Inspira- Journal of Modern Management & Entrepreneurship (JMME)
ISSN : 2231–167X, Impact Factor: 6.280, Volume 12, No. 01, January-March 2022, pp. 285-297

PERSONAL INCOME TAX- IMPACT ASSESSMENT OF TAX REVENUE

Dr. Neeru Vasishth*
Varun Panwar**

ABSTRACT

The tax structure of India has undergone various reforms over the years, contributing towards increasedtax collection. The present paper discusses history of reforms and trend in revenue from personal taxes. It investigates the relationship of Personal Income Taxes with GDP, income wise trend of returns under different heads, trend in number of total tax payers (Personal Income Tax), the range of income under which they file tax returns (Salary and Business heads), and the heads under which they pay tax. The result shows a strong degree of positive correlation between Personal Income Taxes and GDP (significant at 0.01 level). The authors conclude there is still need for tax reforms like expansion of the tax base, inclusion of agriculture and informal sector under tax ambit, providing more concessions to lower and middle-income class assesses and having a tighter tax administrative machinery. The authors also suggest compulsory tax education programmes so that compliance cost of filing returns is reduced and post-tax income increases in the hands of tax payers.

KEYWORDS: *Personal Income Taxes, Tax Reforms, Tax Collection, ITR.*

Introduction

In consultation with the Ministry of Law, the Income Tax Act, 1961 came into force with effect from 1st April 1962. The tax structure of the country has undergone various changes over the years and various committees have given suggestions for improving tax rates and tax base to the benefit of the taxpayers and the Government. The tax system should be justified to ensure fair imposition of tax on all kinds of taxpayers. It should be common man friendly and impose higher liability on the richer section of people while the fact of the matter is that this section manipulates the tax concepts to their benefit. The poor section, not being fully aware of these manipulations usually is the worst sufferer and pays for his honesty. In 2017, the Government raised Rs. 26,500 crore from those who didn't file tax returns (1.7 crore), through a non-filer monitoring system, by tracking in-house information and tallying it with data on high-value transactions received from external agencies along with TDS and tax collected at source (TCS). The broad mechanism for collection and verification of financial information included data in respect of various types of high-value transactions from banks and FIs and high-value expenditure from commercial establishments in the form of Statement of Financial Transaction (SFT).[1] This substantiates the fact that those who indulge in high value transactions do not pay taxes honestly and the honest low-income earning taxpayer suffers.

Huge tax evasions can be avoided if reforms in the tax structure are fair to all. While corporate assesses can claim many concessions, exemptions and deductions, some concessions to individual tax payers can improve their compliance to the tax machinery, who otherwise look at taxes as aversive to their income portfolio, which is also a reason for tax evasion. A large number of people work in the informal sector, where transactions are done in cash and, thus, out of the tax net. India, being a huge country, the tax administrative machinery is also not completely flawless to capture every transaction in the tax system.

---

* Associate Professor, Janki Devi Memorial College, University of Delhi, Delhi, India.
** *Corresponding Author:* Assistant Professor, Shyam Lal College, University of Delhi, Delhi, India. Email: vpanwar@shyamlal.du.ac.in.
1 http://indpaedia.com/ind/index.php/Income_Tax_India:_Statistics#2018:_Indians_are_earning_more.2C_paying_more_taxes

In terms of the tax structure and tax reforms, Rao, M. G., & Rao, R. K. (2006) explain the changes in the tax structure of India over the time and what was the downside of the structure that led to those changes. Indian tax reforms have been calibrated to changes in the development strategy over time while staying in step with the institutional arrangements in the country. Gupta (2009) analyses the trends in the personal income tax collection during 1980-2008. He also measures the coefficients of buoyancy for personal income tax by using OLS method. Results show that both coefficients of buoyancy and tax revenue from personal income tax improve due to economic reforms. Sinha (2010) highlights the relative importance of tax revenue for the fiscal policy of India, growth of tax collection and compares growth of Indian economy. She also studies the cost of administration and progression of tax revenue in India. The study shows that progression of tax revenue in India is less than that of other countries. Mishra &Yadav (2017) conduct a descriptive and exploratory study to review the Indian income tax structure from 2006-2007 to 2016-17. They find that tax loads are higher on assessees having income in first and second slabs and lower on those having income in third slab. They suggest reforms to provide relief to low- and middle-income group in terms of lower tax rates and higher tax rates on higher income group. Geetanjali&Venugopal (2017) analyse the contribution of direct tax and its impact on the growth of GDP of India from 2000-2016 by using OLS method. They find a significant positive impact of direct tax on the growth of GDP of India and suggest reforms to avoid tax evasion.

Studies have also been conducted on direct and indirect taxes. Ghuge & Katdare (2015) ascertain the amount of tax revenue collected from different tax categories. The study perceives that tax revenue from indirect taxes is almost twice the revenue collected from direct taxes. The paper suggests that the State should formulate a comprehensive and cohesive tax system in order to balance different objectives. Singh (2019) discusses the tax structure and tax reforms in India by using time frame of 36 years (1980-81 to 2016-17) and analyses the trend and composition of direct and indirect taxes. The author concludes that tax compliance should be more flexible and easier.

This article, using secondary data collected through Government reports, aims to study personal income tax, and understand:

- History and reforms in personal income tax.
- Trend in revenue from personal taxes.
- Relation of personal income taxes to GDP.
- Income wise trend of Returns filed under different heads.
- Trend in number of total tax payers (personal income tax), the range of income under which they file tax returns (Salary and Business Heads).
- Possible suggestions for desired changes in personal income tax.

The study is divided into 8 sections including the current one. Section 2 discusses history and reforms in personal income tax structure, followed by trend in personal taxes in subsequent sections. Section 4 discusses relation of personal taxes with GDP, followed by trend of returns under Salary and Business heads, (income wise),trend in number of total tax payers (personal income tax), the range of income under which they file ITRs, the heads under which they pay tax. Section 7 deals with suggestions to improve revenue from personal taxes. Limitations and scope for future research is highlighted in Section 8.

History and Reforms in Personal Income Tax in India

After the mutiny of 1857, the British government faced acute financial crisis. To fill the treasury, the first Income-tax Act was introduced in February 1860 by Sir James Wilson (British India's first finance minister). Separate Income Tax Act was passed in 1886 and various amendments were introduced from time to time. The Indian Income Tax Act of 1918 repealed the Indian Income Tax Act of 1886 and introduced several important changes.

The Act of 1918 was replaced by another Act, passed in 1922. The organizational history of the Income-tax Department started in the year 1922 when the Act gave specific nomenclature to various Income-tax authorities for the first time. The Income Tax Act of 1922 had become very complicated on account of innumerable amendments. The Government of India therefore referred it to the law commission in 1956 to simplify and prevent the evasion of tax. This was the last Act of British India that remained in force till 1962. After the independence of India, all aspects of Indian Tax System were studied thoroughly and all possible attempts were made to make the system more compliant, just and economic, besides producing adequate revenue to make India's economy efficient to cover their previous losses and become self-sufficient.

Government passed Acts for maintaining a structured tax system. Hence, the Income Tax Act, 1961 was introduced with detailed slab rates, exemptions and special rebates etc. Since 1962 several amendments of far-reaching nature have been made in the Income Tax Act including slab rates by the Union Budget every year. In 1970-71, the personal income tax had 11 tax brackets with the tax rates progressively rising from 10 % to 85 %. When the surcharge of 10% was taken into account, the maximum marginal rate for individuals was a mind boggling 93.50 %. In 1973-74 the highest tax rate applicable to an individual went up to the level of 97.50 %.

The Direct Taxes Enquiry Committee, 1971 attributed the large scale tax evasion to the exorbitant tax rates and recommended reduction in the marginal tax rate to 70 %. This change was implemented in 1974-75, when the marginal rate was brought down to 77%, including 10% surcharge. In 1976-77, the marginal rate was further reduced to 66%. A major simplification and rationalization initiative came in 1985-86, when the number of tax brackets were reduced from eight to four and the highest marginal rate was brought down to 50 %.

In 1992-93, the tax structure started to look a lot like the tax structure we know today. Tax slabs were reduced to three. After a gap of two years, the tax slabs were adjusted but the rates remained unchanged. In 1997-98, the prevailing rates of 15, 30 and 40 % were replaced with 10, 20 and 30 %, also at the same time widening the tax base. In 1998-99, exemption limits were increased and remained so until 2006-07. In 1998-99, Gift tax was abolished, although currently gifts are taxable in different circumstances as prescribed by the Income Tax Act 1961.

In 2004, the concept of e-filing was introduced to ease the filing of income tax returns. Although initially it was for corporate firms, but after 2013, it was available for individuals as well. In 2005-06, there were again considerable changes in the tax brackets. CPC Bangalore was established in 2009-10, in collaboration with Infosys, with an allocation of Rs. 300 crore, to take care of e-returns. Further relaxations were given in the tax base in 2010-11 and 2012-13. With the passage of Finance Bill, 2015, wealth-tax was abolished w.e.f. Assessment Year 2016-17. It was replaced with a surcharge of 2 % on the super-rich with taxable income of above Rs.1 crore.

In 2017-18, the tax base was further widened. Due to combined effect of the new rebate under Section 87A and reduction in the lowest slab to 5 %, further tax benefits were given to the assesses.

Trend in Revenue from Personal Taxes

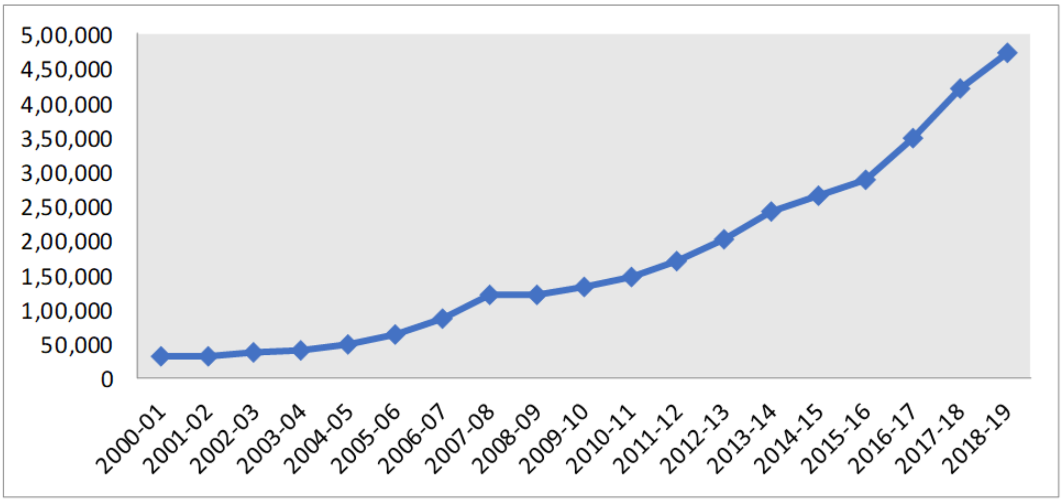

Figure 1: Personal Income Taxes in India (in Rs. Crores)

From Rs. 31,764 crores in 2000-01, personal taxes have increased to Rs. 4,73,121 crores in 2018-19. (Table A) However, with respect to growth over previous years, there is observed a mixed trend. 2007-2008 was the year when personal income tax was at its peak since its inception and direct taxes surpassed indirect tax collection and became 52.97 per cent of central taxes (Table D), personal income tax growth ratio improved to 40.65 percent. Personal tax revenue in 2008-2009 declined compared to 2007-2008 because of economic crisis in 2008, and the growth rate was negative for the first time at -0.33. However, the Indian Government was able to shape the economic growth and handle the monetary and fiscal policy effectively which shows its results in upcoming years. A contributing reason can be that the Government increased the exemption limit from Rs.1,00,000 (in 2006) to Rs.1,50,000 under 80C in A.Y. 2015-2016 so that people contribute more in sectors where the exemption under 80C is allowed, allowing the Government to improve the country's financial conditions.

The years 2000-2001 to 2007-2008 represent the golden gap in the history of personal income tax. Tax Buoyancy was increasing from previous years in 2006 and 2007 (i.e. 2.42 and 2.27) (Table A). Tax buoyancy shows the association between an economy's performance and the Government's happiness (tax revenue). When the tax revenue collected is greater without changing the rate of taxes, it is said to be buoyant.

Some of the reforms contributing to tax buoyancy include, introduction of e filing, rationalisation of tax structure and reforms in direct taxes. Electronic filing has brought increased flexibility in the filing of taxes. It decreases the compliance cost of taxpayers and increases the revenues. In India, e-filing was first introduced in September 2004 on a voluntary usage basis for all categories of income-tax assesses. However in A.Y 2007-08, it became mandatory for all companies.

The personal income tax system was restructured by lowering rates, introducing fewer slabs, providing higher exemption limit and increasing savings-linked tax exemption. In 2005-2006, tax exemption limit was raised to Rs. 1 lakh and in 2007-2008,it was hiked by Rs.10,000, toRs. 1,10000, and new limit for women taxpayers increased to Rs. 1,45,000 and for senior citizens to Rs. 1,95,000 which was earlier Rs. 1,35,000 and Rs. 1,85,000.Simplification of tax structure has contributed to better tax compliance and tax revenue of the Government. The number of slabs and tax rates reduced. Budget 2016 focused on tax rationalization and simplification while unveiling steps to boost 'Make in India'. Section 80C was introduced in place of section 88 with effect from 1st April, 2006. Limit of one lakh of investment under section 80C was fixed in A.Y. 2006-07 and after keeping the limit same for 9 years, up to A.Y. 2014-15, the Government increased the same by Rs. 50,000 to Rs. 1.50 lakh from A.Y. 2015-16.

From 2009, personal income tax kept increasing, though growth was not on an increasing rate (it was 20.34% in 2013-2014 and 9.42% in 2014-2015). Between 2008-2009 and 2011-12, tax buoyancy was also erratic. In 2012-13, the gap between corporate tax and personal income tax declined because of an increase in exemption limit for the general category of individual taxpayers from Rs. 1.8 lakh to Rs. 2 lakhs, and changes in the tax slabs. In 2016-17, direct tax collection significantly increased because the Income declaration scheme was launched and the number of taxpayers and the revenue increased. Thus, tax buoyancy increased from 0.80 (2015-16) to 1.10 (2016-2017). In 2019, schemes like Vivad se Vishwas, changes in e-filing portal helped people to file their returns easily, and drop out their burden of non-payment. Therefore, it increased the growth of taxpayers as well as the percentage of revenue, though tax buoyancy (1.21 in 2019-20) was less in comparison to 2018-19 (1.59).

Relation of Personal Income Taxes with GDP

Taxes being the major source of revenue for the Government, contributing to development of the economy, this section analyses the correlation between GDP and Personal Income Taxes. In table 1 & 2, GDP represents GDP at current price (in crore) and IT represents Personal Income Tax (in Rs. crore).

The present discussion is based on secondary data collected from reports of Reserve Bank of India and Income Tax Department (Table A) for a period of nineteen years from 2000-01 to 2018-19.

Table 1: Descriptive Statistics

Variables	Mean	Std. Deviation	N	Coefficient of Variance
GDP	8104499.6842	5369636.00054	19	**66.255**
IT	172156.8421	135012.24211	19	**78.42398**

Source: SPSS Output

Table 2: Correlation Results

	GDP	IT
GDP	1	.993**
IT	.993**	1

Source: SPSS Output

** Correlation is significant at the 0.01 level (2-tailed).

We have found similarity in variance as Coefficient of variance for GDP and Personal Income Tax range from 65% to 80%. Correlation between Personal Income Tax and GDP is 0.993, representing high degree of positive relationship, significant at 1 percent. This high level of significant correlation between Personal Income Tax and GDP prompted further investigation into the pattern of personal taxes to analyse if further measures can improve their contribution to the Government revenue.

Income wise Trend of Returns Filed under Different Heads

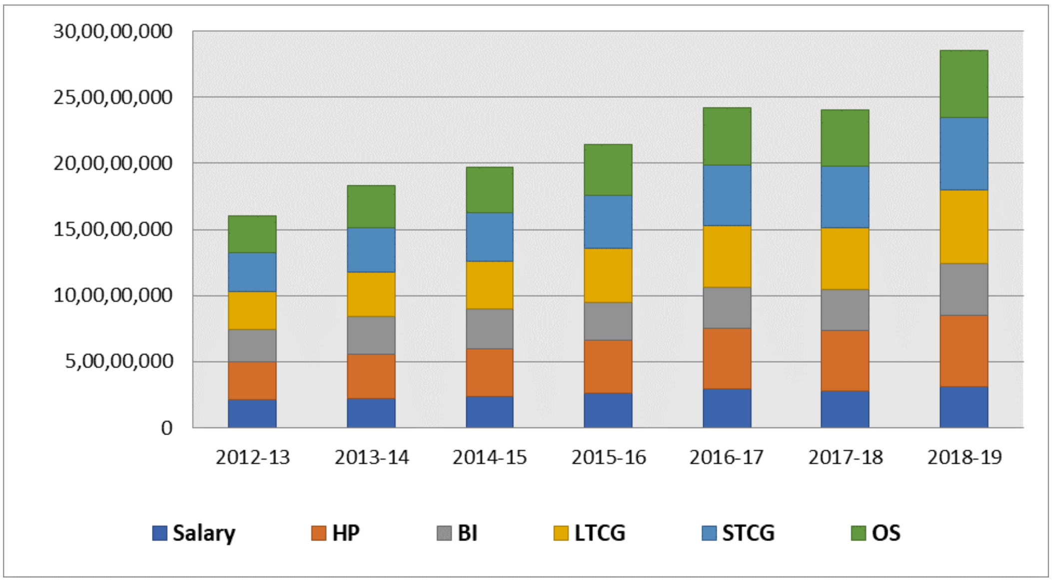

Figure 2: Income Range between 0-2.5 Lakhs Under various Heads

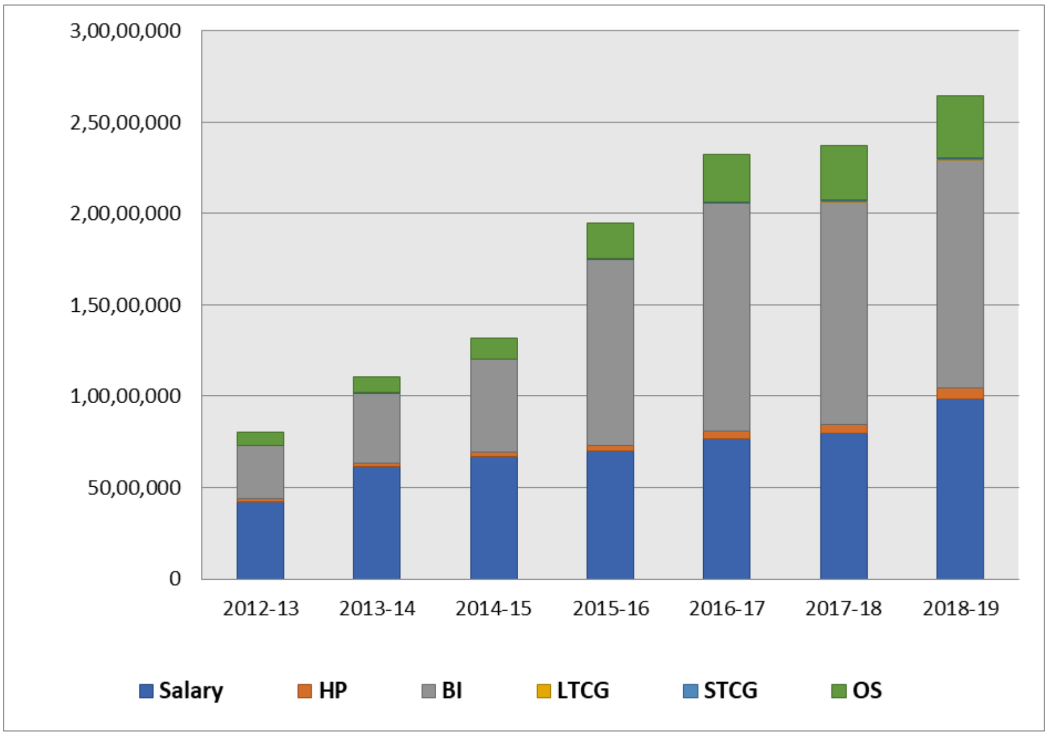

Figure 3: Income Range between 2.5-5 Lakhs under Various Heads

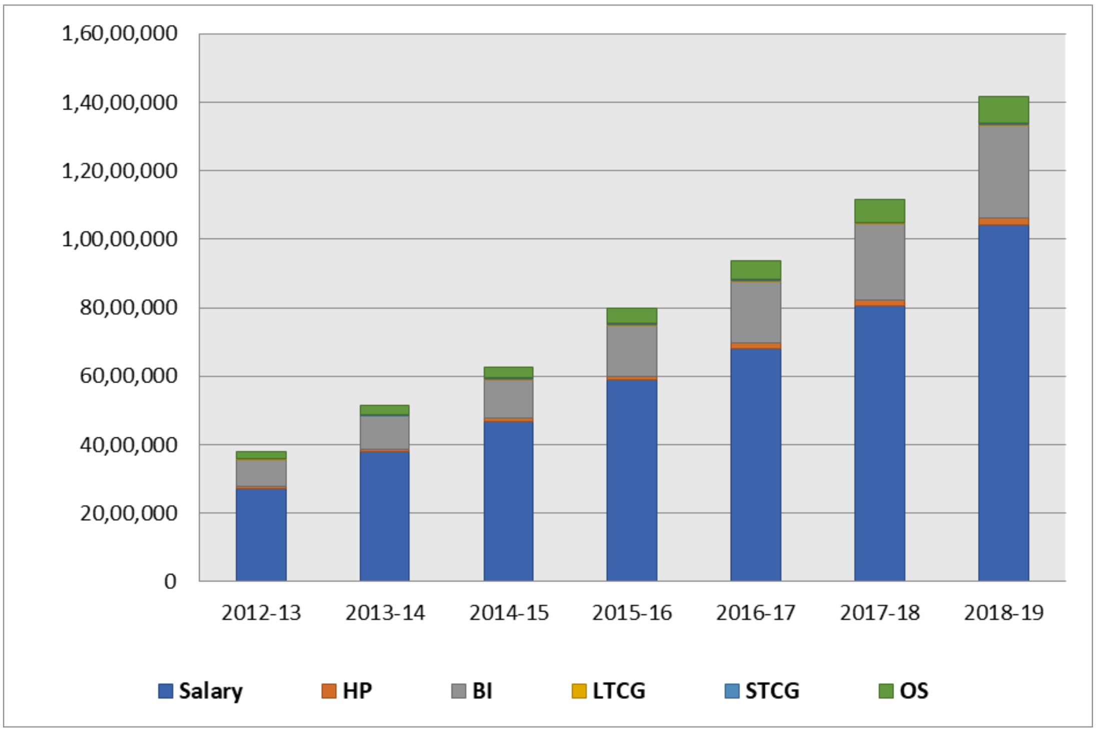

Figure 4: Income Range between 5-10 Lakhs under Various Heads

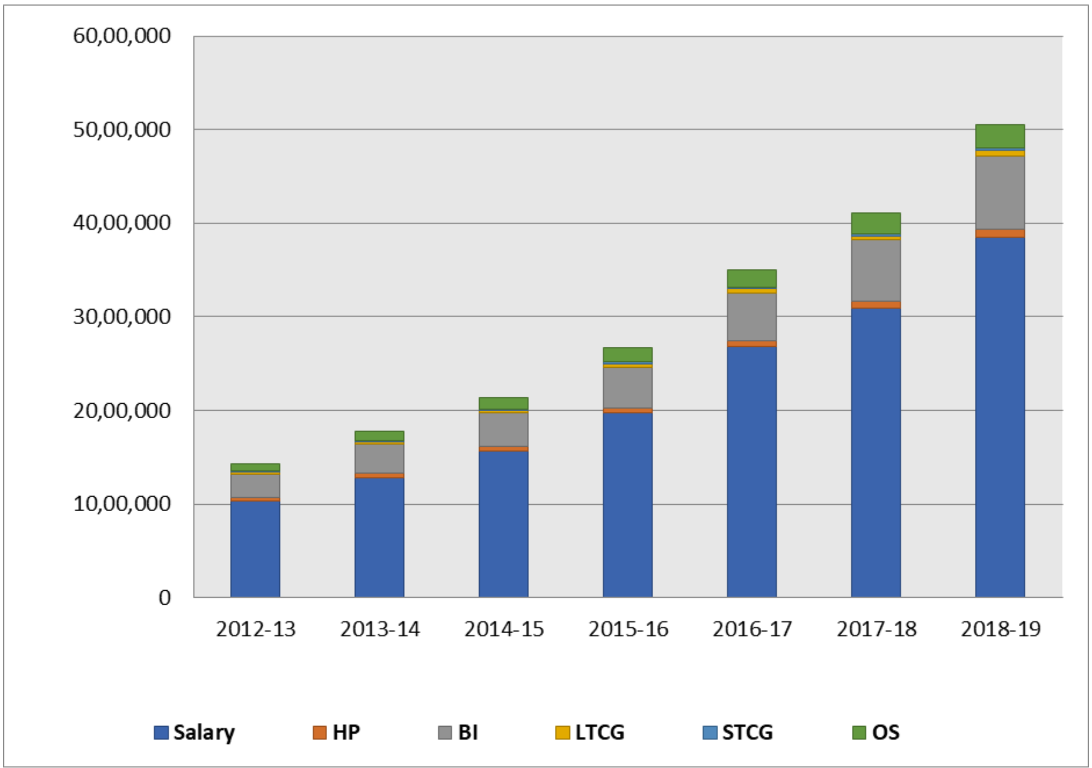

Figure 5: Income Range between 10-50 Lakhs under Various Heads

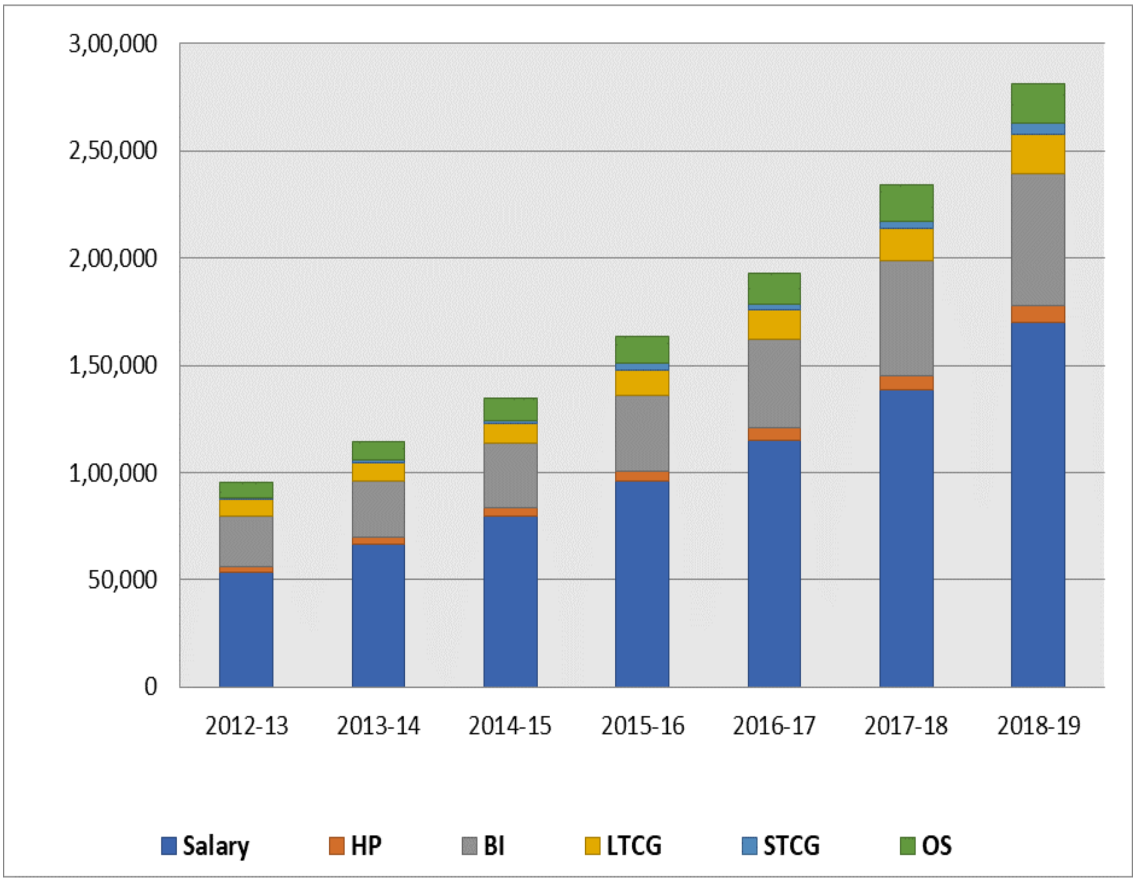

Figure 6: Income Range above 50 Lakhs under Various Heads

In the income range of up to Rs. 2.5 lakh, from 2012-13 to 2018-19, highest returns are filed as capital gains (short term, long-term), followed by house property, other sources, business and salary income (Table B), for income up to Rs. 2.5 lakh to 5 lakh, from 2012-13 to 2018-19, there is movement from salary to business income as highest returns filed, followed by other sources, house property and capital gains (a mixed trend of short-term and long-term), for the next ranges of income from Rs. 5 to 10 lakh, and Rs. 10 to 50 lakh, and above Rs. 50 lakh, for the said period, highest returns are filed as salary income, followed by business income, other sources, house property and capital gains (long-term, then short-term).

The figures indicate that with increasing income over years, there is trend to earn income from salary, followed by business and other sources. Increasing job and entrepreneurial opportunities should be the endeavour of the Government to further upscale the skills and abilities of people. Other sources is the third largest head under which incomes are reported. A tighter administrative machinery to let the incomes not go unreported can further increase the revenue of the Government. While lots of efforts are in place, there is need for further exploration in the area. Education at all levels regarding employment generation opportunities, tax avoidance practices, focus on effective plans and their implementation can go a long way in improving the earning capacity of the individuals and tax revenue of the Government.

Given the salary and business being the largest heads of reporting income, the succeeding paragraph analyses the pattern of taxpayers falling under these heads.

Trend in number of total tax payers and the range of income under which they file tax returns (Salary and Business Heads)

Given the maximum number of returns filed under Salary and Business head, a further probe is done on trend in number of total tax payers under these two heads.

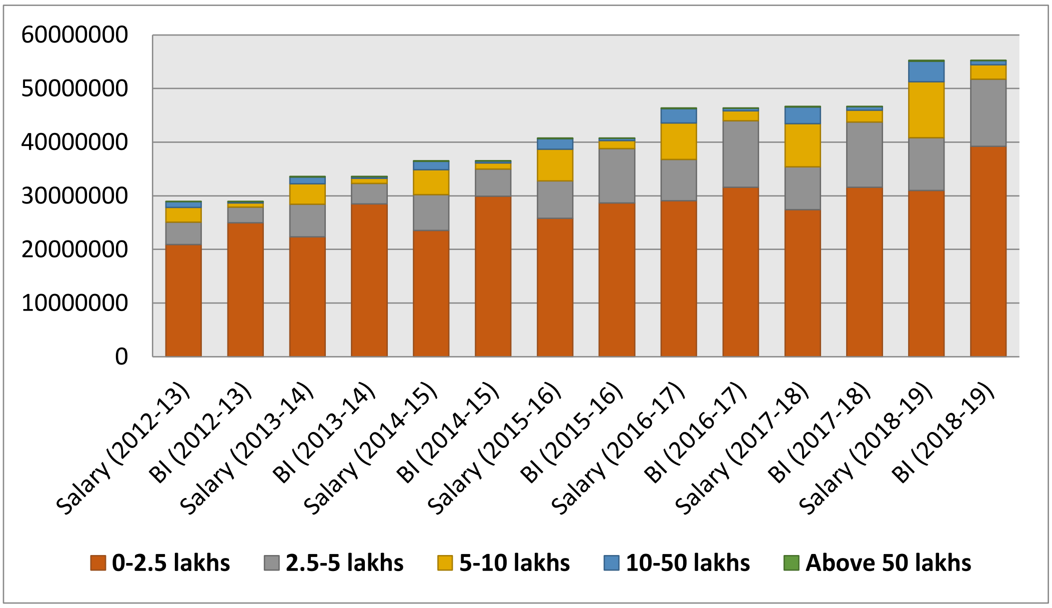

Figure 7: Number of Returns filed under different Slabs of Income for Salary and Business Head

Reference to Table C, the figures for salary show that maximum returns continue to be filed under the income range of 0-2.5 lakh from 2012-13 to 2018-19.The overall situation needs to be improved in terms of enhancing earning capacity of individuals and job creation.

Total numbers of returns have gone up by .91 times from 2012-13 to 2018-19. Under the first slab of income, they have increased by .48 times, in the second slab, up by 1.35 times, in the third slab, up by 2.82 times, in the fourth slab, up by 2.71 times and in the fifth slab, up by 2.17 times. Thus, maximum increase is observed in the slab of Rs. 5 to Rs. 10 lakh, followed by Rs. 10 to Rs. 50 lakh, above Rs. 50 lakh, Rs. 2.5 to Rs. 5 lakh and finally in the income range of 0 to Rs. 2.5 lakh.

While decline in the first slab is a welcome sign as it is indicative of rising incomes, the rate of progression with the successive slabs is in the decreasing order. In 2018-19, 56% of returns were filed in the income range of Rs. 0 to Rs. 2.5 lakh, followed by 18.83% in Rs. 5 to Rs. 10 lakh, 17.85% in Rs. 2.5 to Rs. 5 lakh, 7% in Rs. 10 to Rs. 50 lakh and .31% in the income slab of above Rs. 50 lakh. 74% of filers are earning less than Rs. 5 lakh taxable income and not even 1% (in fact, .31%) of filers are in the range of above Rs. 50 lakh. Thus, the intention to tax the rich to benefit the poor and imposing surcharge on those falling in the income brackets of above Rs. 50 lakh in a year, is not very encouraging.

Reference to Table C, the figures for business income show that maximum returns continue to be filed under the income range of 0-2.5 lakh from 2012-13 to 2018-19. The overall situation needs to be improved in terms of enhancing earning capacity of individuals and job creation.

With increase in number of returns by .91 times from 2012-13 to 2018-19,under the first slab of income, they have increased by .57 times, in the second slab, up by 3.29 times, in the third slab, up by 2.47 times, in the fourth slab, up by 2.10 times and in the fifth slab, up by 1.66 times. Thus, maximum increase is observed in the slab of Rs. 2.5 to Rs. 5 lakh, followed by Rs. 5 to Rs. 10 lakh, Rs. 10 to Rs. 50 lakh, and finally in the income range of 0 to Rs. 2.5 lakh.

While decline in the first slab again is a welcome sign, the rate of progression with the successive slabs is in the decreasing order. In 2018-19, 71% of returns were filed in the income range of Rs. 0 to Rs. 2.5 lakh, followed by 23% in Rs. 2.5 to Rs. 5 lakh, 4.88% in Rs. 5 to Rs. 10 lakh, 1.42% in Rs. 10 to Rs. 50 lakh and .11% in the income slab of above Rs. 50 lakh. 94% of filers are earning less than Rs. 5 lakh business income and not even 1% (in fact, .11%) of filers are in the range of above Rs.50 lakh. Thus, the intention to tax the rich to benefit the poor and imposing surcharge on those falling in the income brackets of above Rs. 50 lakh in a year, is again not very encouraging.

This substantiates the need for augmenting income generation capacity of the people along with tightening the tax administrative machinery as the rich usually have access to ways in which accounts can be manipulated to benefit on account of tax. Paying tax is usually seen as aversive to one's income and taxpayers evade that in the environment of flexible rules. The tax administration should broaden the tax base to bring larger population under the tax net, though the tax rates for the lower income groups should remain low. People filing returns is not even 5% of total population. For the period 2012-13 to 2018-19, it went up from 2.28 to 4.08 percent. A large percentage of population depends on agriculture and informal sector for which no tax structure is designed. Many of these are rich enough to be liable to pay tax but there is no machinery to catch them. Even in the urban sector, the percentage of population earning below the exemption limit may not file the returns, so the percentage of tax filers is low. According to Periodic Labour Force Survey, 2019, over 90 percent of workers in India are informal workers. Out of these, those engaged in rural areas are significantly more than urban areas. This is primarily because a large number (about 60%) of informal workers are engaged in farm or agricultural activities. As per National Sample Survey of 2014, non-demographic dividend of the country is 35.6%. Children between the age of 0 and 14 years made up 27.3% of the population, the future demographic dividend of the country, while 8.3% of the population were above the age of 60 years. The present non-demographic dividend has further increased to 37.5%. As per NSSO Periodic Labour Force Survey 2017-18, India's labour force participation rate for the age group 15-59 years is around 53%, indication nearly half of the working age population being jobless.

While correlation between personal income tax and GDP is high, better compliance, job opportunities and creating an entrepreneurial environment can further improve this ratio and tax revenue. India's unemployment rate increased from 5.27% in 2018to 7.11% in 2019, registering an increase of 1.84%. Efforts of the part of policy makers and entrepreneurial abilities of people will not only raise the standards of people but also increase tax revenue of the Government.

Many people claim the benefit of Form 13, 15G and 15H for no deduction of TDS. There may also be other incomes which are not subjected to TDS and, therefore, go unreported in the tax returns or people do not just file the returns for such incomes. Interest on Post Office Savings Schemes and gold bonds are such incomes which can go unreported from tax payments.

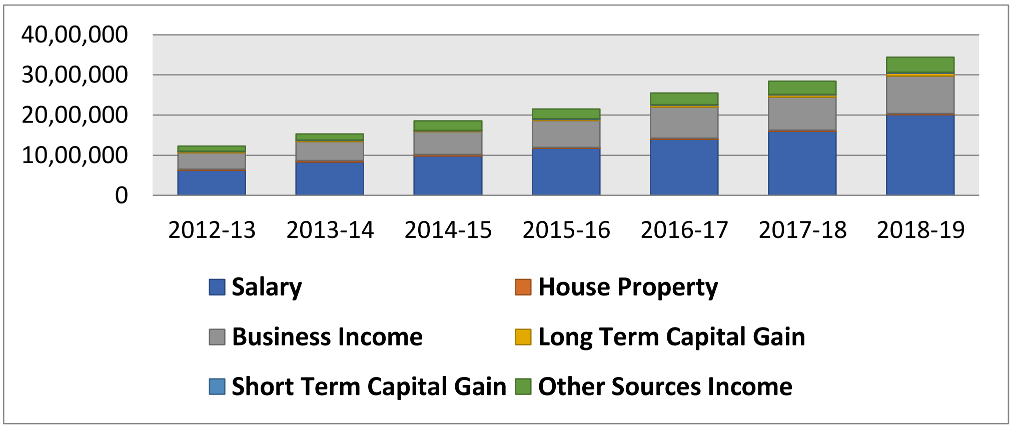

Figure 8: Sum Payable by Individual under each Head (in Crore)

Regarding sum payable by individuals under each head (Table E), the trend observed over the period 2012-13 to 2018-19 shows that maximum revenue is generated from salary head, followed by business income and income from other sources. With many exemptions available on business income and income from other sources, tax liability on these heads is usually low. Additional incentives can boost the salaried taxpayers' contribution to direct taxes.

Suggestions

Personal taxes are a reflection of prosperity of individuals in terms of their rising incomes and standards of living. These taxes have always been lower than corporate taxes and need to be geared up through Government intervention by enforcing a tight administrative machinery and raising awareness amongst individuals to report accurate income in the tax returns.

Tax evasion is followed at various levels, in terms of non-payment or underpayment of taxes. Taxes being the major source of revenue, this results in economic inequality with rich becoming richer through access to knowledge and resources to manipulate their incomes. This results in parallel economy and consequent inflation, the brunt of which is borne by the poor and honest taxpayer.

Some of the common limitations of Indian tax structure are high rates of taxation (Income Tax and GST together) resulting in tax evasion, failure to curb bribery and corruption where taxpayers share a part of evaded tax with the manipulative persons, complex tax structure where people find it hard to get their grievances resolved, complex tax laws and loopholes where people can find provisions to escape tax liability, manipulate accounts, claim false deductions/ exemptions to report low income, charging personal expenses to business revenue and a not too robust system of implementing penalty provisions. All these are besides the lack of moral consciousness on the part of tax payers who do not see themselves as tax abiding citizens and look for more concessions and rebates to become tax compliant citizens.

Though Government takes various steps such as searches and seizures, surveys, enquiries, assessment of income, levy of taxes, penalties, and filing of prosecution complaints in criminal courts, for the timely detection of tax evasion, taxes report cases of tax evasion.

Growth in tax collection can be improved if proper enforcement and compliance is done by the tax administration. Tax reforms can be a big boost for sustainable development of the economy. Voluntary Disclosure of Income Scheme (VDIS) of 1997 garnered a revenue of over Rs. 7,800 crore and that of 2016 generated Rs. 65,250 crores. The Government received Rs. 53,684 crore from the direct tax dispute resolution scheme Vivad Se Vishwas in 2019.

The following suggestions can augment the tax revenue for the betterment of the society and the nation.

- Expand the tax base and reduce the tax rates. For instance, if a person buys a product for Rs. 1,000 on which he pays GST of 18%, he spends Rs. 1,180 on its purchase. If he falls in the 30% tax bracket, his pre-tax income comes out to Rs. 1,715. So, on Rs. 1,715, he actually pays tax worth Rs. 715 (Rs. 535+180) which effectively comes to 41.7%. Some reform where total tax does not exceed 30% in all can increase disposable income in the hands of the taxpayer and boost the economy.
- Reducing tax rates across the Board will always benefit the rich as they earn more. 1% tax cut, for instance for those who are earning Rs. 20 lakh saves them Rs, 20,000 while for those who are earning Rs. 10 lakh saves them Rs. 10,000. Thus, a rational tax structure should aim to cut taxes to the benefit of the poor than rich.
- Bringing larger people in the tax net and providing more concessions to lower and middle income class assesses (up to those in the tax bracket of 20%) will increase tax revenue of the Government and promote a tax conducive environment of the economy.
- The tax rates can be marginally reduced and expenditure tax can be increased on high value goods. Thus, revenue of the Government and tax compliance shall increase. This shall also curtail luxury expenditure and promote savings for development purposes.
- Start-ups and first-generation entrepreneurs can have initial exemptions for motivation to economic development.
- Removal of threshold limit for TDS will also do away with the administrative work of filling and processing of Forms 13, 15G and 15H. Every income should be subjected to TDS for any amount. Refund for those who do not fall in the tax net can be claimed by filing the returns. At the same time, tax base for exemption limit can be increased.
- Deductions should be verified through uploading of documents as many taxpayers take the benefit of deductions (80C, 80D, 80G, 80U etc.) without actually making any contribution towards them.
- There should be compulsory tax education programmes so that compliance cost of filing returns is reduced and post-tax income increases in the hands of tax payers.
- Motivation works better than penalties. There should be some exemptions for the salaried employees for compliance to the tax system.

- The tax rates and tax base should not be frequently changed as it becomes difficult for people to update the new concepts frequently.
- E-filing system should be made stronger to report more information. The new tax portal for the A.Y. 2021-22 has updated many details about the taxpayer's income information in the AIS but more on this front can be done where the Government can gather data from the third parties regarding the financial transactions.
- Agricultural and informal sector should come within the tax ambit for a radical increase in direct tax revenue. As many people in the informal sector may be earning more than the tax exemption income, some mechanism to formalise them, through compulsory registration on portals can increase revenue of the Government.Provision for tax assistance, free of cost in the rural sector can help in making people tax compliant.

Limitations and Scope for Future Research

The present study works on data related to personal income taxes. Further studies can be done on analysing the impact of corporate tax and indirect taxes on Government revenue.

References

1. Datta, A. (2010). The incidence of fuel taxation in India. *Energy Economics*, *32*, S26-S33.
2. Geetanjali, J. V. R., &Venugopal, P. R. (2017). Impact of Direct Taxes on GDP: A Study. *IOSR Journal of Business and Management* , 21-27.
3. Ghuge, N. R., &Katdare, V. V. (2015). Indian Tax Structure-An Analytical Perspective. *International Journal in Management & Social Science*, *3*(9), 242-252.
4. Gupta, A. (2009). The trends and responsiveness of personal income tax in India. *IGIDR Proceeding*.
5. Jha, R., Mohanty, M. S., Chatterjee, S., &Chitkara, P. (2000). Tax efficiency in selected Indian states. In *Advances in public economics*, 91-104.
6. Karnik, A., &Raju, S. (2015). State fiscal capacity and tax effort: Evidence for Indian states. *South Asian Journal of Macroeconomics and Public Finance*, *4*(2), 141-177.
7. Mishra, A. &Yadav, B.K. (2017). Personal Income Tax Structure in India: An Evaluation. International Journa of current research, 9(01), 45902-45905.
8. Rao, M. G., & Rao, R. K. (2006). Trends and issues in tax policy and reform in India. *India Policy Forum*, 2*(1)*, 55-122.
9. Singh, P. (2019). *Tax revenue in India: Trends and issues*. Institute for Social and Economic Change.
10. Sinha, R. (2010). *An international comparison of tax regimes*. Centre for Budget and Governance Accountability.

Appendix

Table A: Personal Taxes in India

Financial Year	Personal Income Tax (in Rs. crore)	GDP at current price(in crore)	Growth in personal Income Tax	Buoyancy Factor
2000-01	31,764	21,77,413	-	-
2001-02	32,004	23,55,845	0.76	2.32
2002-03	36,866	25,36,327	15.19	0.15
2003-04	41,386	28,41,503	12.26	2.59
2004-05	49,268	32,42,210	19.05	2.19
2005-06	63,689	36,93,369	29.27	1.49
2006-07	85,623	42,94,706	34.44	1.76
2007-08	1,20,429	49,87,090	40.65	2.42
2008-09	1,20,034	56,30,063	-0.33	2.27
2009-10	1,32,833	64,77,827	10.66	0.48
2010-11	1,46,258	77,84,115	10.11	0.9
2011-12	1,70,181	90,09,722	16.36	0.95
2012-13	2,01,840	1,01,13,281	18.6	0.62

2013-14	2,42,888	1,12,33,522	20.34	1.07
2014-15	2,65,772	1,24,67,959	9.42	1.16
2015-16	2,87,637	1,37,71,874	8.23	0.86
2016-17	3,49,503	1,53,91,669	21.51	0.8
2017-18	4,19,884	1,70,90,042	20.14	1.1
2018-19	4,73,121	1,88,86,957	12.68	1.59

Source: CBDT Statistics 2018

Table B: Income wise Trend of Returns Filed under Different Heads

- **Income Range between 0-2.5 Lakhs under Various Heads**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Salary	209,11,134	22318395	235,07,991	258,15,912	291,05,869	274,31,407	309,69,626
HP	286,49,110	332,40,848	360,94,767	402,19,572	457,38,083	459,29,720	543,78,984
BI	249,61,571	284,87,717	299,40,578	286,53,187	315,60,414	315,69,884	392,29,136
LTCG	288,52,882	335,06,259	364,25,519	406,31,491	462,49,661	465,33,114	550,70,036
STCG	288,82,893	335,32,943	364,62,404	406,37,432	463,07,595	465,74,850	551,22,972
OS	279,60,306	323,40,981	349,30,249	381,83,885	430,02,240	427,69,797	508,60,103

Source: IT Statistics

- **Income Range between 2.5-5 Lakhs under Various Heads**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Salary	41,98,704	61,20,744	66,78,686	69,70,405	76,67,955	79,56,997	98,68,909
HP	1,73,452	2,16,920	2,67,055	3,42,500	4,25,732	4,90,403	5,70,870
BI	29,09,906	37,95,606	50,55,666	101,38,725	124,55,573	121,93,437	124,85,582
LTCG	22,876	24,431	27,036	35,744	42,771	46,546	63,272
STCG	22,376	26,601	25,731	50,058	35,657	50,600	68,948
OS	6,84,249	8,70,746	11,19,211	19,44,847	26,03,475	29,95,082	33,80,023

Source: IT Statistics

- **Income Range between 5-10 Lakhs under Various Heads**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Salary	27,27,717	37,93,627	46,84,681	58,83,273	68,12,029	80,51,310	104,08,972
HP	67,094	83,442	99,426	1,18,630	1,45,919	1,73,911	2,11,356
BI	7,77,998	9,61,670	11,22,556	14,82,065	18,08,126	22,11,729	26,97,736
LTCG	18,120	18,985	21,300	25,289	30,849	34,020	46,140
STCG	11,536	14,249	13,777	27,595	19,753	26,805	36,653
OS	2,03,169	2,67,221	3,34,188	4,44,949	5,68,130	6,73,721	7,62,145

Source: IT Statistics

- **Income Range between 10-50 Lakhs under Various Heads**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Salary	10,34,384	12,85,807	15,61,813	19,74,367	26,78,788	30,96,823	38,42,500
HP	33,159	40,716	47,837	54,484	64,528	74,606	91,320
BI	2,53,091	3,14,618	3,64,497	4,30,460	5,14,296	6,46,353	7,86,495
LTCG	23,902	26,967	29,748	35,475	42,776	46,543	62,023
STCG	7,644	10,044	9,788	21,174	14,494	19,520	26,998
OS	70,978	97,703	1,19,386	1,53,633	1,91,822	2,19,264	2,39,402

Source: IT Statistics

- **Income Range above 50 Lakhs under Various Heads**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Salary	53,659	66,721	79,863	95,842	1,15,220	1,38,577	1,70,212
HP	2,783	3,368	3,949	4,613	5,599	6,474	7,689
BI	23,032	25,683	29,737	35,362	41,452	53,711	61,270
LTCG	7,818	8,652	9,431	11,800	13,804	14,891	18,748
STCG	1,149	1457	1334	3,540	2,362	3,339	4,648
OS	6,896	8,643	10,000	12,485	14,194	17,190	18,546

Source: IT Statistics

Table C: Trend in Number of Total Tax Payers and the Range of Income under which they File Tax Returns (Salary and Business Heads)

Year	Heads	0-2.5 lakhs	2.5-5 lakhs	5-10 lakhs	10-50 lakhs	Above 50 lakhs
2012-13	Salary	20,911,134	4,198,704	2,727,717	1,034,384	53,659
	BI	24,961,571	2,909,906	777,998	253,091	23,032
2013-14	Salary	22318395	6120744	3793627	1285807	66721
	BI	28,487,717	3,795,606	961,670	314,618	25,683
2014-15	Salary	23507991	6678686	4684681	1561813	79863
	BI	29,940,578	5,055,666	1,122,556	364,497	29,737
2015-16	Salary	25,815,912	6,970,405	5,883,273	1,974,367	95,842
	BI	28,653,187	10,138,725	1,482,065	430,460	35,362
2016-17	Salary	29,105,869	7,667,955	6,812,029	2,678,788	115,220
	BI	31,560,414	12,455,573	1,808,126	514,296	41,452
2017-18	Salary	27,431,407	7,956,997	8,051,310	3,096,823	138,577
	BI	31,569,884	12,193,437	2,211,729	646,353	53,711
2018-19	Salary	30,969,626	9,868,909	10,408,972	3,842,500	170,212
	BI	39,229,136	12,485,582	2,697,736	786,495	61,270

Source: IT Statistics

Table D: Trend in revenue generated from direct and indirect taxes

Year	Direct Tax (In Rs. Crores)	Indirect Tax (In Rs. Crores)	Total taxes (In Rs. Crores)	Direct tax % to total taxes	Indirect tax % to total taxes
2000-01	68,305	1,19,814	1,88,119	36.31%	63.69%
2001-02	69,198	1,17,318	1,86,516	37.10%	62.90%
2002-03	83,088	1,32,608	2,15,696	38.52%	61.48%
2003-04	1,05,088	1,48,608	2,53,696	41.42%	58.58%
2004-05	1,32,771	1,70,936	3,03,707	43.72%	56.28%
2005-06	1,65,216	1,99,348	3,64,564	45.32%	54.68%
2006-07	2,30,181	2,41,538	4,71,719	48.80%	51.20%
2007-08	3,14,330	2,79,031	5,93,361	52.97%	47.03%
2008-09	3,33,818	2,69,433	6,03,251	55.34%	44.66%
2009-10	3,78,063	2,43,939	6,22,002	60.78%	39.22%
2010-11	4,45,995	3,43,716	7,89,711	56.48%	43.52%
2011-12	4,93,987	3,90,953	8,84,940	55.82%	44.18%
2012-13	5,58,989	4,72,915	10,31,904	54.17%	45.83%
2013-14	6,38,596	4,95,347	11,33,943	56.32%	43.68%
2014-15	6,95,792	5,43,215	12,39,007	56.16%	43.84%
2015-16	7,41,945	7,11,885	14,54,180	51.03%	48.97%
2016-17	8,49,713	8,61,515	17,11,228	49.65%	50.35%
2017-18	10,02,037	9,15,256	19,18,210	52.24%	47.76%
2018-19	11,37,685	9,39,018	20,76,703	54.78%	45.22%

Source: CBDT Statistics 2018

Table E: Sum Payable by Individual under Each Head (in Crore)

Years	Salary	House Property	Business Income	Long Term Capital Gain	Short Term Capital Gain	Other Sources Income
2012-13	6,26,502	29,814	4,06,169	30,392	5,962	1,27,810
2013-14	8,33,180	37,443	4,68,166	28,686	7,375	1,52,719
2014-15	9,79,910	44,374	5,57,216	31,631	6,744	2,39,091
2015-16	11,67,744	27,221	6,66,717	37,270	15,994	2,34,523
2016-17	13,96,196	30,774	7,73,147	46,697	12,372	2,87,961
2017-18	15,94,487	31,958	8,18,725	52,229	16,495	3,29,387
2018-19	20,04,069	37,448	9,30,416	67,047	23,163	3,79,013

Source: IT Statistics

♦❐♦