AN ANALYSIS OF IMPACT ON EXPORTS ON ACCOUNT OF TAX RELIEF MEASURES TO SEZ & EXPORT ORIENTED UNITS

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ABSTRACT

Export plays an import role to determine the Balance of Payment (BOP) as well as the heath of overall economy of the nation. A favourable Balance of Payment (BOP) is always regarded as good sign for the economic development of the country and this can happen by means of increasing in exports. In this context several tax relief measures have been adopted by the government for several export oriented units over the number of years, in order to improve the situation of export and consequently the position of Balance of Payment (BOP). Out the several tax relief measures, the measures adopted by the government the tax relief measures u/s 10A & 10AA for Export from SEZ and u/s 10B i.e. tax relief measures to Export Oriented Units (EOUs) are considered as important measures. This research paper based on the availability of data focuses on the impact of tax relief measures on export u/s 10A & 10AA on export from SEZ & u/s 10B from EOUs.

Keywords: Exports, Balance of Payment, SEZ, Export Oriented Units, Revenue Forgone.

INTRODUCTION

Export plays an import role to determine the Balance of Payment (BOP) as well as the heath of overall economy of the nation. A favourable Balance of Payment (BOP) is always regarded as good sign for the economic development of the country. An un-favourable Balance of Payment (BOP) is always regarded as an ominous sign and impediment towards the economic development and overall growth of the nation. Like most of the developing nations India's Balance of Payment constantly remains negative year after year. This has become a chronic problem over the number of decades Ahluwalia (2000). The basic structure of Balance of Payment (BOP) in India consists of Current account and Capital account out of these two Current accounts holds an important ground because Current account includes exports and imports of goods and services Ansari (1982). If the imports exceed exports, then the adverse balance of payment is bound to happen. That is what India is facing over the years. It not only reduces the foreign reserve but also at the same time it is posing adverse impact on the national income Belkaoui Riahi (2004). Although government of India has been trying for decades together to improve the situation of exports by taking several measures. But there is hardly change in any situation. Various tax relief measures has been adopted by the government for several export oriented units over the number of years, in order to improve the situation of export and consequently the position of Balance of Payment (BOP). Out the several tax relief measures, the measures adopted by the government the tax relief measures u/s 10A & 10AA for Export from SEZ and u/s 10B i.e. tax relief measures to Export Oriented Units (EOUs) are considered as important measures as far as the BOP and economic development is concerned Choudhry (1979). This research paper based on the availability of data focuses on the impact of tax relief measures on export u/s 10A & 10AA on Export from SEZ & u/s 10B from EOUs. Also it has been tried to find out the amount of revenue forgone on account of these tax relief measures to boost the export for period of

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2008-2009 to 2015-2016 for export from SEZ and 2007-2008 to 2011-2012 for export by Export Oriented Units (EOUs).

Impact of Measures u/s 10A & 10AA on Export from SEZ & u/s 10B from EOUs

Here is the detailed analysis along with conclusion and suggestions. One aspect has been tested here is that whether the revenue forgone on account of Sec 10A & 10AA and Sec 10B has really made any impact on Export from SEZ and Export by Export oriented unit respectively? On the basis of the availability of data analysis of relationship between deduction u/s 10 A & 10AA and Export from SEZ, as well as analysis of relationship between Revenue Forgone on account of tax measures u/s 10B and Export performance by EOUs has been done by applying statistical tool regression. Analyzing the relationship between deduction u/s 10 A & 10AA and Export from SEZ Figure 1.

Financial Years	Revenue forgone on account of tax measures u/s 10A & 10AA	Export from SEZ
2008-2009	13049	99,689
2009-2010	13899	2,20,711
2010-2011	16832	3,15,868
2011-2012	10986	3,64,478
2012-2013	12033.1	4,76,159
2013-2014	17036	4,94,077
2014-2015	16685.53	4,63,770
2015-2016	18864.3	4,67,337

FIGURE 1
EXPORTS FROM SEZS DURING THE LAST EIGHT YEARS & REVENUE FORGONE ON ACCOUNT OF TAX MEASURES U/S 10A & 10AA

(**Source:** Annual Report (16-17.2017), Export from SEZ pp. pp104. Ministry of Commerce & Industry retrieved from commerce.gov.in)

Analyzing the relationship between deduction u/s 10 A & 10AA and Export from SEZ: i.e. change in revenue foregone due to deduction u/s 10 A and 10 AA by changes in export from SEZ; hence regression equation can be framed as follows:

$$Y=a+\beta X$$

Where,
X =Changes in Export from SEZ, Y=Change in revenue forgone due to deduction u/s 10 A and 10 AA.

To test the above model, linear regression test is applied using SPSS where changes in overall Revenue forgone on account of tax measures u/s 10A & 10AA is taken as independent factor and Export from SEZ as dependent variables. By analysis following tables were obtained Table 1.

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Table 1
MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.386[a]	.249	.207	2797.69551

a. Predictors: (Constant), Revenue Forgone u/s 10A & 10AA.

From the above table the R square value is .749 and adjusted R square value is .386 and this enlighten us that the model account for 24.9 % of variance in the present study. This is the clear indication that this model is a weak model Das-Gupta & Mookherjee (1997) Also the R value is 0.386 which states that there is a weak relationship between change in revenue forgone due to deduction u/s 10A and 10AA and change in Export from SEZ Table 2.

Table 2
ANOVA[A]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8198749.602	1	8198749.602	1.047	.443[b]
	Residual	46962600.991	6	7827100.165		
	Total	55161350.593	7			

a. Dependent Variable: Export from SEZ
b. Predictors: (Constant), Revenue forgone on account of tax measures u/s 10A & 10AA

a. Dependent Variable: Export from SEZ
b. Predictors: (Constant), Revenue forgone on account of tax measures u/s 10A & 10AA

From the above ANOVA table, it is inferred that the F value is 1.047 and the significance is 0.443. As the significance is more than 0.05. It clearly reveals the fact that the model which is taken for study is statistically insignificant Table 3.

Table 3
COEFFICIENTS[A]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12174.675	2861.800		4.254	.506
	Export from SEZ	.008	.007	.384	1.023	.443

a. Dependent Variable: Revenue forgone on account of tax measures u/s 10A & 10AA

The above standardized beta coefficient table give a measure of change in revenue forgone due to deduction u/s 10A and 10AA on change in Export from SEZ. T value of export profit forgone is 1.023 and significance is 0.034 and the probability is more than.05. Thus, Deduction u/s 10 A and 10 AA have significant impact on Export from SEZ Sikdar & Mukhopadhyay (2012). Hence the hypothesis i.e. Deduction u/s 10 A and 10 AA have significant impact on export from SEZ is accepted. Thus the above equation is redrafted as Table 4.

Change in revenue forgone u/s 10A and 10AA=12174.675 + 0.008 change in export from SEZ.

Analysing the relationship between Revenue Forgone on account of tax measures u/s 10B and Export performance by EOUs:

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Table 4 EXPORT PROFITS OF EXPORT ORIENTED UNITS [EOUS] AND DEDUCTION U/ 10B		
Financial Years	**Revenue Forgone on account of tax measures u/s 10B**	**Export Performance by EOUs**
2007-2008	6565	79,343.2
2008-2009	7274	92,089.8
2009-2010	3085	82,072.71
2010-2011	3736	98,803.29
2011-2012	3757.5	97,493.23

(**Source:** Annual Report (16-17), Export from SEZ pp. pp105. Ministry of Commerce & Industry retrieved from commerce.gov.in)

Analysing the relationship between Revenue Forgone on account of tax measures u/s 10B and Export performance by EOUs: i.e. change in revenue foregone due to deduction u/s 10B by changes in export performance by EOUs; hence regression equation can be framed as follows:

$$\mathbf{Y=a+\beta X}$$

Where,

X=Changes in Export performance by EOUs; Y=Change in revenue forgone due to deduction u/s 10B Singh & Jain (2001).

To test the above model, linear regression test is applied using SPSS where changes in overall Revenue forgone on account of tax measures u/s 10B is taken as dependent factor and Export performance from EOUs as independent variables. By analysis following tables were obtained Table 5.

Table 5 MODEL SUMMARY				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.256[a]	0.166	-0.146	2114.99612
a. Predictors: (Constant), Revenue Forgone				

From the above table the R square value is .256 and adjusted R square value is -.146 and this enlighten us that the model account for 14.6% of variance in the present study. This is the clear indication that this model is a weak model. Also the R value is 0.256 which states that there is a weak relationship between change in revenue forgone due to deduction u/s 10B and change in Export performance of EOUs Table 6.

Table 6 ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	941541.277	1	941541.277	.210	.487[b]
	Residual	13419625.723	3	4473208.574		
	Total	14361167.000	4			
a. Dependent Variable: Export Performance by EOUs						
b. Predictors: (Constant), Revenue Forgone on account of tax measures u/s 10B						

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From the above ANOVA table, it is inferred that the F value is 0.210 and the significance is 0.487. As the significance is more than 0.05 Time Series Data (2205-2006). It clearly reveals the fact that the model which is taken for study is statistically insignificant Table 7.

Table 7
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9806.383	10771.847		0.910	0.430
	Export Performance by EOUs	.455	0.119	0.256	0.459	.487
a. Dependent Variable: Export Performance by EOUs						

The above standardized beta coefficient table give a measure of change in revenue forgone due to deduction u/s 10B on change in Export performance of EOUs. T value of export performance by EOUs is 0.459 and significance is 0. 487 and the probability is more than .05. Thus, Deduction u/s 10 B has insignificant impact on Export performance of EOUs. Change in Revenue Forgone due to Deduction u/s 10B=9806.38 +0.455 Change in Export Performance by EOUs.

CONCLUSION

On the basis of the above analysis it can be concluded that, the corporate tax measures adopted u/s 10A & 10AA has no significant impact on the export from SEZ, during the period from 2008-2009 to 2015-2016. It means that, no significant growth in export from SEZ units has been achieved during on account of these measures. Similarly it can also be concluded that the measures adopted u/s 10B has again made no significant impact on the export by Export Oriented Units during the financial period from 2007-2008 to 2011-2012. Therefore it can construed that these kinds of corporate tax measures in the form of tax incentives can hardly provide any help to boost exports either from SEZs or from EOUs.

Suggestions

On the basis of the conclusion it is suggested, that instead of adopting such measures, the government and the policy makers can find other alternatives to boost the exports by SEZs or by EOUs. The policy of providing better manufacturing facilities in the form of other incentive, reduction in input costs, reduction in the rate of indirect taxes etc., better transportation and communication facilities should be adopted instead of providing such kinds of incentives to the corporate players. On the other hand policy of ease of doing the business should be adopted for these export oriented units instead of providing tax incentives.

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