378.0	178.2	7727.3
2012-13	70.4	4148.6	408.4	2499.0	7126.4	125.8	6525.8	1551.5	702.0	8905.0
2013-14	64.8	4305.0	474.7	970.2	5814.8	128.8	7798.6	579.0	1985.5	10491.9
2014-15	65.2	5223.1	906.8	927.5	7122.7	133.4	9319.9	283.2		9736.4
2015-16	84.9	5521.1	670.0	114.1	6390.1	140.6	9685.3	1263.3	334.0	11423.2
2016-17	103.1	6077.6	553.7	39.0	6773.3	152.3	10936.7	888.5	293.0	12270.5
2017-18	102.8	6909.2	1628.8	255.6	8896.4	195.0	12336.9	1428.7	1360.5	15321.1
2018-19	87.0	9125.4	622.6	346.6	10181.5	197.8	15594.9	1062.5	469.8	17325.0
2019-20	114.6	10360.0	1057.3	37.5	11569.4	246.6	17581.2	1228.5	18.8	19075.1
2020-21	100.7	9763.2	663.0	212.4	10739.3	269.1	17395.0	1247.5	570.3	19481.9
2021-22RE	116.9	11097.8	663.0		11877.7	259.6	19195.0	1360.5		20815.1
2022-23BE	132.4	10547.2	663.0		11342.6	260.0	19363.5	1360.5		20984.0
Year	MADC					All District Councils - Combined				
	OR	GIA(S)	GIA (NS)	OG	Total	OR	GIA(S)	GIA (NS)	OG	Total
2010-11	58.7	6172.0	27.5	203.2	6461.4	168.1	17353.0	85.0	287.2	17893.3
2011-12	75.2	5813.0	1390.5	178.2	7456.8	233.8	15487.0	3333.5	1101.9	20156.2
2012-13	83.4	6638.0	563.0	1905.3	9189.8	279.6	17312.3	2522.9	5106.3	25221.1
2013-14	104.1	6880.8	413.0	1301.9	8699.8	297.7	18984.4	1466.7	4257.6	25006.4
2014-15	115.2	8465.2	692.4	1286.8	10559.7	313.8	23008.3	1882.4	2214.4	27418.8
2015-16	106.7	8830.2	396.0	241.1	9574.0	332.2	24036.5	2329.3	689.2	27387.2
2016-17	102.5	10310.3	856.7	145.8	11415.2	357.8	27324.5	2298.9	477.8	30459.0
2017-18	131.6	10995.1	1594.2	439.6	13160.5	429.4	30241.2	4651.7	2055.7	37378.0
2018-19	153.5	13721.4	911.9	533.5	15320.3	438.3	38441.8	2597.0	1349.8	42826.8
2019-20	167.4	15146.0	996.6	27.1	16337.2	528.6	43087.2	3282.4	83.5	46981.7
2020-21	297.0	14663.1	1107.6	276.8	16344.5	666.8	41821.3	3018.1	1059.5	46565.7
2021-22RE	193.1	16134.7	1230.6	2.0	17560.3	569.6	46427.5	3254.1	2.0	50253.2
2022-23BE	221.2	16038.4	1230.6		17490.2	613.6	45949.0	3254.1	0.0	49816.7

Sources: Budget Documents of CADC, LADC and MADC (2010-11 to 2022-23)

Note: OR: Own Revenue (Tax & Non-Tax), GIA(S): Grants-in-Aid (Salary), GIA (NS): Grants-in-Aid (Non-Salary), OG: Other. BE: Budget Estimate & RE: Revised Estimate

**Table 2: Flow of Central Fund to the Autonomous District Councils through Mizoram State Government**

Schemes / Programmes	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Chakma Autonomous District Council (CADC)</b>									
Rashtriya Krishi Vikas Yojana (RKVY)	700	320	329	59.2	39	27.3	16.86	14.88	
Special Area Basic Grant									
13th Finance Commission (infrastructure Scheme)			52.18	266					
Special Plan Assistance	150	288	287						
Special Central Assistance	400	362.22	240						
NLCPR	1248.48	282	787.52	54.91			226		33.9
Excluded Area Grants					220.6				21.4
Others				458			103.7		
<b>Total</b>	<b>2498.48</b>	<b>1252.22</b>	<b>1695.7</b>	<b>838.11</b>	<b>259.6</b>	<b>27.3</b>	<b>346.56</b>	<b>14.88</b>	<b>55.3</b>
<b>Lai Autonomous District Council (LADC)</b>									
Centrally Sponsored Schemes (all combined)				622		1361.32	475		185.17
Excluded Area Grant						346.72			356.79
<b>Total</b>				<b>622</b>		<b>1708.04</b>	<b>475</b>	<b>0</b>	<b>541.96</b>
<b>Mara Autonomous District Council</b>									
Rashtriya Krishi Vikas Yojana (RKVY)				72	59	26.18	18.62	14.73	
SPP						86.79			
NLCPR							96.9		
13th Finance Commission (infrastructure Scheme)		67.54							
NEA	350.00					4.5		8	2
Excluded Area Grants				764		283.68			276.81
<b>Total</b>	<b>350</b>	<b>67.54</b>	<b>0</b>	<b>836</b>	<b>59</b>	<b>401.15</b>	<b>115.52</b>	<b>22.73</b>	<b>278.81</b>
<b>Grand Total</b>	<b>2848.48</b>	<b>1319.76</b>	<b>1695.7</b>	<b>2296.11</b>	<b>318.6</b>	<b>2136.49</b>	<b>937.08</b>	<b>37.61</b>	<b>876.07</b>

Sources: (1) Budget Documents of CADC, LADC and MADC (2010-11 to 2022-23) & (2) Interactions with the officials of the three ADCs during June-July 2022

Table 2 presents the CSS fund received by the three ADCs from 2012-13. As some schemes and grants are non-continuous, it is rather difficult to accurately account for the fund flow in the three Councils' budget documents. In addition, the documents showed varying accounting formats. Meanwhile, LADC did not make a detailed scheme-wise classification and simply clubbed the CSS funds they received under one head in their budget documents. It can be seen from this Table that the state fund devolution of ADCs for developmental works is shaped by the flow of CSS and plan funds, which experienced a sporadic flow and a significant decline in recent years. Consequently, the Councils could barely undertake development works today. Moreover, grants provided by the Union government were not released timely by State governments which further hampers their function, while some schemes had even been terminated before being successfully implemented (Kumaran, 2003; Syiem, 2016; Kakati, 2019).

**Table 3: Trends of Real Revenue Receipt of the district councils in Mizoram (2011-12 prices) (₹ lakhs)**

Year	CADC			LADC			MADC		
	OR	SFT	TRR	OR	SFT	TRR	OR	SFT	TRR
2010-11	30.4	4431.4	4461.9	88.5	7879.9	7968.5	63.8	6961.9	7025.7
2011-12	45.6	4926.5	4972.1	113.1	7614.2	7727.3	75.2	7381.7	7456.8
2012-13	65.2	6537.3	6602.5	116.5	8133.8	8250.4	77.3	8436.9	8514.2
2013-14	56.5	5016.9	5073.4	112.3	9042.0	9154.3	90.8	7499.8	7590.7
2014-15	55.1	5959.2	6014.2	112.6	8108.6	8221.2	97.3	8819.1	8916.4
2015-16	70.1	5205.3	5275.4	116.1	9314.4	9430.5	88.1	7815.8	7903.9
2016-17	82.4	5334.0	5416.4	121.8	9690.5	9812.3	81.9	9046.4	9128.4
2017-18	79.1	6763.5	6842.5	150.0	11634.0	11784.0	101.2	10021.0	10122.2
2018-19	64.5	7484.4	7548.9	146.7	12698.6	12845.3	113.8	11245.1	11358.9
2019-20	82.0	8200.5	8282.5	176.5	13479.3	13655.9	119.8	11575.9	11695.7
2020-21	68.9	7280.4	7349.3	184.2	13148.1	13332.2	203.2	10981.9	11185.2
2021-22RE	74.3	7474.3	7548.6	165.0	13063.6	13228.5	122.7	11037.4	11160.0
<b>CAGR (%)</b>	<b>6.1</b>	<b>4.7</b>	<b>4.8</b>	<b>5.9</b>	<b>6.1</b>	<b>6.1</b>	<b>7.4</b>	<b>4.8</b>	<b>4.8</b>

Sources: Budget Documents of CADC, LADC and MADC (2010-11 to 2022-23)

Note: The nominal revenue receipts are converted into real term using GDP deflator based on 2011-12 series OR: Own Revenue (Tax & Non-Tax), SFT: State Fund Transfer {GIA (Salary), GIA (NS), OG: Other Grants} CAGR: Compound Annual Growth Rate, & RE: Revised Estimate

While discussing the trends of the revenue receipts of the district council, it may be worthwhile to examine its real trend as the interpretation of only the nominal trend is likely to be affected by inflation. This will help us evaluate if there is an increase in real revenue receipts in each Council. The inflation-adjusted revenue receipts (real revenue), including own revenue and state fund transfer, have been calculated using the GDP deflator with the 2011-12 base year. For the sake of simplicity, all the grants

received from the State government, including CSS, are consolidated into state fund transfer (SFT). This is presented in Table 3. Own revenues in real terms have increased by more than 6% per annum in all the ADCs, while the state fund transfer registered an annual growth of more than 4% in all the ADCs. Thus, the financial position in terms of increasing revenue and state transfer has significantly improved during the period under study.

### **Tax Revenues of the ADCs**

The three ADCs have made several efforts to enhance their tax revenue (TR) by making appropriate rules and regulations, while at the same time keeping in view the provisions of the Sixth Schedule to the Constitution. The trends in the total tax revenues by the three district councils from different sources are presented in Table 4. The Table shows that the three major tax revenue items which all the ADCs levy are professional tax, land revenue, and trade license. It was observed that LADC has tapped the largest tax revenue sources by introducing a tax levy on seven sources, while MADC and CADC collect tax revenues from 6 and 4 sources, respectively. In addition, LADC is the only district council that levies entertainment tax and entry tax on goods, and MADC is the lone Council collecting animal tax. Taxes on boats is collected in the CADC area only.

Among the different tax items, professional tax has been the most important source of tax revenue in all the ADCs. It constituted 64.4%, 48.5%, and 70.1% of the total tax revenues in CADC, LADC, and MADC, respectively during 2022-23(BE). This tax is collected as per their respective regulations legislated for collection - Profession, Trade, Callings, and Employment Taxation - and its amendment from time to time. Profession tax is levied annually on employees of the district council, and from state government employees, central government employees, defense personnel, other organized sector workers (banks, companies, etc.), and contractors working within their respective jurisdictions. Although this tax was initially made progressive by setting different tax rates for various income groups with a maximum limit of ₹2500 per person per annum, the pay and wage structure today had surpassed the taxing slabs, and practically, every professional taxpayer is at the maximum rate. Thus, keeping in view the economic development and increased earnings of the employees, the imposition of a ceiling on professional tax has limited the potential tax revenue to be leveraged by the ADCs. However, the revision of the ceiling on professional tax has to go through a constitutional amendment, which is not an easy task. Even though the successive Finance Commissions have recommended raising the ceiling of profession tax and vesting the power in Parliament to revise profession tax rather than go through a Constitutional Amendment route (Ahluwalia et al. 2019), the last revision of the ceiling was made well back in the 1980s.

Profession tax is followed by land revenue in LADC and MADC by contributing 42.5% and 19.6% of TR, respectively, in 2022-23. In the CADC, however, trade license is the

second most important tax revenue source, contributing 18% during the same period. At the same time, land revenue has been the most volatile tax over time in LADC and MADC by showing 15.9% and 27.1% annual growth since 2010-11, while trade license is the most volatile tax in CADC, which recorded 15.2% annual growth during the same period. It can be observed from Table 4 that professional tax and land revenue are the main sources of tax revenues in terms of the amount collected and its regularity and consistency. The two sources combined contributed 81.8%, 91.3%, and 89.7% of total TR in CADC, LADC, and MADC, respectively in 2022-23.

Revenue mobilized through the imposition of trading regulations and by issuing trade licenses has been one major tax revenue source for all the ADCs. Trade Licenses are issued through market auctions by the Council, and the license holders have to pay a trade license and renewal fee every year or two, depending on the validity of the license. Although levied in LADC, its budget document does not segregate it but is rather mingled with other revenue items collected by the Land Revenue Department of this district council. Meanwhile, it was also reported in MADC that while a trade license is issued by the Revenue Department to traders who have proper business establishment, a renewable vendor/hawker's license is also issued by the Local Administration Department for 3 months. This indicates that parts of the revenue receipt related to trading regulation are not reported under revenue receipt of trade license.

**Table 4: Trends in Tax Revenue Collection by the Three ADCs from Different Sources**

Year	CADC					LADC						MADC						
	Profession Tax	Land Revenue	Trade License	Taxes on Boat	Total	Profession Tax	Land Revenue	Motor Vehicles Tax	Entertainment tax	Entry Tax on Vehicles	Entry Tax on Goods	Total	Profession Tax	Land Revenue	Trade License	Entry Tax on Vehicles	Animal Tax	Total
2010-11	18.0	3.2	2.0	0.1	23.2	38.4	15.4			1.6		55.4	28.5	3.7	1.5	1.6		35.3
2011-12	23.0	7.1	4.0	0.1	34.1	48.4	15.3			1.6		65.3	31.5	2.0	1.5	1.9		36.9
2012-13	23.6	11.4	3.6	0.1	38.6	50.3	19.0			1.7		71.0	49.8	4.5	1.5	2.5		58.3
2013-14	24.0	10.8	3.0	0.2	37.9	53.9	22.4			1.7		78.0	72.1	2.3	1.6	2.9		78.9
2014-15	25.0	11.2	4.8	0.0	41.0	58.8	24.8			1.5		85.1	72.9	3.9	4.1	4.2		85.2
2015-16	32.6	12.8	6.7	0.5	52.5	58.1	26.5	1.3		1.3		87.2	61.4	5.5	1.7	1.3	3.3	73.1
2016-17	33.8	18.3	0.6	0.1	52.8	61.2	31.6	2.1		2.1		97.0	58.0	6.6	1.7	3.7	3.6	73.7
2017-18	32.3	18.3	2.5	0.5	53.6	63.1	57.2	2.3		2.3		124.8	70.4	9.5		2.0	5.0	86.9
2018-19	30.7	16.5	4.1	0.4	51.7	64.7	67.1	2.0		2.0		135.7	75.2	9.7	5.2	2.0	5.0	97.1
2019-20	36.8	17.9	6.2	0.7	61.6	71.1	51.5	2.2		2.2		127.0	75.2	10.8	5.8	2.2	3.7	97.7
2020-21	41.9	12.8	14.3	0.1	69.0	75.7	69.9	2.0	0.5	3.3	3.3	154.6	76.7	148.6	3.4	1.2	5.0	234.9
2021-22RE	46.2	17.8	19.7		83.8	76.3	71.1	3.2	1.5	4.3	4.3	160.8	80.0	19.5	5.0	2.5	1.0	108.0
2022-23BE	48.2	13.0	13.5	0.2	74.8	76.0	66.5	3.1	2.0	4.5	4.5	156.6	86.5	24.2	5.2	2.5	5.0	123.4
CAGR (%)	7.6	9.3	15.2	**	9.1	5.1	15.9	9.8	**	9	**	9.6	7.6	27.1	12.7	**	**	11.3

Sources: Budget Documents of CADC, LADC and MADC (2010-11 to 2022-23)

CAGR: Compound Annual Growth Rate / \*\* insignificant trend coefficient

It is also noteworthy that the LADC and MADC have imposed entry tax on vehicles entering their areas at rates ranging from ₹10 to ₹50 per vehicle per visit for different types of vehicles. The ADCs are trying arduously to impel the State government to amend the Mizoram Vehicles Taxation Act 1996 so as to enable delegation of functions on regulations of motor vehicles to the former, as was envisioned in the Notification on delegation of functions in 2011. If amended, it is expected that it would enable them to implement their own motor vehicle taxation rules and thus, permit them to mobilize more tax revenue from motor vehicle tax. In an interview in his office on the 1<sup>st</sup> of July 2022, Mr. V.L. Hmuaka, Chairman of the LADC, said that the Council's effort to raise more revenue by making new regulations are frequently gridlocked by the State government. For example, the LADC (Motor Vehicle Taxation) Regulation, 2013 could not be implemented due to a lack of will from the State government. He also said the Council had made several regulations for the mobilization of additional revenue sources, but the problem faced is that these legislations could not get through the State government and hence failed to reach the Governor's table for approval. Several legislations passed by the Council had dissipated with the State government in the past. In this connection, Dr. R.T. Hnialum, the first Secretary of LADC in 1972 and Secretary of erstwhile PLRC from 1962 till 1972, in an interview on 3<sup>rd</sup> July 2022, said that when the Council was under the Assam government, legislations passed by the Council submitted to the Government for approval would not be simply kept on hold by the latter without stating valid reasons. The State government would inform the Council regarding any clarification and/or modifications needed with specific points or issues. This expedited the process of making laws by the District Council under the erstwhile Assam government. But now, the State government would delay several laws passed by the District Council without providing a clear rationale. This has hampered the effort of the Council to mobilize additional tax revenues.

LADC is the only ADC in Mizoram that levies tax on the entry of goods into the market within its jurisdiction. Collected by the Taxation Department of the Council under The LADC (Entry of Goods into Market Tax) Regulations, 2019, it is levied on 69 scheduled goods that enter into the market for sale therein. This is levied to every dealer or person who brings in such goods into the market for sale at the specified rates, which ranges from 1% to 3% *ad valorem* based on GST/VAT invoice. Although the stakeholders (NGO leaders and businessmen) interviewed during the study feared the cascading effects of entry tax on the consumer's price as it is charged based on GST invoices, they were of the view that there exists an avenue to minimise its impact on the consumers, while also increasing its collection through improved efficiency in assessment and collection.

Further, LADC levies entertainment tax from 2020-21 on local cable TVs at the rate of ₹20 per month per subscriber under the LADC (Entertainment Tax) Regulation, 2019. The estimated revenue receipt from entertainment tax for the FY 2022-23 is ₹2 lakhs. Meanwhile, MADC is the only ADC that collects animal tax. This is collected as per the provision of The Lakher Autonomous District Council (Animal Control and

Taxation) Act, 1983. Although the rate is only ₹0.50 per adult animal and ₹0.25 per young animal, the revenue receipt, as shown in Table 4, is quite substantial. Animal tax is believed to possess an even wider base as the domestication of animals has deep roots in the lives of the tribal people in these Sixth Schedule areas.

### **Non-Tax Revenues**

The district councils in Mizoram also collect revenues from various non-tax sources, such as rents, fees, user charges, etc., on properties (guest houses, etc.) within their respective areas. Table 5 details the sources of non-tax revenue and trends in revenue collections for the three district councils. The major source in terms of amount and regularity in all the ADCs are rent from properties (council quarters, houses, etc.), administrative services, general economic services, and forest and mineral resources. It could be observed from this Table that collection from forest and mineral resources has been the most important and consistent source of non-tax revenue in the three ADCs during the period under study. Revenue collection from forest and mineral resources come mainly from sand extraction or mining from the river and riverine areas within the three district council areas. The *Mahal* system is adopted in each district council, where license auctions are conducted yearly. The successful bidders, after depositing the required amount with the district council treasury, would attain the right to collect fees from individuals undertaking sand extraction for sale in the market. These contractors would collect a fee/charge from any person performing the extraction of the sands, usually by installing check gates at suitable places along the roads connecting major rivers.

**Table 5: Revenue Receipt Trends from Different Sources of Non-Tax Revenues in the Autonomous District Councils of Mizoram**

Sources	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22RE	2022-23BE
<b>Chakma Autonomous District Council</b>													
Rents from properties	2.83	7.68	8.43	12.24	11.23	10.01	9	11.44	15.27	15.59	6.42	2.36	12.96
Administrative Services	0.02		9.43	12.36	0.14	0.53	1.75	22.24	3.53	5.99	7.65	6.28	6.46
Fees from Educational Services						0.01	0.05		0.01	0.05	0.05	0.11	0.07
General economic services	1.45	1.38	1.17	1.55	3.88	3.7	7.1	2.5	4.12	6.19	3.01	10.2	26.6
Fisheries					0.07	0.14				0.16			0.5
Forest & Mineral Resources	0.47	1.18	1		8.71	18	28.71	13.06	10.26	25	14.54	14.22	11
other		1.18	11.76	0.75	0.16		3.68		2.04				
<b>Total</b>	<b>4.77</b>	<b>11.42</b>	<b>31.79</b>	<b>26.9</b>	<b>24.19</b>	<b>32.39</b>	<b>50.29</b>	<b>49.24</b>	<b>35.23</b>	<b>52.98</b>	<b>31.67</b>	<b>33.17</b>	<b>57.59</b>
<b>Lai Autonomous District Council</b>													
Rents from properties	5.09	4.04	7.98	8.05	7.21	9.35	10.05	12.61	10.44	52.45	43.64	18.69	29
Administrative Services	0.04	0.1	0.09	0.16	0.16	0.28	0.1	0.3	0.22	0.21	0.23	0.32	0.4
Fees from Educational Services	1.8	0.26	0.15	0.39	0.29	0.3	0.3	0.3	0.2	0.43	0.22	0.33	0.25
General economic services		13.74	10.7	5.63	5	4.17	3.65	4.18	4.79	7.97	2.71	5.43	13.75
Fisheries	2.29											4.5	
Forest & Mineral Resources	16.83	29.6	35.92	36.58	35.56	39.34	41.26	52.83	46.45	58.51	67.7	69.58	60
<b>Total</b>	<b>26.05</b>	<b>47.74</b>	<b>54.84</b>	<b>50.81</b>	<b>48.22</b>	<b>53.44</b>	<b>55.36</b>	<b>70.22</b>	<b>62.1</b>	<b>119.57</b>	<b>114.5</b>	<b>98.85</b>	<b>103.4</b>
<b>Mara Autonomous District Council</b>													
Rents from properties	3.16	2.43	2.48	6.41	9.174	13.67	9.58	15.31	21.02	24.86	4.29	3.99	10
Administrative Services	0.03	0.04	0.03	0.1	0.2	0.21	0.1	0.21	0.04	0.12	0.15	0.18	0.2
Fees from Educational Services						0.32	0.6	2	2	2	2	2.5	3
Rural water supply						13.65	11.28	18.73	18.5	24.61	34.34	55.69	60
General economic services	0.77	0.8	1.1	1.69	3.67	1.34	3.73	2	6.42	2.19	3.07	3.5	4
Fisheries									2.39	9.32	10.63	10.63	10.63
Forest & Mineral Resources	18.96	34.95	21.17	16	17	4.36	3.01	6.3	6	6	7.5	8.49	10
other	0.49		0.3	1.03			0.5	0.13		0.6	0.09	0.09	
<b>Total</b>	<b>23.41</b>	<b>38.22</b>	<b>25.08</b>	<b>25.23</b>	<b>30.044</b>	<b>33.55</b>	<b>28.8</b>	<b>44.68</b>	<b>56.37</b>	<b>69.7</b>	<b>62.07</b>	<b>85.07</b>	<b>97.83</b>

Sources: Budget Documents of the three Autonomous District Councils. / RE: Revised Estimate & BE: Budget Estimate

Furthermore, those who intend to establish a stone quarry in their own land would have to seek a permit for six months by paying the required fees to the Council. The district councils' Forest Department is responsible for ensuring that stone chips and other quarry products coming into the market are from these license holders only. At the same time, the ADCs also collect revenues from other forest products like (timber, minor forest products, *anchiri*, etc.) in the form of a transit pass or other miscellaneous charges. It was reported that they could not go far in any matter on the forest products as a contravention of the Supreme Court's judgment related to the Forest Conservation Act is feared.

### Revenue Efforts and Dependency

Having analyzed the different sources of tax and non-tax revenues, trends in revenue collection over time, and the efforts of the district councils to mobilize their own revenue sources in the previous section, it may be worthwhile to further examine the outcome of the revenue efforts using measurable parameters. The revenue efforts of the councils are measured by estimating the ratios of TR, NTR, and OR to the total revenue receipt (TRR) of the respective Council. The results are presented in Table 6. Looking at the average for the 13 years under consideration, LADC scored the highest among the three ADCs in all the measures of revenue efforts, i.e., *tax revenue efforts*, *non-tax revenue effort*, and *total own revenue effort*, followed by MADC while the CADC scored the lowest in all measures. As noted earlier, of the nine taxes introduced by the ADCs in Mizoram, LADC collect tax revenues from 7 sources, while MADC and CADC collects from 6 and 4 sources, respectively. So, the efforts of the ADCs in mobilizing additional tax sources have impacted the total own revenue receipt as well as scores in the measure of revenue effort.

Table 6 also reveals that the tax and non-tax efforts of the ADCs in Mizoram had not shown significant improvement during the last 13 years. The non-tax revenue effort is much lower when compared with tax revenue efforts as the average effort ranges from 0.41% in CADC to 0.38% in MADC and 0.50% in LADC. Meanwhile, the tax efforts hovered in the range of 0.50% to 0.90% of the TRR across the ADCs throughout the years, except for the year 2020-21 when it crossed the 1% mark in MADC. This year coincided with the introduction of *Cess* on the total compensation award arising out of land acquisition within the MADC area under the provision of the MADC (Land Revenue) Act, 2018. It may be noted that the National Highway and Infrastructure Development Corporation Limited (NHIDCL), which undertook the road widening project of NH54 within the MADC areas, released land compensation to the landowners during the financial year 2020-21. Accordingly, the land revenue receipt of the MADC soared to ₹148.6 lakhs from a mere ₹10.8 lakhs in 2019-20, but reverted back to ₹19.5 lakhs the next year.

**Table 6: Revenue Efforts of the Three ADCs (TR and NTR as percentage of TRR)**

Year	CADC			LADC			MADC		
	TR	NTR	OR	TR	NTR	OR	TR	NTR	OR
2010-11	0.57	0.12	0.68	0.76	0.36	1.11	0.55	0.36	0.91
2011-12	0.69	0.23	0.92	0.85	0.62	1.46	0.50	0.51	1.01
2012-13	0.54	0.45	0.99	0.80	0.62	1.41	0.63	0.27	0.91
2013-14	0.65	0.46	1.11	0.74	0.48	1.23	0.91	0.29	1.20
2014-15	0.58	0.34	0.92	0.87	0.50	1.37	0.81	0.28	1.09
2015-16	0.82	0.51	1.33	0.76	0.47	1.23	0.76	0.35	1.11
2016-17	0.78	0.74	1.52	0.79	0.45	1.24	0.65	0.25	0.90
2017-18	0.60	0.55	1.16	0.81	0.46	1.27	0.66	0.34	1.00
2018-19	0.51	0.35	0.85	0.78	0.36	1.14	0.63	0.37	1.00
2019-20	0.53	0.46	0.99	0.67	0.63	1.29	0.60	0.43	1.02
2020-21	0.64	0.29	0.94	0.79	0.59	1.38	1.44	0.38	1.82
2021-22RE	0.71	0.28	0.98	0.77	0.47	1.25	0.61	0.48	1.10
2022-23BE	0.66	0.51	1.17	0.75	0.49	1.24	0.71	0.56	1.26
<b>Average</b>	<b>0.64</b>	<b>0.41</b>	<b>1.04</b>	<b>0.78</b>	<b>0.50</b>	<b>1.28</b>	<b>0.73</b>	<b>0.38</b>	<b>1.10</b>

Sources: Budget Documents of CADC, LADC and MADC (2010-11 to 2022-23)

Fiscal dependency ratios have been calculated for each ADC and is presented in Table 7 to supplement the revenue efforts given above. The fiscal dependency of the individual district council is calculated by dividing the total state fund transfer (SFT) by the TRR of the ADCs (i.e., TR+NTR+SFT).

Table 7 shows that the average financial dependency of the three district councils during the last 13 years is 98.86%. These ADCs depend on the State government fund transfer for around 98.86% of their total budget. The pattern of revenue receipts indicated a high proportion of grants-in-aid from higher government bodies and a marginal contribution from internal revenue receipts (Kumaran, 2003). Of the three district councils, LADC has the lowest dependency on the State government at 98.72% of the TRR, followed by MADC, having 98.86% dependency on the State government, while CADC has the highest dependency (98.96%). In other words, of the three ADCs, CADC has the lowest financial autonomy, while LADC has the highest autonomy. However, the Table also reveals that the financial position of the three ADCs has not shown improvement as their dependency ratios did not experience a declining trend over time.

**Table 7: Dependency of the Autonomous District Councils on State Fiscal Transfer in Mizoram (SFT as % of TRR)**

Year	CADC	LADC	MADC	Average
2010-11	99.32	98.89	99.09	99.10
2011-12	99.08	98.54	98.99	98.87
2012-13	99.01	98.59	99.09	98.90
2013-14	98.89	98.77	98.80	98.82
2014-15	99.08	98.63	98.91	98.87
2015-16	98.67	98.77	98.89	98.78
2016-17	98.48	98.76	99.10	98.78
2017-18	98.84	98.73	99.00	98.86
2018-19	99.15	98.86	99.00	99.00
2019-20	99.01	98.71	98.98	98.90
2020-21	99.06	98.62	98.18	98.62
2021-22RE	99.02	98.75	98.90	98.89
2022-23BE	98.83	98.76	98.74	98.78
<b>Average</b>	<b>98.96</b>	<b>98.72</b>	<b>98.90</b>	<b>98.86</b>

Sources: Computed from Budget Documents of CADC, LADC and MADC (2010-11 to 2022-23)

## Conclusion

With a scanty own revenue receipt at 1.14% of the total revenue receipt on an average since 2010-11, the three autonomous districts councils have to depend on funds transferred from the State government in the form of grants-in-aid for more than 98% of their expenditure requirements. The salary component of GIA constituted more than 92% of the total transfer, while the non-salary component has shown a declining trend over time. The state fund devolution to the ADCs for the creation of capital assets is being shaped by the flow of funds for CSS and central funded projects due to the limited financial capacity of the State government to devolve its own funds for capital expenditures. However, such central schemes are periodical and experienced a drastic decline in recent years, and the district councils could barely undertake development works today.

The progressive revenue efforts by the district councils have resulted in the generation of more revenue in recent years. LADC introduced the largest number of taxes, some of which are not levied by the other ADCs. The efforts shown by the ADC to mobilize more tax revenue sources are well reflected in the form of higher own revenue collection when compared with others. Moreover, the LADC has the highest efforts on tax and non-tax revenues when measured by the ratio of TR and NTR to TRR, respectively. Supplementary to this, by measuring the dependency of the ADCs on the state fund transfer, the study observed that the CADC has the highest dependency, while LADC has the lowest dependency.

The most important own tax revenue of all the ADCs in Mizoram, which, on an average, contributes more than 60% of the total tax revenue, is Professional Tax. As admissible under Article 276(2) of the Indian Constitution, the Councils collect this tax by legislating their own regulations specifying rates for different income slabs subject to the ceiling set by this Article, i.e., ₹2500 per person per annum. The ceiling, which was fixed way back in 1988, has failed to capture the changing income distribution, and the income of all the assesseees of this tax had breached this ceiling. Because of its significance in the ability of the ADCs to mobilize their own revenues, effort is necessary to make this tax volatile in view of the economic development and increasing earnings of the people. It is understood that revising the ceiling is beyond the authority of either the State or District Councils as it would involve a Constitutional Amendment. Thereby, revision of the rates may not be feasible in the near term. As of now, this tax is levied on organized service employees only. It is necessary to broaden its base through appropriate legislation to bring many salary and wage earners, medical practitioners, legal practitioners, technical and professional consultants, insurance agents, suppliers, etc. under the professional tax net.

The three ADCs have different accounting formats in the presentation of their annual budgets, which is a major issue for researchers as the ADCs do not follow a uniform reporting of their sources of receipts, even in the same state (Umdor & Syiem, 2017). As a result, it is difficult to effectively analyze the patterns of revenue sharing from the State government and the pattern of tax and non-tax revenues from various sources. A uniform accounting format in the budget must be adopted in all ADCs. At the same time, devolution of funds to ADCs may be accorded in detailed heads (share of tax revenues, GIA, etc.) in the budgets of both the State government and the District Councils.

### **Acknowledgment**

*We are happy to acknowledge the administrative and logistical supports that The Second Mizoram Finance Commission provided in the data collection for this study.*

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**Manuscript received 06.10.2022 final version accepted 19.04.2023**