

FISCAL POLICY FOR THE NATIONAL CAPITAL REGION

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The tax structures of each State (inculding local goverments) have a significant influence on the location of its industries and diversion of trade. Since, these must operate within a federal framework, it is desirable that the States follow uniform principles in accordance with the goals of the national policy. This would result in a balanced socio-economic development as also minimise the scope for evasion of taxes.

This study empirically examines the effects of variation in tax or subsidies on industrial locations or diversion of trade within the National Capital Region (NCR) comprising the Union Territtory of Delhi, one district of Rajasthan, three districts of Uttar Pradesh and six districts of Haryana. The study recommends harmony in the tax structure within the region so that it can enjoy the character of a unified whole and the growth and equity of its different constituents takes place on the basis of their comparatitive advantages. It is hoped that the study would benefit the policy makers as well as the persons interested in matters related to fiscal policy.

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