

## **ANALYSIS OF TAX COLLECTION IN INDIA**

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### **Abstract:**

Taxation is the primary source of income for the government. Taxes collected from both direct tax and indirect tax are the government's tax revenue. Tax collection is considered as a reflection of the economic condition of any country. This research paper is based on secondary data. In this research paper analysed total tax collection from financial year 2017-2018 to 2021-2022 in terms of direct and indirect tax. In 2021-22, the total tax revenue reached Rs.27.07 lakh crore with a record increase of 34%, this is about Rs. 5.00 lakh crore more than budget estimate. The total tax collection in financial year 2021-22, there has been a strong growth of 49% in direct tax and 30% in indirect tax. The decrease in tax collection in the financial year 2019-20 and financial year 2020-21 is due to the disruption in economic activity in the wake of covid-19, but the increase in tax collection in the financial year 2021-2022 is a sign that the country's economy is getting back on track. This credit goes to measures related to ease of compliance and the use of data analytics and artificial intelligence to check evasions. The tremendous growth in direct and indirect tax collections in India indicates the strengthening of the Indian economy. The increase in tax collection reflects the Indian economy's recovery from the effects of the Indian government's economic reforms like as demonetisation in 2016 and the introduction of the Goods and Services Tax in 2017, followed by the impact of the Covid-19 pandemic.

Keywords: Tax Collection, Direct Tax, Indirect Tax etc.

### **INTRODUCTION:**

As India's national income has grown since independence, the share of tax and non-tax revenue in government revenue has increased. As the tax revenue increased, there was a need for reforms in the tax system. Some of the taxes in the taxation system were destroyed with the passage of time while some new taxes were added to the taxation system. According to the technological and economic changes in the economy, the position, direction and size of the taxation system changed. As the share of wealth and gift tax in public revenue declined, new taxes such as goods and services tax were added to the tax system. Taxation is the primary source of income for the government. Taxes collected from both direct tax and indirect tax are the government's tax revenue. Tax collection is considered as a reflection of the economic condition of any country. Tax is the most important way of public income. In an inclusive economy, taxation is an important tool for establishing social and economic justice in the economy. The government levies taxes on people whose income is higher and provides social security to people in lower income groups. Similarly, tax is used to increase savings and reduce unnecessary investment in the economy. In India, the power to collect taxes is given to the

central government, state governments and local bodies. Article 268 to Article 300 of the Constitution of India analyses the financial relationship between the Centre and the States.

**Review of Literature:** Bholane (2020) has carried research on tax revenue collection in India. He concluded that tax collection in India is dependent on indirect taxes. Corporation tax is the major contributor in direct tax revenue collection.

Ghuge (2015) in his research paper Indian Tax Structure –An Analytical Perspective focused on different tax collecting authorities in India. He analysed revenue generated from direct & indirect taxes. He concluded that collection of indirect taxes is nearly twice the amount collected from direct taxes.

Das (2019) has carried research on direct taxation in India. He concluded that in Indian Direct tax structure, administrative aspect of direct taxes has often been neglected resulting into loss of revenue and cropping up of many problems. Administrative problems of income-tax are many. Notable among them are—tax evasion or under valuation of incomes and identifying new assessees. Other administrative problems are concerned with mounting arrears of assessments, collection and pendency of appeals, etc.

### **Objectives of the study:**

- To examine taxation system in India.
- To analysis the direct and indirect tax collection.

### **Research Methodology:**

This research paper is purely based upon secondary data. The secondary data collected from Department of Revenue controlled by Ministry of Finance, Comptroller and Auditor General of India. In addition data and information also collected from Newspapers, Journals and Magazines etc.

### **Taxation system in India**

The tax system in India is classified as follows.

**Central Government Taxes:** Taxes levied by the central government are direct taxes and indirect taxes. Direct Taxes includes – Income Tax, Corporation Tax, Wealth tax, Gift Tax etc. Indirect Taxes includes – Export Tax, Custom Duty, Central Excise Duty, Central Goods and Services Tax etc.

**State Government Taxes:** The Constitution of India empowers states to levy and collect certain taxes. Direct taxes owned by the state government – Land Revenue, Agricultural Income Tax, Profession Tax etc. Indirect taxes include State Goods and Services Tax, Value Added Tax, State Excise Duty, Stamp and Registration Duty, Electricity Tax, Vehicle Tax etc.

**Local Self-Government Taxes** - Local self-government bodies are empowered to levy and collect certain taxes to raise revenue as necessary for carrying out their functions at the local level. In which Gram Panchayat, Municipal Council and Corporations charge house tax, water tax, electricity tax, entertainment tax etc.

**Direct Taxes:** Direct taxes are those which the tax payer pays directly from his income/wealth/estate etc. They are levied on individuals and corporate entities and cannot be transferred to others. These include Income Tax, Wealth Tax, Gift Tax, Corporate Tax, Estate Duty, Fringe Benefit Tax etc.

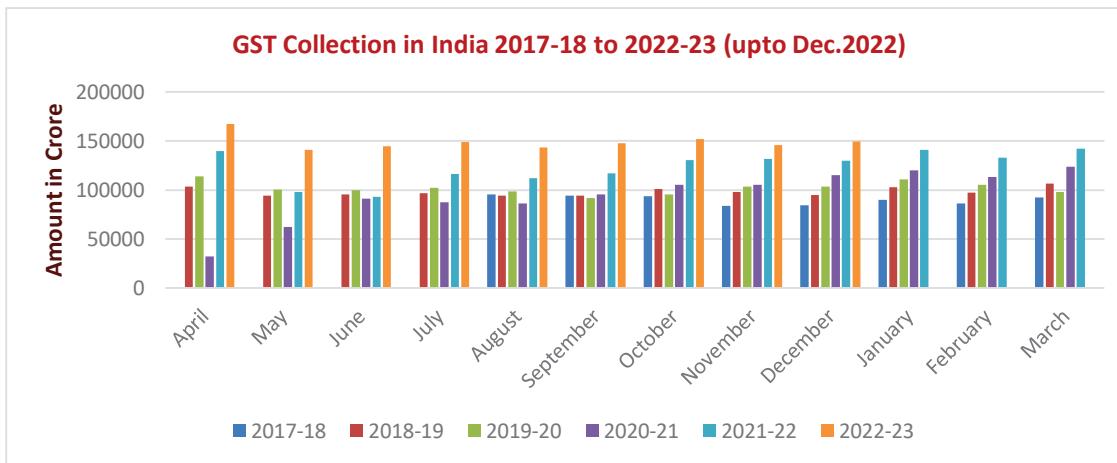
**Indirect Taxes:** Indirect taxes are taxes which are not directly paid by the assessee to the government authorities. These are levied on goods and services and collected by intermediaries (those who sell goods or services). These include Value Added Tax (VAT), Customs Duty, Excise Duty, Goods and Service Tax etc.

### **Analysis of Data:**

Table No. 1: GST Collection from 2017-18 to 2022-23 (December 2022)(Rupees in Crore)

Sr	Month	2017-18 Rs.	2018-19 Rs.	2019-20 Rs.	2020-21 Rs.	2021-22 Rs.	Inc.(+) (2020-21 to 2021-22)% (Till Dec.2022)	2022-23 Rs.	Inc.(+) (2021-22 to 2022-23)%
1	April	---	103459	113865	32172	139708	334.25	167540	19.92
2	May	---	94016	100289	62151	97821	57.39	140885	44.02
3	June	---	95610	99939	90917	92800	2.07	144616	55.84
4	July	---	96483	102083	87422	116393	33.14	148995	28.01
5	August	95633	93960	98202	86449	112020	29.58	143612	28.2
6	September	94064	94442	91916	95480	117010	22.55	147686	26.22
7	October	93333	100710	95379	105155	130127	23.75	151718	16.59
8	November	83780	97637	103491	104963	131526	25.31	145867	10.9
9	December	84314	94726	103184	115174	129780	12.68	149507	15.2
10	January	89825	102503	110818	119875	140986	17.61		
11	February	85962	97247	105361	113143	133026	17.57		
12	March	92167	106577	97590	123902	142095	14.68		
	Total	<b>719078</b>	<b>1177370</b>	<b>1222117</b>	<b>1136803</b>	<b>1483292</b>	<b>30.48</b>		
	Average	<b>89885</b>	<b>98114</b>	<b>101843</b>	<b>94734</b>	<b>123608</b>	---	<b>148936</b>	---

Source: Government of India Ministry of Finance



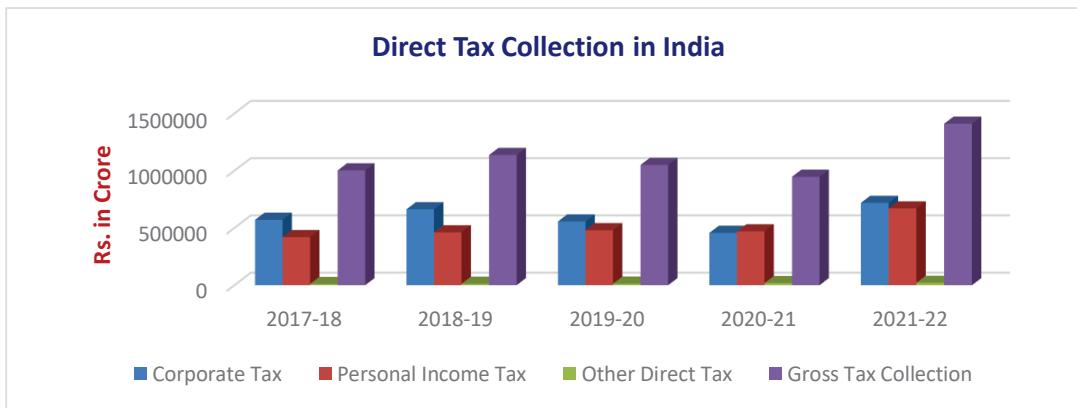
**Interpretation:**

The above table shows the GST collection in India from 2017-2018 to 2022-2023. After the introduction of Goods and Services Tax, it can be seen that the GST collection has increased in 2018-2019 and 2019-2020 to an average of Rs.98114 crores and Rs.101843 crores per month respectively. In 2020-2021 the collection of goods and services tax has decreased due to the corona pandemic. There has been an annual increase of 30.48 percent in the total goods and service tax collection in 2021-2022 as compared to 2020-2021. It will increase in 2022-2023 to an average of 148936 per month by December 2022. From April-2022 to December-2022 there has been an increase in tax collection of Rs.273241 crore compared to the previous year 2021-2022. A comparison of the previous nine month period with the same period of 2021-2022 shows an increase of 25.60 percent in GST collection. This increase in tax is positive for the country's economy.

Table No. 2: Direct Tax Collection (Rupees in Crore)

Year	Corporate Tax	Personal Income Tax	Other Direct Tax	Gross Tax Collection	Inc./Dec. (+)/(-) %
2017-18	571202	419884	10951	1002738	17.93
2018-19	663571	461652	12495	1137718	13.46
2019-20	556876	480348	13462	1050686	-7.64
2020-21	457719	470633	18822	947174	-10.93
2021-22	719035	670588	21005	1410628	48.93

Source: Government of India Ministry of Finance Department of Revenue Central Board of Direct Taxes



#### Interpretation:

The above table shows the direct tax collection in India from 2017-2018 to 2021-2022. After demonetization in India on November 8, 2016, the subsequent financial years 2017-2018 and 2018-2019 saw an increase in direct tax collection of 17.93 per cent and 13.46 per cent respectively. In the subsequent two years i.e. 2019-2020 and 2020-2021 due to the shutdown of all transactions due to Corona pandemic, the direct tax collection has decreased by 7.64 percent and 10.93 percent respectively. In 2021-2022, the direct tax collection has reached a high with an increase of 48.93 percent compared to financial year 2020-2021.

#### CONCLUSION:

In 2021-22, the total tax revenue reached Rs.27.07 lakh crore with a record increase of 34%, this is about Rs. 5.00 lakh crore more than budget estimate. The total tax collection in financial year 2021-22, there has been a strong growth of 49% in direct tax and 30% in indirect tax. The decrease in tax collection in the financial year 2019-20 and financial year 2020-21 is due to the disruption in economic activity in the wake of covid-19, but the increase in tax collection in the financial year 2021-2022 is a sign that the country's economy is getting back on track. This credit goes to measures related to ease of compliance and the use of data analytics and artificial intelligence to check evasions. The tremendous growth in direct and indirect tax collections in India indicates the strengthening of the Indian economy. The increase in tax collection reflects the Indian economy's recovery from the effects of the Indian government's economic reforms like as demonetisation in 2016 and the introduction of the Goods and Services Tax in 2017, followed by the impact of the Covid-19 pandemic.

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