

## Contents

<i>Preface</i>	v
<i>Acknowledgements</i>	vii
<b>1. INTRODUCTION</b>	<b>1</b>
Forms of the Incentive in Different Countries	1
The Issues	2
Review of Earlier Studies	3
Objectives of the Study	3
Scope of the Study	5
Plan of the Study	5
<b>2. TAX STRUCTURE AND INCENTIVE PROVISIONS</b>	<b>9</b>
Provisions of the Tax Incentive	9
Structure of Corporate Income Tax	11
<b>3. A REVIEW OF THE DATA</b>	<b>15</b>
Data Requirements	15
Availability of Data	16
Limitations of the Data	18
<b>4. A MODEL OF CHARITABLE CONTRIBUTIONS</b>	<b>21</b>
A Methodological Framework	21
Interpretations of Price Elasticity	24
Concepts of Income and Price of a Unity of Charity	25
<i>a.</i> Measures of price	25
<i>b.</i> Measures of income	29

<i>c.</i> Choice of income and price combinations	32
Functional Specifications of Charitable Contributions	33
<i>a.</i> Constant income and price elasticities	33
<i>b.</i> Variable income and price elasticities	34
<i>c.</i> Separate income and price elasticities by income class	36
<i>d.</i> Regional characteristics and functional specifications of charitable contributions	37
Simulations of Alternative Tax Treatments of Charitable Contributions	38
<b>5. EMPIRICAL ANALYSIS OF THE TAX INCENTIVE: THE RESULTS</b>	<b>42</b>
Estimates of Income and Price Elasticities	42
<i>a.</i> Income and price elasticities obtained from the constant elasticities specification	42
<i>b.</i> Income and price elasticities obtained from variable elasticities specification	46
<i>c.</i> Income and price elasticities by income class	47
Simulated Effects of Alternative Tax Treatments of Charitable Contributions	49
Role of Cost of Administration of a Subsidy	59
Scope of Misuse of the Incentive Provisions	58
<b>6. SUMMARY AND RECOMMENDATIONS</b>	<b>62</b>
Forms of the Incentive in Different Countries	62
Objectives of the Study	62
Review of Earlier Studies	63
Scope of the Current Study	64
Provisions of the Tax Incentive	64
Tax Structure of Corporate Income Tax	65
The Methodology	65
The Data	66
Main Findings and Policy Imperatives	66
Limitations of the Study	68
Suggestions for Improving the Data Base	69

<i>Preface</i>	<i>xi</i>
<i>a.</i> Changes in the ITNS-150C/150E assessment forms	69
<i>b.</i> Strengthening the system of information collection	70
<i>c.</i> Compilation and publication of data	70
ANNEXURE I. Provisions of Deductions for Charitable Contributions	73
ANNEXURE II. An Interpretation of Elasticity of Charitable Contributions	80
ANNEXURE III. Some Concepts in the ITNS-150C/150E/ Assessment Forms: As Applicable to the Assessment year 1978-79	82
ANNEXURE IV. Choice of Appropriate Income Classes to Classify the Donor Companies	84
REFERENCES	87

## **List of Tables in the Text**

1. Deductions and Tax Relief Allowed for the Tax Incentive for Charitable Contributions by Category of Donors	5
1.2 Average Rate of Tax Relief, and Per Donor Deductions and Tax Relief Allowed for the Incentive for Charitable Contributions by Category of Donors	6
2.1 Tax Rate Schedules of Income Tax by Category of Companies	12
4.1 Estimates of Marginal/Average Rates of Tax Relief	29
5.1 Estimates of Income and Price Elasticities of Charitable Contributions Obtained from the Constant Elasticities Specification	43
5.2 Estimates of Income and Price Elasticities of Charitable Contributions Obtained from Variable Elasticities Specification	48
5.3 Income and Price Elasticities of Charitable Contributions by Income Class	50
5.4 Simulations of Alternative Tax Treatment of Charitable Contributions	52
5.5 Simulations of Alternative Tax Treatments of Charitable Contributions Adjusted to Correspond to All the 2109 Donor Companies	56
6.1 Description of Presentation of Data on Donor Companies	71