(IJTBM) 2026, Vol. No. 16, Issue No. I, Jan-Mar **e-ISSN: 2231-6868 p-ISSN: 2454-468X**

Changes in the Tax Structure of Andhra Pradesh State in India

***B. Narayana Swamy, **Prof. M.D. Bavaiah**
*Research Scholar, **Research Supervisor, Department of Economics, Sri Krishnadevaraya University, Ananthapuramu

DOI:10.37648/ijtbm.v16i01.010

[1]*Received: 05 January 2026; Accepted: 03 February 2026; Published: 04 March 2026*

Abstract

Andhra Pradesh's own tax revenue grew from Rs 42,618 crore in 2014-15 to Rs 89,519 crore in 2024-25 (CAGR 7.7%), but slower than GSDP (11.8%), so the tax-GSDP ratio fell from 8.1% to 5.6%. The structure shifted decisively: State Excise rose from 10.2% to 22.2% of tax revenue, while Taxes on Sales, Trade etc. (including SGST) fell from 71.6% to 55.9%. Stamps and Registration Fee (7.6% to 9.9%) and, since 2022-23, Taxes and Duties on Electricity (about 6%) also gained share. Income and expenditure taxes, land revenue and vehicle taxes stagnated. A structural change index of 19.9 points and a fall in the Herfindahl-Hirschman index from 5,368 to 3,779 show the base has become less concentrated, mainly through excise rather than through a broader consumption or property base. The buoyancy of total taxes to GSDP is 0.78 (log-log, 2014-15 to 2024-25), with state excise (1.56), stamps and registration fees (1.07), and property taxes (1.04) above unity and sales taxes (0.51) well below. The paper argues that the State's revenue mix has become more dependent on a few discretionary, sector-specific levies and that the GST transition and the COVID-19 shock explain most of the movement.

Keywords: *state taxation; tax structure; tax buoyancy; GST; Andhra Pradesh; public finance*

1. Introduction

The tax structure of a sub-national government, meaning the relative weight of each tax in total own tax revenue, determines how stable, buoyant and equitable its revenue is. In India the State's own tax revenue funds a large share of expenditure on health, education, agriculture and infrastructure, so the composition of that revenue matters as much as its level.

Andhra Pradesh is a useful case. The State was bifurcated in June 2014, losing Hyderabad and much of its high-yield service and commercial base. Since then it has passed through three distinct fiscal episodes: the post-bifurcation consolidation (2014-15 to 2016-17); the introduction of the Goods and Services Tax (GST) from 1 July 2017, which subsumed VAT, entry tax, luxury tax and several other levies; and the COVID-19 shock of 2020-21 followed by recovery. Over the same decade, the State also overhauled its liquor retailing regime and, from 2022-23, began reporting a sizeable electricity duty.

This paper tries to examine the changes in the tax structure of Andhra Pradesh between 2014-15 and 2024-25. Its objectives are:

1. To measure the growth of tax revenue and the tax-GSDP ratio.

[1] *How to cite the article:* Swamy B.N., Bavaiah M.D (March 2026); Changes in the Tax Structure of Andhra Pradesh State in India; *International Journal of Transformations in Business Management,* Vol 16, Issue 1, 151-157, DOI: http://doi.org/10.37648/ijtbm.v16i01.010

2. To trace changes in the share of broad categories (property, income and expenditure, commodities) and of ten individual taxes.
3. To estimate buoyancy of total and individual taxes with respect to GSDP.
4. To quantify concentration and structural change, and to relate them to policy events.
5. To draw policy implications for revenue mobilisation.

2. Data and methodology

The study uses annual data for 2014-15 to 2024-25 on the State's own tax revenue (Rs crore, current prices): three broad categories (Taxes on Property; Taxes on Income and Expenditure; Taxes on Commodities and Services) and ten individual taxes, together with GSDP at current prices. Taxes on Property comprise Land Revenue, Stamps and Registration Fee, and Taxes on Immovable Property other than Agricultural Land. Taxes on Commodities comprise State Excise, Taxes on Sales, Trade etc. (including SGST), Taxes on Vehicles, Taxes on Goods and Passengers, Taxes and Duties on Electricity and Other Taxes and Duties. The components add exactly to the reported totals every year.

The following measures are used.

- **Compound annual growth rate (CAGR)** between 2014-15 and 2024-25 (ten years), and for three sub-periods.
- **Tax-GSDP ratio** (tax effort), as a percentage.
- **Buoyancy**, the slope b of the log-log regression of tax revenue on GSDP over all eleven years. The value above 1 means revenue grows faster than the economy.
- **Share analysis** and each tax's share in the total increase in revenue over the decade (incremental share).
- **Herfindahl-Hirschman index (HHI)** of concentration across the ten taxes (shares in per cent, squared and summed; maximum 10,000).
- **Structural change index (SCI)**, half the sum of absolute changes in the ten shares relative to the base year; it ranges from 0 to 100.

$$\ln(T_t) = a + b \, \ln(GSDP_t) + u_t, \qquad SCI_t = \tfrac{1}{2} \sum_i \left| s_{i,t} - s_{i,0} \right|$$

Three sub-periods frame the discussion: pre-GST (2014-15 to 2016-17), GST and pre-COVID (2017-18 to 2019-20), and COVID and after (2020-21 to 2024-25). All values are nominal; no deflator was supplied, so real growth is not estimated.

3. Growth of tax revenue and the tax-GSDP ratio

Total own tax revenue more than doubled, from Rs 42,618 crore in 2014-15 to Rs 89,519 crore in 2024-25, a CAGR of 7.7%. GSDP at current prices grew at 11.8% over the same period, so revenue lagged output in every sub-period.

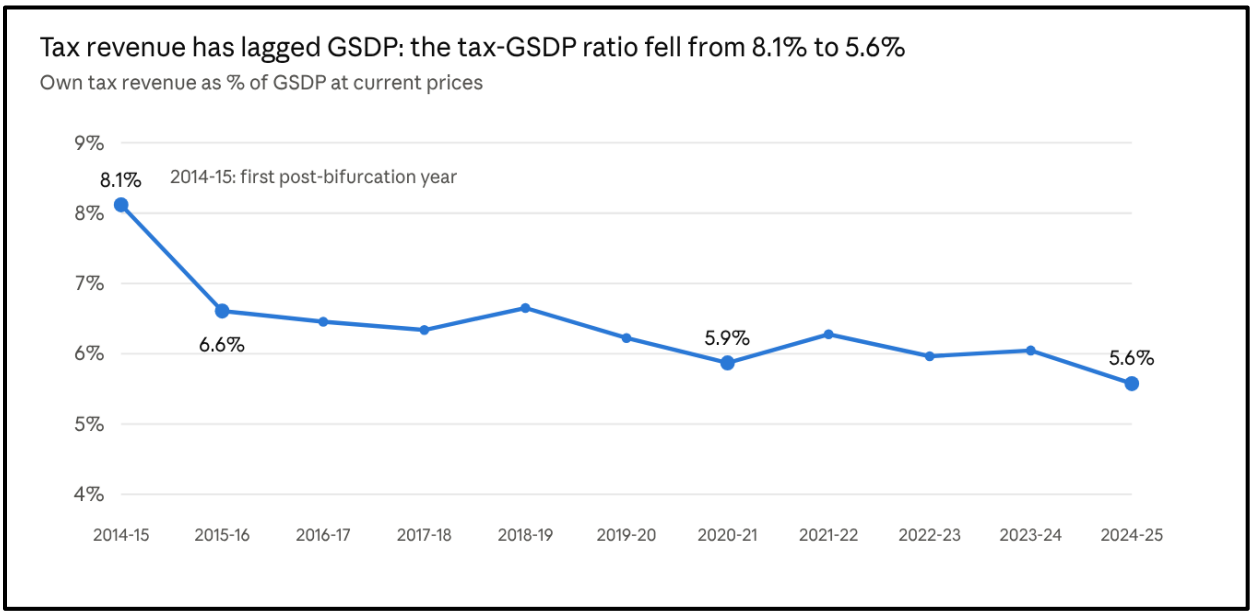
Sub-period	Tax revenue CAGR (%)	GSDP CAGR (%)
2014-15 to 2017-18	5.3	14.4
2017-18 to 2020-21	4.9	7.6
2020-21 to 2024-25	11.7	13.2
2014-15 to 2024-25	7.7	11.8

Source: Authors' Estimates

The tax-GSDP ratio fell from 8.1% in 2014-15 to 5.6% in 2024-25, the lowest in the series. Much of the fall came in a single year: revenue dropped 6.3% in 2015-16 while GSDP rose 15.1%, taking the ratio to 6.6%. The 2014-15 figure, the first after bifurcation, is therefore best read as an outlier base. From 2015-16 the ratio stayed between 6.2% and

6.7% until 2019-20, dipped to 5.9% in 2020-21, recovered to 6.3% in 2021-22, and has drifted down since. Growth has recovered since 2020-21 (11.7% a year), but not enough to lift the ratio.

The weakest phase was 2017-18 to 2020-21, when GST was introduced, and then COVID-19 hit: revenue grew 4.9% a year against 7.6% for GSDP. Revenue fell in absolute terms in 2019-20 (-0.8%) and 2020-21 (-0.3%), while GSDP growth slowed to about 6%.



Andhra Pradesh Tax Revenue.xlsx, 2014-15 to 2024-25; ratio computed from Tables 1 and 2

4. Changes in the broad structure

Commodity taxes dominate and still supply about 89% of own tax revenue, but their share slipped from 91.2% in 2014-15 to 89.2% in 2024-25 (a low of 88.1% in 2023-24). The gain went almost wholly to property taxes, whose share rose from 8.1% to 10.4% (a high of 11.5% in 2023-24). Taxes on income and expenditure, essentially the profession tax, fell from 0.7% to 0.4%.

Broad category	Share 2014-15 (%)	Share 2024-25 (%)	CAGR (%)	Share of total increase (%)
Taxes on Property	8.1	10.4	10.4	12.5
Taxes on Income and Expenditure	0.7	0.4	2.5	0.2
Taxes on Commodities	91.2	89.2	7.5	87.3
Total	100.0	100.0	7.7	100.0

Source: Authors' Estimates

Property taxes grew at 10.4% a year, faster than commodities at 7.5%, but from a small base; commodities still delivered 87% of the Rs 46,901 crore added over the decade. The move is gradual: average property share was 8.8% in 2014-15 to 2016-17, 9.4% in 2017-18 to 2019-20 and 10.8% from 2020-21. At the broad level the structure has therefore changed little, and the real change lies inside the commodity group.

5. Changes in individual taxes

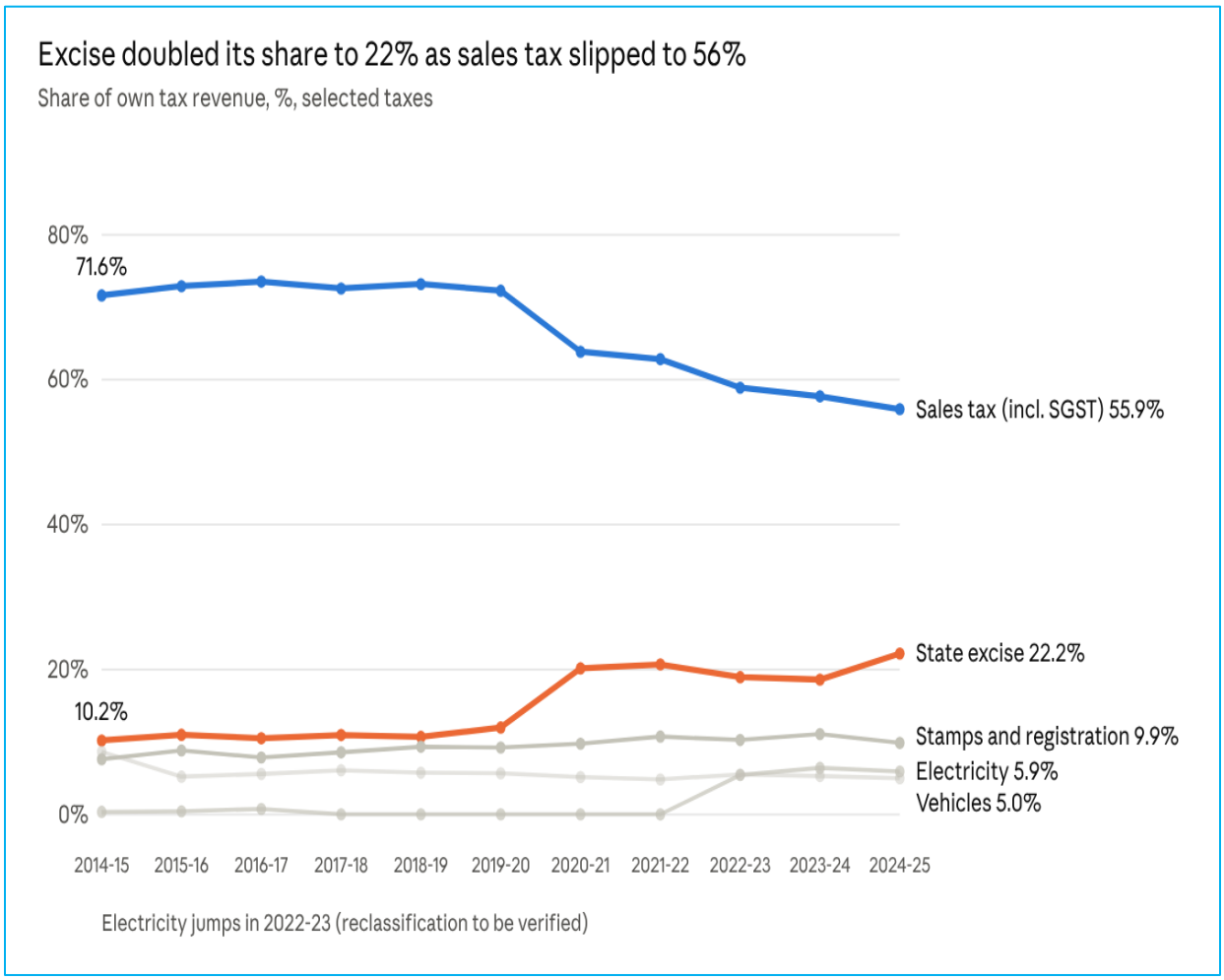
The major shift is from sales taxes to State Excise. Taxes on Sales, Trade etc. (including SGST) fell from 71.6% to 55.9% of revenue, yet still supplied 42% of the decade's increase.

Tax	Share 2014-15 (%)	Share 2024-25 (%)	CAGR (%)	Share of total increase (%)
Taxes on Sales, Trade etc., incl. SGST	71.6	55.9	5.1	41.7
State Excise Duties	10.2	22.2	16.4	33.1
Stamps and Registration Fee	7.6	9.9	10.5	11.9
Taxes and Duties on Electricity	0.4	5.9	n.m.	11.0
Taxes on Vehicles	8.7	5.0	2.0	1.7
Taxes on Immovable Property (non-agricultural)	0.3	0.3	7.0	0.3
Land Revenue	0.1	0.2	12.3 (volatile)	0.3
Taxes on Income and Expenditure	0.7	0.4	2.5	0.2
Taxes on Goods and Passengers	0.03	0.0	n.m.	0.0
Other Taxes and Duties	0.3	0.1	-4.5	-0.1

Source: Authors' Estimates; n.m. = not meaningful (the series jumps from a very small base or is wound down). Land revenue is erratic, ranging from Rs 21 crore to Rs 196 crore, so its CAGR reflects end-point values rather than a trend.

State Excise more than doubled its share, from 10.2% to 22.2%, and supplied 33% of the increase. Taxes and Duties on Electricity, negligible until 2021-22, reached 5.9% in 2024-25 and supplied 11% of the increase. Stamps and Registration Fee rose from 7.6% to 9.9%. Vehicle taxes fell from 8.7% to 5.0%.

Two features stand out. First, the sales tax line was flat from 2017-18 to 2020-21 (0.5% a year) and recovered to 8.1% a year in 2020-21 to 2024-25, still below State GSDP growth. Second, the mix between sales tax and excise moved in a single step in 2020-21, when excise rose 67% in one year, and its share jumped from 12.0% to 20.2%. Average shares for the three sub-periods tell the same story.



Andhra Pradesh Tax Revenue.xlsx, 2014-15 to 2024-25; shares computed from Table 2

Tax	2014-15 to 2016-17 (%)	2017-18 to 2019-20 (%)	2020-21 to 2024-25 (%)
Sales tax incl. SGST	72.7	72.7	59.8
State Excise	10.6	11.2	20.1
Stamps and Registration	8.1	9.1	10.4
Vehicles	6.5	5.9	5.2
Electricity	0.5	0.0	3.6
Income and Expenditure	0.6	0.5	0.4

Source: Authors' Estimates

6. Buoyancy, concentration and structural change

Total tax revenue has a buoyancy of 0.78 with respect to GSDP (standard error 0.05, R-squared 0.96): a 1% rise in GSDP has been associated with a 0.78% rise in own tax revenue. Only three groups exceed unity.

Tax	Buoyancy	R-squared
State Excise Duties	1.56	0.91
Stamps and Registration Fee	1.07	0.95

Tax	Buoyancy	R-squared
Taxes on Property (all)	1.04	0.96
Total tax revenue	0.78	0.96
Taxes on Commodities	0.75	0.96
Taxes on Immovable Property (non-agricultural)	0.59	0.45
Taxes on Sales, Trade etc., incl. SGST	0.51	0.90
Taxes on Vehicles	0.50	0.53
Taxes on Income and Expenditure	0.24	0.40

Source: Authors' Estimates

Land revenue (R-squared 0.03) and the three residual series (electricity, goods and passengers, other taxes) have no stable relation to GSDP and are not reported. The sales tax estimate is the key one: the largest tax, at half the buoyancy of unity, is what holds the overall figure below one. Year-on-year, total buoyancy was negative in 2015-16, 2019-20 and 2020-21, above 1.4 in 2018-19 (1.49) and 2021-22 (1.51), and 0.32 in 2024-25.

Concentration. The HHI across ten taxes was 5,368 in 2014-15, edged up to 5,611 in 2016-17, then fell to 4,606 in 2020-21 and 3,779 in 2024-25. A fall of about 30% means the base is less dependent on one tax, but two taxes (sales and excise) still provide 78% of revenue, against 82% in 2014-15.

Structural change. The SCI stayed at 3 to 4 points up to 2019-20, then jumped to 12.2 in 2020-21 (the excise step-up), reached 16.5 in 2022-23 (the electricity step-up) and 19.9 in 2024-25. Nearly all the change in the decade therefore came from two discrete events after 2019-20, not from steady diversification.

7. Drivers of change

The data fit four episodes. The explanations below are interpretations that link the timing of the numbers to known policy events; the workbook itself does not separate cause from coincidence.

Bifurcation and base effects (2014-15 to 2015-16). Total revenue fell 6.3% in 2015-16 and vehicle taxes fell 43.5%, from Rs 3,687 crore to Rs 2,082 crore. These look like transitional or classification effects of the first post-bifurcation accounts and should be treated with caution in any trend.

GST (from July 2017). GST subsumed VAT, entry tax, luxury tax and parts of the vehicle and goods-and-passenger taxes. Taxes on Goods and Passengers dwindled to almost nothing (Rs 0.05 crore by 2024-25) and 'Other Taxes' fell from Rs 382 crore in 2017-18 to Rs 27 crore in 2018-19. The sales tax line (now including SGST) grew 0.5% a year from 2017-18 to 2020-21 and fell 11.9% in 2020-21. Two features of GST bear on these numbers: the State gave up autonomy over rates on most commodities, and the compensation paid for GST shortfalls until June 2022 came as transfers and not as own tax revenue, so it is invisible here. Petroleum and alcohol remain outside GST, which keeps VAT on fuel inside the sales tax line and excise as the State's principal discretionary lever.

State Excise and the liquor regime (2019-20 onward). Excise rose from Rs 6,915 crore in 2019-20 to Rs 11,575 crore in 2020-21 (+67%) and to Rs 19,882 crore in 2024-25. The timing is consistent with the State's reorganisation of retail liquor sales from late 2019, which would have moved margins and special levies into the excise head. Part of the growth may therefore be a change in where liquor revenue is booked, and part genuine rate and price policy; the workbook cannot separate the two. The 2024-25 revenue (up 24%) shows that the head stayed strong through the change in regime.

Electricity duty (from 2022-23). Electricity taxes rose from Rs 12 crore in 2021-22 to Rs 4,243 crore in 2022-23 and Rs 5,309 crore in 2024-25. A jump of this size in one year points to a change in levy or in the accounting classification, and it should be verified against the State Finance Accounts before being treated as a new source of buoyancy.

Excluding it from 2024-25 would put sales tax at 59.5% and excise at 23.6% of the remainder, so the main shift away from sales tax and towards excise holds either way.

COVID-19 (2020-21). Sales tax fell 11.9% and vehicle tax 9.5%, while stamps and registration grew 5.4% and then 36.3% in 2021-22 as deferred transactions caught up. This rebound explains the 1.51 buoyancy of 2021-22.

Property taxes. Stamps and registration are the steadiest gainer (buoyancy 1.07). The likely drivers are periodic upward revision of guideline (market) values, the real estate cycle, and tighter registration administration, but the decline of 7.4% in 2024-25 shows the tax is sensitive to the property cycle.

8. Policy implications, conclusion and limitations

Conclusion. Between 2014-15 and 2024-25 Andhra Pradesh's tax structure moved from a sales-tax economy to a two-pillar one resting on sales tax (now SGST) and excise, with stamps and registration and electricity duty as secondary pillars. Revenue effort weakened (tax-GSDP ratio 8.1% to 5.6%, overall buoyancy 0.78), and what diversification occurred came in two steps, the 2020-21 excise jump and the 2022-23 electricity jump, not from a broadening of the base.

Policy implications.

1. **Reduce reliance on excise.** At 22% of revenue and buoyancy of 1.56, excise is the State's most productive tax, but it is outside GST, discretionary, subject to public health and policy risk, and its growth is not an indicator of a healthier base. Revenue plans should not assume continued double-digit growth.
2. **Rebuild the GST base.** Sales tax and SGST have a buoyancy of 0.51 and still supply 56% of revenue. Gains lie in compliance (e-invoicing and e-way bill analytics, input-credit matching), in sectors where the State has weak registration, and in careful treatment of fuel VAT. Later GST rate changes, including the 2025 rationalisation, fall outside this data and should be assessed for their effect on SGST in 2025-26 onward.
3. **Treat property taxes as the growth reserve, with care.** Stamps and registration are buoyant, but cyclical. Keeping guideline values aligned with market values and digitising registration are the cheapest steps. Non-agricultural immovable property tax is just 0.3% of revenue.
4. **Modernise small taxes.** Taxes on vehicles (5.0%, buoyancy 0.5) lag the vehicle stock; periodic revision of tax slabs would help. Income and expenditure taxes (0.4%) are held back by the Rs 2,500 annual constitutional ceiling on professions tax, which only the Union can lift by amending Article 276.
5. **Fix the data.** The electricity duty and vehicle tax breaks should be reconciled with State Finance Accounts, and GST should be reported with its SGST, IGST-settlement and compensation components.

Limitations. Values are nominal and cover eleven years, so regression estimates have wide standard errors and ignore serial correlation and structural breaks (GST, COVID-19, reclassifications). Buoyancy mixes discretionary rate changes with automatic response, and the study does not use a deflator, a tax-base measure or non-tax revenue. The 2024-25 values may be provisional or revised. Interpretations of causes in Section 7 rest on timing, not on a causal test.

Sources:

1. Government of Andhra Pradesh: Budget Documents, for tax revenue data.
2. Government of Andhra Pradesh: Socio-Economic Survey, 2024-25 for GSDP data.