- Thesis Title: **"Tax Policy and Economic Growth: A Semi-Parametric Approach Using AMTR"**

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ABSTRACT

The present study explores the impact of tax policy on economic growth using average marginal tax rate and average tax rate for South Asian countries. The data for five developing countries: India, Maldives, Nepal, Pakistan, Sri-Lanka is used for the period of 1991-2010. This study uses ADDITIVE MIXED MODELS with penalized spline methodology. In this study we have constructed the average marginal tax rates using methodology of Seater (1982). It further identifies that the variables like average marginal tax rate (AMTRs), average tax rate (ATR), population growth rate, trade-openness, investment, human capital and real per capita GDP are the significant determinants of economic growth in the sample countries. On average, AMTRs and population growth rate reduce the performance of economic growth in the developing countries. The main findings further suggest that nonlinear effects are exerted by tax policy on economic growth. The increase in average marginal tax rate at the lower level of taxation, effects more adversely, than at higher levels of taxation. So it suggested that to increase the economic growth a substantial tax cut in prevailing tax level is essential in developing countries. As in developing countries the AMTRs affects the economic growth adversely and significantly, so developing countries should introduce tax reforms in a way that will lead to reduce dependence on AMTRs.