

ANALYSIS ON POLICY PERSPECTIVES OF TAXATION OF INCOME IN INDIA IN POST-LIBERALIZATION PERIOD

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**ANALYSIS ON POLICY PERSPECTIVES OF TAXATION OF INCOME  
IN INDIA IN POST-LIBERALIZATION PERIOD**

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**By**

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**2017**

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## DECLARATION

This is to certify that the Thesis entitled “**ANALYSIS ON POLICY PERSPECTIVES OF TAXATION OF INCOME IN INDIA IN POST-LIBERALIZATION PERIOD**” submitted to **CMJ University**, is a partial fulfillment for the award of the Degree of **Doctor of Philosophy in Commerce** is my unique work under the supervision of **Dr. Harsha Vardhan Jhamb**, Associate Professor, Department of Commerce, **CMJ University**, Jorabat, Meghalaya, **India**. The thesis has not been submitted before for the award of any degree, diploma or similar title of this or any other University.

Place: Jorabat (Meghalaya)

(KAWALPREET SINGH)

Date: 11/09/2017

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## CERTIFICATE

This is to certify that the thesis entitled “**ANALYSIS ON POLICY PERSPECTIVES OF TAXATION OF INCOME IN INDIA IN POST-LIBERALIZATION PERIOD**” submitted to **CMJ University, Jorabat, Meghalaya, India** by **Kawalpreet Singh** for the award of **Doctor of Philosophy in Commerce** is a record of research work done under my supervision and guidance. This thesis has reached the standards fulfilling the requirements of the regulations for the Degree and it was not previously formed the basis for any other degree or diploma and I additionally affirm that the Thesis speaks to an autonomous work with respect to the Candidate.

Place: Jorabat (Meghalaya)

(**DR. HARSHA VARDHAN JHAMB**)

Date: 11/09/2017

**Research Supervisor**



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### ABSTRACT

Taxation is the main device to accomplish growth and economic advancement over the long haul of any nation and it is vital to comprehend the parts of tax which are to be focused so as to achieve economic growth. The present examination looks at the Taxation of Income in India amid post liberalization period and arrangement point of view in such manner. It has broken down the growth of income tax income, execution of Income Tax Department and impression of tax experts in regards to Income Tax System in India. For assessing growth of income tax income in India and execution of the income tax organization auxiliary information has been gathered for the period 2007-08 to 2016-2017.

For examining the view of tax experts with respect to Income Tax System, information has been gathered from tax experts for example Sanctioned Accountants rehearsing in Punjab and Chandigarh (U.T.). Further, a greater part of tax experts opined that tax avoidance and debasement are common in the Indian Income Tax System because of numerous taxes, high tax rates, social acknowledgment of tax avoidance, low likelihood of location and low tax ethical quality, over the top optional forces accessible with income tax specialists. They opined that staff is accessible in the workplaces and labor is overburdened in Income Tax Department, Online tax accounting system and so forth. It was likewise discovered that offer of direct taxes in absolute tax income of Central Government, number of income tax assessees, income tax to GDP proportion and lightness coefficient demonstrated an upward pattern amid this period. Further, Maharashtra and Delhi stayed best performing states as far as offer in absolute income tax income. While, the conditions of Bihar and Jharkhand, J and K and Himachal Pradesh made the most reduced commitment towards all out income tax income. Cost per rupee of tax gathering and cost per assessee, number of extraordinary discount claims declined amid the examination period.



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CHAPTER - 1

INTRODUCTION

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## **CHAPTER - 1**

### **INTRODUCTION**

#### **1.1 BACKGROUND**

World over, tax systems have experienced critical changes amid the most recent 20 years the same number of nations crosswise over various ideological range and shifting dimensions of advancement have embraced reforms. The rush of tax reforms over the world that started in the mid-1980s actually quickened during the 1990s roused by various factors. In many creating nations, squeezing monetary lopsidedness was the main thrust. Tax approach was utilized as a key instrument to address serious budgetary weights. In others, the change from plan to showcase required wide extending tax reforms. Other than productivity contemplations, these tax reforms needed to address the issue of supplanting open undertaking benefits with taxes as a chief wellspring of revenue and adjusting tax approach to change the advancement procedure. Another inspiration was given by the internationalization of economic activities emerging from expanding globalization. While the hand, this has involved noteworthy decrease in duties and trade must be found for this critical and generally effectively directed revenue source, on the other, globalization underscored the need to limit both proficiency and consistence expenses of the tax system. The supply side tax reforms of the Thatcher-Reagan period additionally had their impact on the tax reforms in creating nations.

The advancement of Indian tax system was spurred by comparable concerns but then, here and there, it is extraordinary and even novel. In contrast to most creating nations, which were guided in their tax reforms by multilateral organizations, Indian tax reform endeavors have to a great extent borne a local brand. They have been aligned because of changes in the advancement system after some time while keeping tuned in to the institutional courses of action in the nation. In this manner, notwithstanding when the government looked for help from multilateral money related organizations, the suggestions of these foundations did not straightforwardly convert into a plan for tax reform. In spite of this, the tax system reforms were comprehensively in conformity with universal patterns and counsel proffered by master gatherings and was tuned in to global accepted procedures.

Definitely, tax approach has advanced in the nation in light of changing improvement methodology throughout the years. In the underlying years, the tax approach was guided by an



expansive number of demands put on the government. They can be condensed into the need to build the dimension of reserve funds and interest in the economy and henceforth animate development and the need to guarantee a reasonable appropriation of incomes. These implied a push to raise taxes from those with a "capacity to pay", with little respect for the effectiveness ramifications of the picked instruments for the reason.

The job of history and establishments was additionally critical in forming the tax system in the nation. In fact, the nature of bureaucratic country, task of tax powers and tax sharing plans have impacted on the motivating forces for revenue preparation and the structure and organization of the taxes in both local and state governments. The covering tax systems have made it hard to have including, far reaching and co-ordinate tax system reforms. Another heritage of arranging is selectivity and attentiveness both in planning the structure and in usage of the tax system. These added to disintegration of the tax base, made amazing specific vested parties, and presented 'arranged settlement' to the tax system.<sup>3</sup> In a shut economy, wasteful aspects did not make a difference and relative value contortions and disincentives to work, spare and contribute did not warrant much thought.

Government needs to assume an essential job in all round advancement of society in the cutting edge time. It has not exclusively to perform its conventional capacities (barrier, support of lawfulness) yet in addition to embrace welfare and improvement activities, for example, wellbeing, training, sanitation, rural advancement, water supply and so forth. It has likewise to pay for its own organization. Every one of these capacities requires immense open account. Taxes comprise the primary wellspring of open fund whereby government raises revenue for open spending. Taxes have been extensively arranged into immediate and indirect taxes. „Direct taxes“ incorporate those taxes which are paid by the individual on whom these are exacted like salary tax, riches tax and so forth. Then again, „indirect taxes“ are exacted on one individual, however paid by another for example deals tax, extract obligation, custom obligation and so forth.

Salary tax is the most imperative of all direct taxes and with the application of dynamic rate plan, arrangement of exception farthest point and joining of various impetus arrangements. It very well may be utilized not exclusively to fulfill every one of the ordinances of a sound tax system yet may likewise go far in acknowledging assortment of financial targets set out by the economic system. It additionally helps in bringing distributional equity through higher rate of

tax on the rich class of the general public. It might likewise act as a device for controlling expansion. Because of every one of these factors, salary tax has accepted extraordinary significance in the structure of direct taxation. Consequently, all politically propelled majority rules systems force some form of individual taxation, by and large dependent on salary.

The Indian tax reform experience can give valuable exercises to numerous nations because of the expansiveness of the nation with staggered financial system, uniqueness of the reform understanding and challenges in aligning reforms because of institutional requirements. These, independent from anyone else, are sufficiently critical purposes behind a nitty gritty examination of the tax system in India. Shockingly, not at all like in many created nations where real tax reform activities were trailed by point by point examination of their impact, there are no genuine investigations breaking down the economic impact of tax reforms in India.

This examination embraces the investigation of the Indian tax system. It subtleties the advancement of the tax system and its reform throughout the years and examinations its proficiency and equity suggestions. In section 2, elective models of tax system reform are given a view to recognizing the best practice approach followed in tax system reforms. Most likely, in a popularity based nation, it is hard to accomplish the perfect but, the structure maintains the attention on further reforms. Section 3 examinations the development of Indian tax system and the impact of authentic and institutional factors in forming Indian tax arrangement. The patterns in tax revenue are displayed in section 4 and these points towards a relative stagnation and deceleration in tax revenues at both local and state levels. Section 5 examinations the explanations behind the stagnation in revenues at local and state levels. This is trailed by an exploratory discourse on the conceivable effectiveness and equity ramifications of tax system. The last section presents headings for further reforms.

Until mid-2016, India's development had been quickening when development in different nations was decelerating. However, at that point the opposite occurred. The world economy set out on a synchronous recuperation, however India's GDP development and for sure various different indicators, for example, modern generation, credit, and speculation decelerated. Any clarification would need to clarify this adjustment in fortunes; this "decoupling" of Indian development from worldwide development, distinguishing the factors that made India manufacture its one of a kind way. Five clarifications present themselves.



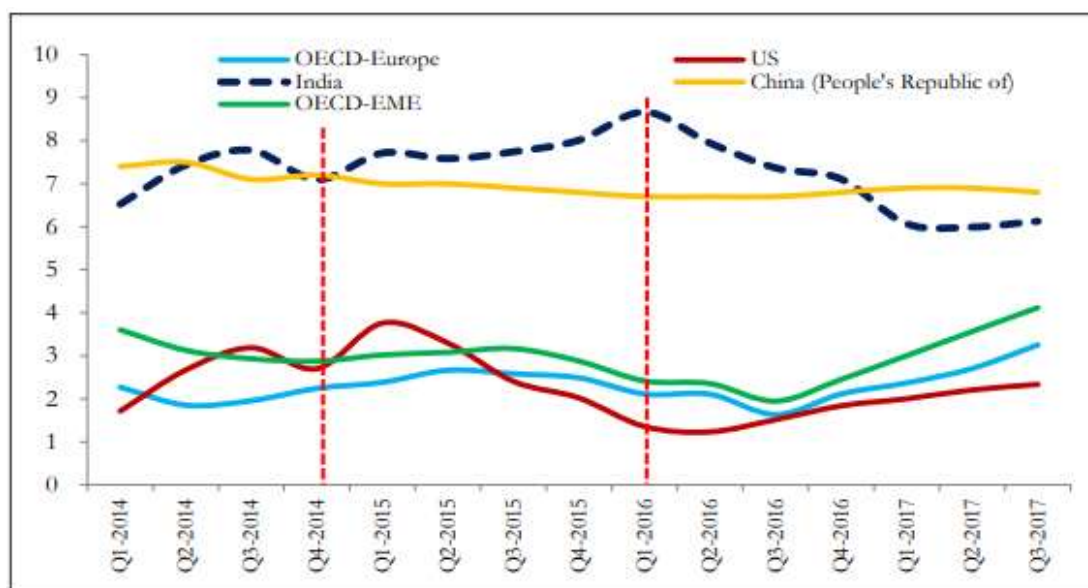


Figure 1.1: India's Comparative Growth, 2014-2017

## 1.2 CHANGING PARADIGMS OF TAX POLICY AND REFORM

In the literature on tax plan and reform, the reasoning on what establishes the best tax system and a usage procedure to accomplish it have experienced significant change throughout the years principally because of the changing job of the state being developed and internationalization of economic activities. Plan of tax arrangement and reform of a current tax routine can be two unmistakably unique activities, not continually creating a similar arrangement of results. It is conceivable to contend that the goal of tax reform ought to be to graph the course to take a given tax routine to one "ideally" planned. Be that as it may, history of the current system, just as political and authoritative imperatives could put restrains on such a change way. For example, an extensive utilization tax of the VAT assortment may be best actualized at the national dimension, in order to maintain a strategic distance from issues identifying with treatment of between state taxation. In any case, the task of tax powers in India could make that change troublesome, if certainly feasible. Reform, in this way, may need to investigate different options, for example, double VAT.

One vital school of thought, which centers on the structure of a tax system, is ideal taxation. This school of thought perceives the challenges of accomplishing the primary best and underlines the need to limit the deadweight losses in investigating the second best arrangements. Here one can recognize two key methodologies. To begin with, in view of the

presumption that government is almighty, completely informed, big-hearted and driven by effectiveness thought, infers the accompanying outcome: to limit the abundance weight of raising given measure of revenue, utilization ought to be taxed and the ideal rate of tax on individual items ought to be identified with the immediate and cross-value versatilities of demand. In the exceptional situation when the remunerated cross value versatilities are zero, the ideal tax rate is contrarily proportional to the direct repaid value flexibility of demand (Ramsey Rule). The lower the repaid value flexibility of demand, the littler the development far from the undistorted first-best ideal in light of the tax with the goal that it makes good on to regulatory obligation the lower-versatility merchandise at higher rates. Since tax structures planned on these standards would include taxing necessities, the need to address distributional concerns winds up principal. Consolidating distributional contemplations into this worldview acquired discourses of ideal pay tax, applications of which interestingly don't bolster strongly dynamic tax structures.

The second methodology perceives that the government ordinarily does not have the information on versatilities and is liable to campaigning when it is happy to tax diverse merchandise at various rates. Related with the names of Harberger and Hatta, this methodology inclines all the more vigorously towards taxing utilization at uniform rates crosswise over merchandise. As indicated by this school, while proficiency (and appropriation loads) is unmistakably attractive in the plan of tax strategy, authoritative capacity, thoughtfulness regarding neighborhood organizations and political truths are similarly, if not progressively, essential. The essential concern isn't to plan a system that will be 'ideal', yet embrace the system that will limit tax-instigated mutilations and in the meantime, is officially achievable and politically adequate. The fundamental Harberger reform bundle for creating nations that are value takers in the global market comprises of, bury alia, uniform duty and a wide based Value Added Tax (VAT). Panagariya and Rodrik analyze the method of reasoning for uniformity with regards to import duties and contend that while the case for uniform taxes isn't watertight, uniformity limits the weights for ideal (lower) rates on certain products over others. The responsibility to a uniform tax rate presents a free-rider issue for businesses to campaign for lower rates for themselves (since such lower rates are then stretched out to everybody).

While the literature has concentrated more on the former, it has assumed restricted job in actual tax-strategy formulation. The second methodology, joined with regulatory cost contemplations rises to be a closer guess of the methodology of tax-approach practitioners. The push of most

tax-arrangement guidance inside this methodology is to improve revenue profitability of the tax system while limiting relative value bends. This includes endeavors to expand the tax base, bring down the rates and decrease rate separation of both immediate and indirect taxes. Appropriation of uniform tax rate has been an imperative element of practical ways to deal with tax reform. A more extensive base requires lower rates to be exacted to create a given measure of revenue. It likewise guarantees level equity, is attractive from the political economy perspective as disposal of exemptions and concessions lessens the impact of specific vested parties on tax strategy and diminishes authoritative expenses. Lower marginal rates not just lessen disincentives to work, spare and contribute, yet in addition help to improve tax consistence. The inclination for expansive based and uniform rates of taxation, in this way, is guided by the need to dispense with a subjective cluster of tax differentials decided more by particular vested party governmental issues than quest for economic proficiency. Further, the restricted framework and capacity of tax organizations in creating nations oblige them from adequately managing convoluted tax routines. Expansive put together systems of taxation based with respect to uniform rates are a component for giving dependability and effortlessness to the tax system.

The presentation of VAT is a critical segment of ongoing tax reform bundles in the greater part of the nations, particularly with regards to declining accentuation on import levies. Sharp and Lighthart demonstrate that in little open economies any revenue nonpartisan duty cut joined by value unbiased goal based VAT will improve both net revenue and welfare. While, this outcome is challenged, particularly with regards to creating economies with huge informal divisions, the discussion does not stretch out to situations where VAT tries to supplant a falling sort of offers tax or wide based extract obligation. Further, in vast economies, complete substitution of revenue from universal exchange taxes by VAT may not be conceivable since it may be related with unsuitably high tax rates and regardless of whether it were, the revenue may not collect to the focal government in a bureaucratic set up like India where the states have generally held the ability to exact deals tax Rajaraman, inferring along these lines the need to investigate every other option.

In numerous nations, purpose behind imposing the VAT has to such an extent, if not more, to do with supplanting the falling kind deals taxes, which are regularly, restricted to the manufacturing stage than to substitute import obligations as a wellspring of revenue. As a rule the extension of tax base accompanying the VAT both due to reaching out of the tax to stages



consequent to manufacturing, as additionally oneself upholding nature of the tax have prompted higher revenue efficiency. Regularly, this has reinforced the information base for tax organization bringing about improved consistence in different taxes and along these lines upgrading generally speaking profitability of the tax system. Thus, as contended by Bird, despite the fact that VAT isn't really a "money machine", if the tax is regulated appropriately, the traditional end this is the most ideal approach to compensate for the revenue misfortune from trade liberalization holds.

### **1.3 ORIGIN AND EVOLUTION OF INCOME TAX IN INDIA**

The essential structure for the tax system in autonomous India was given in the sacred task of tax powers. The critical component of the tax task is the reception of guideline of partition in tax powers between the central and state governments. It relegated the real expansive based and versatile tax bases to the center and these included taxes on non-agrarian incomes and riches, partnership income tax, traditions obligations, and extract obligations on manufactured items. Throughout the years, the last thing has developed into a manufacturers' VAT on merchandise. The significant tax powers doled out to the states incorporate taxes on rural incomes and riches, deals taxes, extracts on alcoholic items, taxes on engine vehicles, travelers and products, stamp obligations and enrollment expenses on exchange of property, and taxes and obligations on power. They additionally have powers to collect taxes on stimulation, taxes on callings, trade, reasons for living and business and these have been practiced by the states themselves in certain states and in others they have been doled out to neighborhood bodies. In spite of the fact that the state list likewise incorporates tax on property and tax on the passage of products into a neighborhood utilization, use or deal, these have been allocated to nearby bodies. The central government collected tax on chosen benefits based on the residuary section in the Union rundown from 1994, however in 2003, capacity to tax administrations was explicitly doled out to it.

Tax approach in India has advanced as a vital segment of financial arrangement which needed to assume a central job in the arranged improvement methodology. Specifically, tax arrangement was the essential instrument to exchange private funds for open utilization and venture. It was likewise utilized to accomplish various different destinations including empowering reserve funds and venture, realizing decrease in disparities of income and riches, cultivating adjusted regional advancement, empowering little scale enterprises on the

presumption that they are business concentrated and impacting the volume and heading of economic activities in the nation.

The advancement of tax arrangement inside the structure of open part based, overwhelming industry commanded, import substituting industrialization methodology has had a few ramifications. To begin with, tax arrangement was coordinated to raise assets for expansive and expanding prerequisites of open utilization and speculation regardless of the effectiveness suggestions it involved. Second, the target of accomplishing communist example of society from one viewpoint and the vast oligopolistic rents produced by the system of licenses, quantities and confinements on the other, required steeply dynamic tax structure in both immediate and indirect taxes. Third, quest for variety of goals tremendously muddled the tax system with antagonistic outcomes on effectiveness and even equity. This likewise opened up extensive roads for avoidance and avoidance of taxes. The negligence for productivity contemplations was a piece of import substituting industrialization technique. Fourth, the majority of the above required not just separation in tax rates dependent on self-assertive criteria yet in addition legitimized selectivity and prudence in tax strategy and organization. This picked up authenticity from the arrangement needs. When selectivity and attentiveness were acknowledged as genuine, it made a difference little whether these were practiced as expected. This gave enough extension to the specific vested parties to impact tax arrangement and organization. Fifth, the impact of specific vested parties, changing needs and absence of information system and logical examination prompted impromptu and regularly, conflicting adjustment of arrangements. At last, poor information system was both the reason for specific application of the tax system just as its impact.

This section condenses the development of the significant central taxes and gives an outline of the state taxes, i.e., individual income and corporate tax among direct taxes and extract obligation, traditions obligation and administration tax among the indirect taxes for the central government. At the state level, the real activity lately is the presentation of VAT, and as far as possible itself to this measure.

### **1.3.1 Reform of Central Taxes**

The systematic endeavor to develop a tax system in autonomous India began with the usage of the report of the Taxation Enquiry Commission. In fact, this is the primary far reaching

endeavor to audit the tax system. It was required to satisfy an assortment of targets, for example, raising the dimension of reserve funds and venture, affecting asset exchange from private to open division and accomplishing an ideal condition of redistribution. It was a complete endeavor to structure the tax system for the nation and secured central, state just as neighborhood taxes. In spite of the fact that the report of the Commission was accessible in 1953-54, given the ideological introduction of the Second Five Year Plan, Nicholas Kaldor was welcomed from Cambridge to create an investigate Indian Tax Reform. This report was utilized (rather not entirely) to raise assets for the Second Five Year Plan. The execution of the use tax on the proposal of Kaldor was expected to control utilization and raise the dimension of sparing which was appallingly low at around 10 percent of GDP. Be that as it may, this must be pulled back in 1957-58 as it didn't produce the normal revenues.

With the reception of arranged advancement methodology in a blended economy structure, raising more assets and accomplishing the ideal condition of redistribution turned into a fixation and this made the policymakers plan the income tax system with confiscatory marginal rates. The resulting disincentives and high rate of profit for tax avoidance, low likelihood of location and the ineffectual legitimate system which neglected to force punishment inside a sensible time span, drove the Direct Taxes Enquiry Committee to prescribe huge decrease in marginal tax rates. On the indirect taxes side, a noteworthy disentanglement practice was endeavored by the Indirect Taxes Enquiry Committee. Usage of the imperative suggestions, be that as it may, was not started until 1986.

Systematic and extensive endeavors to reform the tax system at the central dimension began simply reseller's exchange based economic reforms were started in 1991. The Tax Reforms Committee spread out a structure and a guide for reform of the tax system, both immediate and indirect. The logical reason for the reform in the new thousand years was given by team provides details regarding the reform of immediate and indirect taxes and the report of the team on the usage of the Fiscal Responsibility of Budget Management Act, 2003. From numerous points of view the reforms since 1991, with accentuation on effortlessness and proficiency make checked takeoff from an earlier time. In fact, the team reports which expand on the proposals of the TRC, are condensed underneath.



### **1.3.2 Suggestions of the Tax Reform Committee (TRC)**

Tax reform since 1991 was started as a piece of the basic reform process, following the economic emergency of 1991. With regards to the prescribed procedures approach, the TRC embraced a methodology of consolidating economic standards with tried and true way of thinking in suggesting far reaching tax system reforms. There are three sections in the report. In the main break report, the board set out the core values of tax reform and connected them to essential taxes to be specific, taxes on income and riches, duties and taxes on residential utilization. The initial segment of the last report was concerned for the most part with the much-ignored part of reforms in organization and enforcement of both immediate and indirect taxes. The second piece of the report managed rebuilding the duty structure. With regards to the auxiliary change of the economy, the fundamental standards taken in the suggestions were to widen the base, lower marginal tax rates, decrease rate separation, streamline the tax structure and attempt measures to make the organization and enforcement of the tax progressively powerful. The reforms were to be aligned to realize revenue lack of bias for the time being and to improve revenue efficiency of the tax system in the medium and long haul. The general push of the TRC was to (I) decline the offer of trade taxes in all out tax revenue; (ii) increment the offer of household utilization taxes by transforming the residential extracts into VAT; and (iii) increment the overall commitment of direct taxes.

The essential proposition set forward by the TRC included decrease in the rates of all major taxes, i.e., traditions, individual and corporate income taxes and extracts to sensible dimensions, keep up progressivity however not, for example, to actuate avoidance. The TRC prescribed various measures to expand the base of all the taxes by limiting exemptions and concessions, exceptional rearrangements of laws and methodology, constructing a legitimate information system and computerization of tax returns, and a careful redoing and modernization of managerial and enforcement hardware. It likewise prescribed that the taxes on household creation ought to be completely changed over into an esteem included tax, and it ought to be stretched out to the discount level in concurrence with the states, with extra revenues past post-manufacturing stage passed on to the state governments.

On account of traditions, the TRC prescribed the duty rates of 5, 10, 15, 20, 25, 30 and 50 to be accomplished by 1997-98. This implied a significant justification from the common structure with in excess of 100 rates running up to 400 percent. The tax rate was to differ

legitimately with the phase of preparing of products, and among conclusive consumer merchandise, with income versatility of demand (higher rates on extravagances). At knowing the past, it is anything but difficult to censure the inordinate rate separation (seven rates) and concurring some level of insurance relying upon the phase of handling. In this way, Joshi and Little state, "this is an absolutely unscrupulous guideline, for it has no establishment in economic standards" as notwithstanding proceeded with intricacy, the proposed tax structure makes high contrasts in powerful rates and gives higher level of insurance to inessential items.

The TRC proposal likewise misses the mark regarding building up a co-ordinate residential trade tax system in the nation. This, it might be said, is reasonable, as it had no mandate to go into the state level taxes. Be that as it may, the board of trustees knew about the major issues of avoidance and avoidance in regard of offers taxes collected by the states overwhelmingly at the manufacturing stage. Consequently, it recommended the expansion of the central VAT to the discount arrange with the revenues from the all-encompassing toll relegated to the States.

Apparently, there has been impressive disentanglement and legitimization of the tax system at the central dimension in 2005 in spite of the fact that these reforms are neither uniform nor steady and is the system a long way from being flawless. There are still territories requiring reforms and these will be examined later. While the above depiction gives a wide record of the historical backdrop of tax reform, it is vital to comprehend the development of the tax structure in regard of every one of the major taxes. The accompanying gives the development of every one of the significant central taxes specifically, individual income tax, partnership income tax, association extract obligations and traditions.

### **1.3.3 Reform of Direct Taxes**

At the central dimension, the adjustments in the income tax structure until the mid-1970s were to a great extent impromptu managed by the exigencies. The tax arrangement was central to the undertaking of realizing a communist example of society, and in 1973-74, the individual income tax had eleven tax chunks with rates monotonically ascending from 10 percent to 85 percent. At the point when the extra charge of 15 percent was considered, the most noteworthy marginal rate for people above Rs. 0.2 million income was 97.5 percent.<sup>9</sup> In fact, increment in income tax rates to confiscatory levels was finished following the split in the Congress party in 1969 and this is by all accounts a piece of anticipating the ace left picture of the gathering.

The arrangement was comparable on account of company taxation. The traditional system of taxation included taxation of the benefits in the hands of the company and profits in the hands of the investors. A refinement was made for generally held organizations and distinctive kinds of firmly held organizations and the tax rate differed from the base rate of 45 percent to 65 percent on account of some broadly held organizations. Albeit ostensible rates were high, the compelling rates were significant lower attributable to liberal arrangement for devaluation stipend and venture recompense. In fact, a few organizations had the capacity to make utilization of liberal tax inclinations with the end goal that they didn't make good on any corporate regulatory expense a seemingly endless amount of time after year.

The Direct Taxes Enquiry Committee briefly drawn out the impact of the confiscatory tax system. It credited the huge scale tax avoidance to confiscatory tax rates and prescribed the decrease in marginal rates to 70 percent. This was executed just in 1974-75, when the tax was brought down to 77 percent including a 10 percent additional charge. Notwithstanding, all the while the riches tax rates were expanded. The marginal rate was additionally brought down to 66 percent and the riches tax rate was diminished from 5 percent to 2.5 percent in 1976-77. In 1979-80, the additional charge on income tax was expanded as likewise riches tax rates achieved the maximum of 5 percent. The real improvement and legitimization activity, in any case, was in 1985-86 when the quantity of tax sections were decreased from eight to four and the most astounding marginal tax rate was conveyed down to 50 percent and riches tax rates to 2.5 percent.

The last rush of reforms in close to home income taxation was started based on the suggestions of the TRC. Tax rates were extensively improved to have three sections starting with a rate of 20 percent, a center rate of 30 percent and the maximum rate of 40 percent in 1992-93. The monetary resources were avoided from riches tax and the maximum marginal rate was decreased to one percent. Further decrease came in 1997-98 when, the three rates were cut down further to 10-20-30 percent separately. In resulting years, exigencies of revenue have prompted including extra charge and a two percent essential training cess on all taxes for essential instruction.

On account of corporate taxation as well, the fundamental rate was conveyed down to 50 percent, and rates appropriate to various classes of firmly held organizations were bound together at 55 percent. Following the suggestions of TRC, the qualification between firmly held



and generally held organizations was discarded and the tax rates were brought together at 40 percent in 1993-94. In 1997-98, when individual income tax rate was decreased, the company rate was brought down to 35 percent and the toll of 10 percent profit tax was moved from individuals to organizations. The resulting years have seen absence of heading in the measures received. The profits tax rate was expanded to 20 percent in 2000-01, decreased again to 10 percent in 2001-02 along with inversion to the traditional system of taxing it in the hands of investors and the strategy was turned around by and by in 2003-04 with the toll of the tax on the company.

A noteworthy issue that has frequented the tax system and diminished the tax base is the liberal tax inclinations. On account of individual income tax, the Advisory Group on Tax Policy and Tax Administration records the impetuses in 25 pages of its report and the Task Force on Tax Policy and Tax Administration makes a point by point rundown of these concessions. These incorporate motivators and concessions for funds, lodging, retirement benefits and interest in and come back from specific kind of budgetary resources, interests in retirement schemes and income of beneficent trusts. These tax inclinations have not just twisted the after-tax rates of profit for different sorts of interests in unintended ways yet in addition fundamentally dissolved the tax base.

The significant tax inclinations on account of corporate tax were venture recompense and devaluation remittance. What's more, tax impetuses were additionally given to situating in backward regions. The aftereffect of these inclinations was that there advanced a lot of organizations which arranged their activities to exploit the liberal concessions to completely maintain a strategic distance from the tax. This form of tax avoidance by 'zero-tax' organizations was limited by presenting the 'Base Alternative Tax' in 1996-97. Indeed, even as organizations can exploit the tax inclinations, they are required to make good on a government expense on 30 percent of their book benefits. In resulting years, an arrangement has been incorporated to permit these organizations paying a MAT to assume incomplete praise of MAT against income tax liabilities in following years. Since MAT implied that a great deal of different inclinations concurred in the tax resolution like quickened deterioration were not accessible to the unit, the incomplete credit instrument tries to weaken the rate of MAT on units which are just incidentally coming into the domain of MAT.

A detectable pattern is that while until the mid-1990s tax reforms were adjusted based on a steady hypothetical structure, a portion of the consequent changes were impromptu. The prime case of this is of presentation of the MAT as opposed to eliminating tax inclinations. Fixing the rate of benefits tax higher than the most astounding marginal rate of individual income tax is another precedent. So also, so as to improve tax consistence and make a review trail, the securities transactions tax was presented in April, 2004 and money withdrawal tax at 0.1 percent on all money withdrawals above Rs. 25,000 from current records of business banks was presented in April, 2005. The measures be that as it may, are retrograde. The former impedes the advancement of securities exchange and oppresses interests in offers. The last will put huge burden to little and medium measured firms, which need to pull back a lot of money even to pay the compensations of their representatives.

The rates of individual income tax have stayed stable since 1997-98. In this manner, the three rates of individual income tax at 10, 20 and 30 percent have proceeded till date with certain adjustments in the related tax sections. The additional charge at the rate of 5 percent of the tax payable forced in the wake of the Kargil war in 2002-03 on all income tax evaluates was ended in 2003-04, yet a different extra charge of 10 percent of the tax payable was forced on all tax payers having taxable income above Rs. 0.85 million, which was raised to Rs. 1 million in the financial plan of 2005-06. Further, all taxes are bested up by 2 percent training cess from 2004-05 onwards. Despite the fact that as far as possible stayed at Rs. 50,000 since 1998-99, the liberal standard reasoning, exclusion of profit and interest on government securities upto specified cutoff points successfully expanded the edge considerably. The 2004-05 spending plan did not raise as far as possible but rather given that those income not as much as Rs. 1,00,000 need not make good on the government expense, yet held the current tax sections. This offered ascend to a curious problem those with taxable incomes more than Rs. 100,000 were left with lower after tax incomes when contrasted and those with incomes marginally lower than Rs. 100,000. In this manner, alterations must be made in the Finance Act accommodating a refund when the income was in overabundance of Rs. 1,00,000, a refund proportional to the contrast between the measure of tax payable and the measure of income in overabundance of Rs. 1,00,000. The financial plan for 2005-06 raised as far as possible itself to Rs. 1,00,000, abrogated standard derivation and rolled out marginal improvements in the tax sections. As far as possible for ladies was expanded to Rs. 1,35,000 and for senior residents, Rs. 185,000. The

reserve funds in superannuating schemes up to Rs. 1,00,000 was made deductible from the taxable income.

The Income Tax Act has an arrangement to evaluate the estimation of recognizable perquisites given by organizations to their workers and incorporate the equivalent in the taxable income of the individual. The financial plan for 2005-06 goes above and beyond and characterizes a scope of different costs by the company, which give indirect perquisites to the whole gathering of representatives, yet are not straightforwardly assignable to any single worker. These advantages are to be taxed through an 'Incidental advantages Tax' to be paid by the business at 30 percent. These incorporate a pre-decided extent of a wide scope of costs by the company, for example, stimulation, gathering, representative welfare, deals advancement including attention, movement, visit and travel, including outside movement costs and utilization of phone.

On account of corporate income taxes to the tax structure has stayed stable since 1997-98 when the rate was brought down to 35 percent. On the issue of taxing profits, be that as it may, there have been visit alters and absence of course. In 1997-98, the 10 percent profit tax was moved from individuals to organizations. As referenced above, there was absence of consistency in the treatment of tax on profits. In 2005-06, corporate income tax was diminished to 30 percent on local organizations. An additional charge of 10 percent (with no conditions in regards to introduced capacity increments) is likewise chargeable. The deterioration rate, notwithstanding, has been decreased to 15 percent on account of general plant and hardware, however beginning devaluation is set at 20 percent, in this way lessening the general advantage of decrease in corporate income tax rates.

The most vital reform as of late is in tax organization. Development of the extent of tax derivation at source (TDS) is one of the noteworthy measures to come to the 'difficult to tax' gatherings. Further, every individual living in huge urban communities secured under any of the six conditions (responsibility for, autos, participation of a club, responsibility for card, remote travel, and subscriber of a phone association) is fundamentally required to document a tax return. While the issue of changeless record numbers (PAN) has been disentangled by redistributing it to the UTI Investors' Services Ltd., the work on Tax Information Networking (TIN) has been re-appropriated to the National Securities Depository Ltd., (NSDL). Fortifying the information system through the TIN, along with handling and coordinating the information



from different sources on a particular premise is a critical activity that is probably going to improve tax consistence.

### **1.3.4 Reform of Indirect Taxes**

#### **Union Excise Duties**

After freedom, so as to raise revenues extract obligation was imposed on chosen products. Throughout the years, as the revenue necessity expanded, the rundown of items subject to tax was extended. In doing as such, in the underlying years the accentuation was to incorporate crude materials and middle of the road products as opposed to conclusive consumer merchandise for reasons of authoritative comfort. Be that as it may, in later years with more prominent strain to raise revenues last consumer products were incorporated. In 1975-76, the tax was stretched out to every single manufactured great.

The structure of extract obligations by the center of 1970s was minded bogging and very distortionary. A few wares were liable to explicit obligations and others to promotion valorem taxes, and on the last alone there were 24 unique rates changing from 2 to 100 percent (barring tobacco and oil based goods which were taxed at higher rates). The procedure of transformation of explicit obligations was pretty much finished by 1993-94; be that as it may, this did not infer a lessening in the quantity of rates. This prompted a few characterization debate. As a result, this was a manufacturers' business tax controlled based on products cleared from the godowns. "Falling" from the tax came about not only from its pre-retail nature but rather additionally in light of the fact that it was exacted on data sources, capital products just as definite consumer merchandise. The tax system was perplexing and misty and the point by point examination by Ahmad and Stern indicated huge variety in the compelling rates.

In spite of the fact that the Indirect Tax Enquiry Report gave a nitty gritty examination of the allocative and distributional results of Union Excise Duties, its proposals were not executed for just about 10 years until 1986-87. The justification proposals included transformation of the particular obligations into promotion valorem, unification of rates and acquaintance of info tax credit with believer the falling sort manufacturers' business tax into a manufacturing stage esteem included tax (MANVAT). The interesting piece of the reform was that there was practically no planning and the presentation of MODVAT was a "learning by doing" process. This was an unusual blend of taxation dependent on physical confirmation of products with

arrangement for information tax credit. The inclusion of the credit instrument also developed after some time – it began with things from select parts on both the information sources side and the yield side, where the credit system depended on a balanced correspondence among data sources and yields. It was just by 1996-97, in any case, that it shrouded lion's share of products in the extract duty and incorporated thorough credit. No place else on the planet would one be able to discover VAT presentation so convoluted in its structure thus troublesome in its tasks thus deficient in its inclusion. In fact, the revenue from the tax as a proportion of GDP demonstrated a decrease after the presentation of MODVAT.

Further reform driving force on extract obligations accompanied the usage of the proposals of the TRC. The measures included continuous unification of rates, more prominent dependence on record based organization. In 1999-00, just about 11 tax rates were converted into three with a bunch of "extravagance" things subject to two non-vatable extra rates (6 and 16%). These were additionally converged into a solitary rate in 2000-01 to be known as a Central VAT (CenVAT), alongside three unique extra non-vatable extracts (8%, 16% and 24%) for a couple of wares. Further, the base of the tax was augmented – a few exemptions were supplanted by a tax at 8 percent. Some disentanglement of the tax on little scale segment was likewise endeavored they could either benefit exclusion or make good on government expense at a concessional rate of 60 percent of tax due, with access to the tax credit system. This alternative anyway was pulled back from the financial plan of 2005-06.

### **Traditional Duties**

In opposition to the general examples found in low income nations where overpowering extent of revenues is raised from worldwide trade taxes, revenue from this source was not exceptionally huge in the underlying long periods of free India. This is clarified by the quantitative confinements put on imports. Furthermore, high and separated taxes and with rates fluctuating with phase of creation (lower rates on information sources and higher rates on completed products) and income flexibility of demand (lower rates on necessities and higher rates on extravagance things of utilization) came about not just in high and generally changing powerful rates of security, however given bigger premium to wastefulness and unintended bends in the distribution of assets.

By the mid-1980s, the levy rates were exceptionally high and the structure complex. The Long Term Fiscal Policy (LTFP) exhibited in the Parliament in 1985-86 underlined the need to lessen levies, have less and progressively uniform rates, and decrease and in the end wipe out quantitative limitations on imports. The reforms embraced, nonetheless, were not extensive. Justification in the rates was endeavored for explicit enterprises, for example, capital merchandise, tranquilize intermediates, and electronic products. In fact, in spite of the LTFP suggestions, the taxes were raised for revenue reasons and the weighted normal rate expanded from 38 percent in 1980-81 to 87 percent in 1989-90 (India, 1991). Accordingly, by 1990-91, the levy structure was exceedingly unpredictable differing from 0 to 400 percent; more than 10 percent of imports were liable to in excess of 120 percent. Wide running exemptions conceded by issuing notices made the system complex and was an impression of the impact of different particular vested parties on tax strategy.

The reform of import obligations in sincerity actually began in 1991-92 when all obligations over 150 percent were decreased to this dimension to be known as the "top" rate, which was brought down in the following four years to 50 percent by 1995-96 and further to 40 percent in 1997-98, 30 percent in 2002-03, 25 percent in 2003-04 lastly to 15 percent in 2005-06 for non-horticultural merchandise. Alongside unwinding of quantitative confinements on imports and conversion scale devaluation, the adjustment in the duties comprised a noteworthy change in the outside trade routine in the nation.

The quantity of significant obligation rates was decreased from 22 out of 1990-91 to 4 of every 2003-04. Obviously, a few things are outside these four rates, yet 90 percent of the traditions is gathered from things under the four rates. In the meantime, an uncommon extra obligation (SAD) was forced on the method of reasoning that if the product was locally delivered and sold on between state deals, it would have attracted the tax rate of 4 percent. This was be that as it may, abrogated in January, 2004 and in this way reintroduced in 2005-06, with a maximum rate of 4 percent and called CVD. In this manner, the course of reforms was not constantly reliable, however throughout the years, the endeavor has been to diminish the rates and lessen their scattering. In any case, the example of levies with the rates differing with each phase of handling has proceeded and this has caused high successful rates of insurance on amassing of consumer durables and extravagance things of utilization.



## **Service Tax**

An interesting part of the tax system in India is that excepting the instance of a couple of specified administrations allocated to the states, for example, diversion tax, travelers and merchandise tax and power obligation, the administrations were not explicitly doled out to either the center or the states and along these lines, utilization tax system to a great extent stayed immaculate. This abused the rule of impartiality in utilization as it victimized the products part of utilization. As administrations are moderately more income versatile, the tax system is rendered less dynamic when these are not taxed. Considerably progressively vital contention for taxing administrations is to empower a coordinated alignment of an utilization tax system on merchandise and enterprises as in the creation chain, administrations go into products and the other way around.

In spite of the fact that there is no particular passage in the central rundown to tax benefits, the central government collected tax on three administrations specifically, non-disaster protection, stock financier and broadcast communications in 1994-95. The rundown was extended in succeeding a very long time to incorporate more than 80 benefits at present. Albeit at first taxed at 5 percent the rate was expanded to 8 percent in 2003-04 and further to 10 percent in 2004-05. The Expert Group on Taxation of Services prescribed the expansion of the tax to all administrations alongside the arrangement of information tax credit for the two products and enterprises and therefore, coordination with the CenVAT. These reforms in the long run were to develop a manufacturing stage VAT. The special cases were to be two little records – one, a rundown of excluded administrations and the second, a negative rundown of administrations, where tax credit instrument would not cover taxes paid on these administrations. The suggestion on the toll of general taxation of administrations has not been actualized and the tax keeps on being required on specific administrations. Be that as it may, the suggestion relating to the augmentation of information tax credit for merchandise going into administrations and the other way around has been executed.

### **1.4 HISTORICAL REVIEW OF INDIAN TAXATION SYSTEM**

India is dared to be one of the most established civilizations of the world. Different references from the Hindu dharmashastra and its literature has appeared there was a taxation in some form from absolute starting point of the civilization, however the nature, degree and targets were

distinctive at various phases of its advancement. The assessment of income-tax in India can be considered in the accompanying stages:

### **Vedic Period**

Amid Vedic period there are references which demonstrate that taxes were gathered in some form. Ruler was the sovereign specialist to demand and gather tax. Tax gathered from open formed piece of State's Revenue. The references about penance, contention for dynamic taxation are found in the Institute of 'Manu'. Close around 1200 B.C. Manu had said that equivalent seriousness upon each individual is required to make the weight of taxes measure up to.

In those days the biggest offer of open revenue was from an offer of the rural produce. Certain taxes on business, a frivolous were imposed on road traders. No references of inconvenience of super income-tax found in this period.

### **Mauryan Period**

Amid Mauryan Period, taxation had got significance for meeting the costs of organization. The outstanding 'Kautilya Neeti' was exhibited by Arya Chanakya (Kautilya) in which the reference of an all-around arranged and systematic way to deal with toll and gather taxes for the state exchequer is found. Land tax, taxes on houses in urban communities, commitments for support of troops amid war, obligations on special of merchandise in business sectors, taxes on imports and trades and different taxes on incomes of people occupied with callings other than agribusiness were a portion of the taxes presented by Kautilya.

### **Time of Kings and the Rulers:**

Amid the times of lords and the rulers taxes were not gathered for the advancement of the economy, yet were forced and gathered much for individual needs of the rulers and upkeep of armed force for interior harmony and insurance from remote animosity.

### **Mughal Period:**

Amid Mughal period demand on farming produce was the fundamental wellspring of State's Revenue. It was 1/fifth of the Gross Produce. Other revenue heads were import obligations, State's offer in the riches of the war, imposts on mines and fortune troves, and so forth.

'Aurangzeb', one of the Mughal Emperor taxed 'jaziya' Kar on all kaffirs (non-adherents). Evidences discovered demonstrate that the Mughal Emperor 'Akbar', had taxed boatmen for the waves they made on the waterway water. It uncovers that indigenous governments led in India were well acquainted with direct taxation.

### **Time of East India Company:**

Amid the time of East India Company, land revenue was the principle wellspring of revenue. Amid this period tax system was intended to ensure and amplify the interest of the East India Company and the British Crown.

### **English Colonial Period:**

In India, Sir James Wilson out of the blue, forced 'Income-Tax; in the year 1860. This tax was acquainted with meet the losses endured by Military Mutiny of 1857. Around then charging income-tax was basic issue. From that point different minor amendments were made to 'Income-Tax'. Lastly in the year 1886 another 'Act' was passed which legitimately confined 'Income-Tax System'. Under the act income-tax was charged on a level rate of 5% over the income Rs. 2000/- with a rate of 4% on compensations between Rs. 500/- to Rs. 2000/- . At a similar rate 'Interest on Securities' was additionally taxed.

In 1916, eight distinct rates of tax were recommended for various income gatherings. In 1917, extra income-tax was presented as 'Super tax'. An impossible to miss highlight of this Act was the tax on the income of a year is determined and gathered around the same time itself. Be that as it may, in 1922, the All India Income-Tax Committee prescribed and passed 'The Indian Income-Tax Act, 1922'. Under this Act, in 1924 the Central Board of Revenue was set up. In 1939 extensive and huge amendments were made to this Act. One of the imperative amendments is 'section rate system' for charging income-tax was presented on the proposals of the 'Income-Tax Enquiry Committee

#### **1.4.1 Ancient Period**

There is sufficient evidence to demonstrate that taxes on income in some form or the other were collected even in crude and old networks. References to taxes in old India are found in Manusmriti" and „Kautilya"s Arthashastra". Manu the old sage and law provider expressed that lord should exact taxes as indicated by sastras. He exhorted that taxes ought to be identified

with income and ought not to be exorbitant. He set out that traders and craftsmans should pay 1/fifth of their benefits in gold and silver, while the agriculturists were to pay 1/sixth, 1/eighth and 1/tenth of their produce contingent on their conditions. The point by point examination given by Manu regarding the matter unmistakably demonstrates the presence of a very much arranged taxation system, even in old occasions. Kautilya's Arthashastra was the main definitive content on open money, organization and the financial laws. Accumulation of income tax was efficient amid Mauryan Empire. Timetable of tax payment, time of payment, way and quantity were fixed by Arthashastra. It is momentous that the present day system of taxation is from multiple points of view like the system of taxation given by Kautilya 2300 years prior.

#### **1.4.2 Initial Period (1860-1886)**

Income tax in its advanced form was presented in India for first time in 1860 by the British Government to beat the money related emergency following the occasions of 1857. At first Government presented it as a brief proportion of raising revenue under the Income Tax Act 1860 for a time of five years. Distinctive tax rates were endorsed for various heads of income. In the year 1867, it was transformed as permit tax on trade and calling. In the year 1869, the permit tax was supplanted by Income Tax once more. The assessments were made on discretionary premise prompting imbalance, disagreeability and across the board tax avoidance. Income Tax was pulled back in the year 1874. After the incredible starvation of 1876-78, the Government presented neighborhood Acts for income tax in various regions. With a few amendments these Acts stayed in power till 1886. In this way, the period from 1860 to 1886 was a time of examinations with regards to income tax in India.

#### **1.4.3 Pre Independence Period (1886-1947)**

In 1886, another Income Tax Act was passed with extraordinary upgrades than the past Acts. This Act with a few amendments in various years proceeded till 1918. In 1918, another Act was passed canceling all the past Acts. Out of the blue, this Act presented the idea of conglomerating income under various heads for charging tax.

In 1921, the Government established „All India Income Tax Committee“ and based on suggestion of this advisory group another (Act XI of 1922) was enacted. This Act is a milestone in the historical backdrop of Indian Income Tax system. This Act made income tax a central subject by moving the tax organization from the Provincial Governments to the Central



Government. Amid this period the Board of Revenue (Central Board of Revenue) and Income Tax Department with characterized managerial structure appeared.

#### **1.4.4 Post Independence Period**

The Income Tax Act 1922 kept on being appropriate to autonomous India. Amid the early post freedom period, the Income Tax enactment had turned out to be extremely entangled because of multitudinous changes. Amid this period tax avoidance was wide spread and tax accumulation was over the top expensive. In 1956, the Government of India alluded the Act to a Law Commission to make the Income Tax Act less complex, sensible and revenue arranged. The Law Commission presented its report in September 1958 and meanwhile the Govt. additionally designated a Direct Taxes Administration Enquiry Committee to recommend the measures for limiting the burden to the assesseees and aversion of tax avoidance. This advisory group presented its report in 1959. The suggestions of the Law Commission and the Enquiry Committee were inspected and broad tax reform program was embraced by the Government of India under the supervision of Prof. Nicholas Kaldor. The Income Tax Bill 1961, arranged based on the Committee's proposals and recommendations from Chamber of Commerce, was presented in the Lok Sabha on 24.4.1961. It was passed in September 1961 by Lok Sabha. The Income Tax Act 1961 came into power on April 1, 1962. It applies to entire of India including the territory of Jammu and Kashmir. It is a thorough bit of enactment having 23 Chapters, 298 Sections, different sub sections and 14 plans. Since 1962, it has been exposed to various amendments by the Finance Act of every year to adapt to changing situation of India and its economy. Additionally the Central Board of Direct Taxes is engaged to correct guidelines and to elucidate guidelines as and when it ends up important.

Other than this, amendments have likewise been made by different Amendment Acts for example Taxation Laws Amendment Act 1984, Direct Taxes Amendment Act 1987, Direct Taxes Law (Amendment) Acts of 1988 and 1989, Direct Taxes Law (Second Amendment) Act 1989 and finally the Taxation Law (Amendment) Act 1991. In actuality, the Income Tax Act 1961 has been altered definitely. It has accordingly turned out to be very confounded both for organization and taxpayers.

### 1.4.5 Recent Tax Reforms

The economic emergency of 1991 prompted basic tax reforms in India with fundamental reason for remedying the monetary irregularity. Along these lines, the Tax Reforms Committee headed by Raja Chelliah and Task Force on Direct Taxes headed by Vijay Kelkar made a few recommendations for improving Income Tax System. These suggestions have been executed by the government in stages every now and then. As in regards to the individual income tax, the maximum marginal rate has been definitely diminished, tax chunks have been rebuilt with low tax rates and exclusion limit has been raised. Furthermore, government supported different motivating force arrangements and enlarged TDS scope. If there should arise an occurrence of corporate tax, the government has diminished rates material to both local and remote organizations, presented devaluation on impalpable resources and supported different motivating force arrangements. Some new taxes have been presented, for example, Minimum Alternative Tax and Dividend Distribution Tax, Securities Transaction Tax, Fringe Benefit Tax and Banking Cash Transaction Tax. Be that as it may, Fringe Benefit Tax and Banking Cash Transaction Tax were pulled back by Finance Act, 2009.

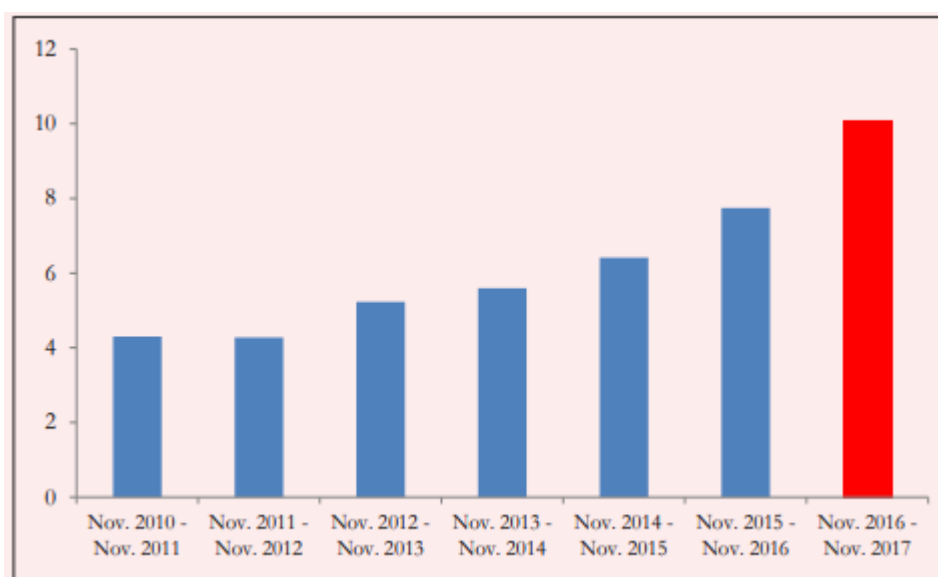
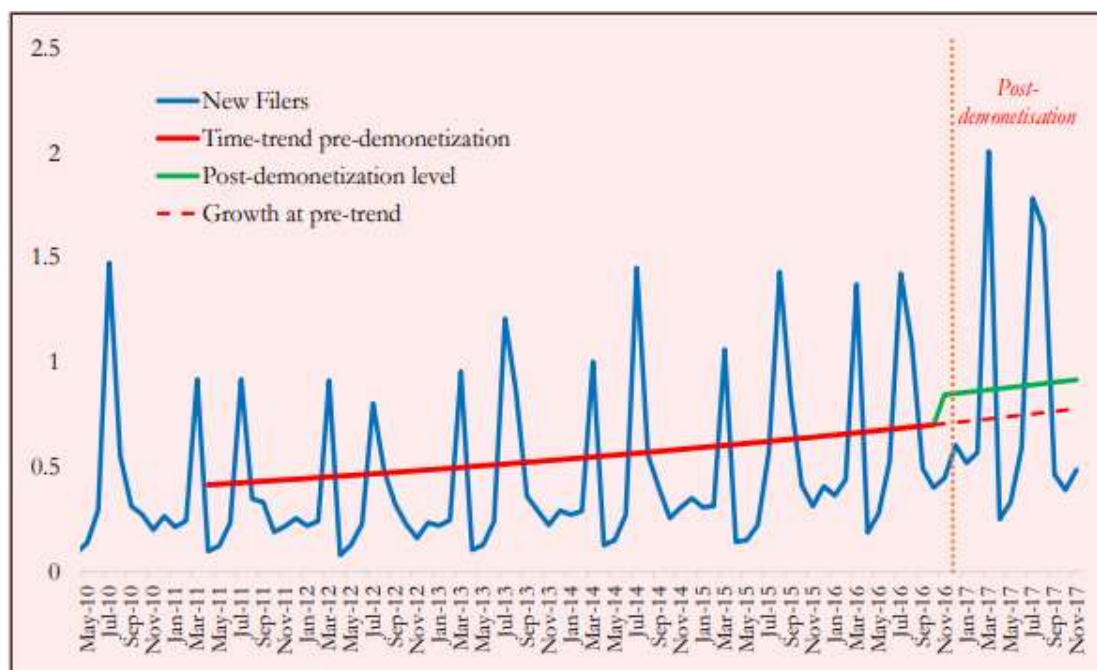


Figure 1.2: New Tax Filers (in millions)



**Figure 1.3: Monthly New Tax Filers (in millions)**

The Income tax organization was rebuilt with impact from August 1, 2001 to encourage the presentation of PC innovation. Further, remembering the worldwide improvements, the office has attempted extensive endeavors for reforming the tax organization as of late. Some imperative measures toward this path are presentation of compulsory citing of Permanent Account Number (PAN), e-recording of profits, e-TDS, e-payment, Tax Information Network (TIN), Annual Information Return (AIR) for high esteem transaction, Integrated Taxpayer Profiling System (ITPS), Refund Banker Scheme in specific urban communities and so forth. The primary goal of these reforms has been to upgrade tax revenue by growing the taxpayer base, improving operational productivity of the tax organization, empowering deliberate tax consistence, making a taxpayer agreeable air and rearranging procedural tenets.

### 1.5 ADMINISTRATION OF INCOME TAX IN INDIA

The Central Government holds capacity to charge taxes like Income Tax, Custom Duties, Central Excise and Service Tax. Then again, the State Governments are engaged to require taxes like VAT, Sales Tax, Stamp Duty, Land Revenue, State Excise, and Tax on Professions. Income Tax is a form of direct tax, gathered yearly by the Central Government on all forms of income (other than horticulture income) and afterward imparted to the states. Central Government demands income tax on the taxable income of individuals, HUFs, organizations,

co-employable social orders and trusts. Taxes forced by the nearby bodies are relating to octroi tax, water supply utilities, seepage and sewage utilities, property tax, and so on. Income Tax bureau of India is coordinated by the Central Board for Direct Taxes and forms a piece of the Department of Revenue under the Ministry of Finance. The Tax Structure in India is very solid and pursues the monetary year. Tax arrangement and tax organization commonly influence one another. An effective tax organization is an essential for the fruitful usage of tax arrangement. Income Tax Department in India oversees direct tax laws. Then again, tax experts assume a critical job in the execution of income tax law of the nation.

### **1.5.1 Premise of Charge:**

The absolute income of an individual is resolved based on his private status in India.

- i. for 182 days amid the year or
- ii. for 60 days amid the year and 365 days amid the former four years. Individuals satisfying neither of these conditions are out-of-state people. (The principles are marginally increasingly liberal for Indian natives living abroad or leaving India for work abroad.)
- iii. An inhabitant who was absent in India for 730 days amid the previous seven years or who was alien in the vast majority of going before years I treated as not usually occupant. In actuality, a newcomer to India remains not conventionally inhabitant. For tax purposes, an individual might be occupant, alien or not commonly inhabitant.

### **1.5.2 Non-Residents and Non-Resident Indians:**

Inhabitants are on overall income. Out-of-state people are taxed just on income that is gotten in India or emerges or is considered to emerge in India. An individual not usually inhabitant is taxed like an alien but rather is likewise subject to tax on income collecting abroad on the off chance that it is from a business controlled in or a calling set up in India. A capital gain on exchange of advantages procured in remote trade isn't taxable in specific cases. Non-inhabitant Indians are not required to record a tax return whether their income comprises of just interest and profits, gave taxes due on such income are deducted at source. It is workable for non-inhabitant Indians to benefit of these exceptional arrangements even in the wake of getting to be occupants by following certain methods set somewhere near the Income Tax act.<sup>3</sup>



**Table No. 1.1: Tax Liability of individuals.**

Status	Indian Income	Foreign Income
Resident and ordinarily resident	Taxable	Taxable
Resident but not ordinary resident	Taxable	Not Taxable
Non-Resident	Taxable	Not Taxable

It is finished up from the Table No. 1.1 that the occupant and normally inhabitant's income in India and from remote is taxed. For another situation occupant yet not common inhabitant's income in India is taxable but rather remote income isn't taxable but Non-Resident's income in India is taxable however outside income isn't taxable in India.

### **1.5.3 Techniques for Tax Collection in India:**

The Central Board of Direct Taxes (CBDT) under the aegis of the Finance Ministry gives the vital contributions to strategy and arranging of direct taxes in India. It is additionally in charge of organization of direct tax laws through the Income Tax Department. The authorities of the Board manage matters identifying with toll and gathering of direct taxes. The Central Board of Revenue filled in as the peak body for organization of taxes and was formed because of the Central Board of Revenue Act, 1924. The Board was at first responsible for both immediate and indirect taxes however as the organization of taxes turned out to be excessively overwhelming, it was part up into two. Consequently, the Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC) happened on January 1, 1964. CBDT, headed by an executive, (who is additionally an ex-officio Special Secretary to the Government of India) is responsible for all issues relating to coordinate taxes. There are six CBDT individuals accountable for various practical zones identifying with direct tax, they being: Income Tax; Legislation and Computerization; Revenue; Personnel and Vigilance; Investigation; Audit and Judicial.

### **1.5.4 Conveyance of Taxes among Center and States:**

There are three levels of government in the Indian administration structure. These are: Union Government, State governments, and Local Bodies/nearby self-governments at the neighborhood level. Since the distinctive layers of government work at the same time, disarray

and money related clash are a characteristic result. So as to limit such question there are rules or standards with respect to the revenue and consumptions of the levels of administration. The system or association of such guidelines is designated "administrative money", in view of the meaning of "alliance" signifying a system of government in which there is a division of powers and capacities between the diverse dimensions. Along these lines, bureaucratic money is a system of the monetary connection between various layers of governments. The money related connection between the Union and State governments is cherished in the Constitution of India.

The focal point of this relationship is on conveyance of power between the Center and States with respect to:

Instructions to raise tax and non-tax revenues. The most effective method to spend tax and nontax revenues in the economy to improve development and advancement. Nonetheless, there are sure issues, for example, exchange of assets from Center to State governments that should be constantly checked remembering the regional needs. For this reason, there is an arrangement for setting up of the Finance Commission at regular intervals according to the Constitution. In light of its proposals, the Central government chooses the allotment of assets to various States. The Constitution has made an unmistakable refinement between the revenues of the Union and State governments, verbalized as three records - Union, State and Concurrent.

1. Association List: It incorporates revenue sources that are the sole benefit of the Central government (e.g., Corporate Tax, Tax on Capital estimations of advantages, which is property, or Capital Gains Tax barring area, and Customs Duty). No piece of the revenue gathered through these taxes is transferred to the State governments.
2. State List: State list incorporates wellsprings of revenue that are the sole benefit of State governments (e.g., stamp obligations)
3. Simultaneous List: It incorporates those regions where the Central government just as State governments can pass laws to produce revenue

### **1.5.5 Appropriation of Tax Revenue**

The revenue gathered from taxes is appropriated between the Center and States in the accompanying way:

Central Tax Revenue just for Central Government - Central government demands taxes and gathers the revenue from such taxes (e.g., Corporate Tax, Tax on Capital estimations of advantages, which is property, or Capital Gains Tax barring area, and Customs Duty). No piece of the revenue gathered through these taxes is transferred to the State governments. Central Tax Revenue imparted to States - Central government demands taxes yet a piece of the revenue is imparted to States (e.g., Income Tax and Central Excise Duty). Central government demands taxes yet whole revenue is given to the States (e.g., Wealth Tax and Real Estate obligation or property tax). State Tax Revenue just for States - State governments toll and gather tax revenue (e.g., stamp obligation). The table underneath gives a rundown of the major immediate and indirect tax laws and experts in charge of overseeing these laws. A system of development administering has as of late been presented by tax experts. At present, non-occupants can apply for development decisions on income tax law.

#### **1.5.6 Permanent Account Number:**

P.A.N. or then again Permanent Account Number is a number distributed to an individual by the Assessing Officer with the end goal of distinguishing proof. P.A.N. of the new arrangement has 10 alphanumeric characters and is issued as overlaid card. Section 139A of the Income Tax Act gives that each individual whose complete income surpasses the maximum sum not chargeable to tax or each individual who continues any business or calling whose all-out turnover or gross receipts surpass Rs.5 lakhs in any earlier year or any individual required to document an arrival of income u/s 139(4A) will apply for PAN. In addition, any individual not satisfying the above conditions may likewise apply for apportioning of PAN. With impact from 01.06.2000, the Central Government may by notice determine any class/classes of individual including merchants and exporters, regardless of whether any tax is payable by them, and such people will likewise then apply to the Assessing Officer for distribution of PAN W.e.f. 01.04.2006 an individual subject to outfit an arrival of incidental advantages under the recently presented section 115 WD of the I.T. Act is additionally required to apply for assignment of PAN. Obviously, if such an individual as of now has been distributed a PAN he will not be required to acquire another PAN.

The Finance Act, 2006 has given that to the motivation behind gathering any information, the Central Govt. may by method for warning indicate any class or classes of people for portion of PAN and such people will apply to the Assessing Officer inside the endorsed time.

Arrangement for Suo moto designation of PAN has additionally been presented w.e.f.1.6.2006 according to which the surveying officer may assign a Permanent Account No. to any individual whether any tax is payable by him having respect to the nature of transactions. The accompanying transactions in which citing of Pan is Mandatory-

- Purchase and closeout of ardent property.
- Purchase and closeout of engine vehicles.
- Transaction in offers surpassing Rs.50,000.
- Opening of new bank accounts.
- Fixed deposits of more than Rs.50,000.
- Application for apportioning of phone associations.
- Payment to inns surpassing Rs.25,000.

Given that till such time PAN is assigned to an individual, he may cite his General Index register Number or GIR No. Critical occasions influencing the authoritative set up in the Income-tax division:

#### **1.5.7 Income-Tax Authorities:**

There will be the accompanying classes of income-tax experts for the reasons for the Act specifically:

- a. the Central Board of Direct Taxes established under the Central Boards of Revenue Act, 1963 (54 of 1963),
- b. Executives General of Income-tax or Chief Commissioners of Income-tax,
- c. Executives of Income-tax or Commissioners of Income-tax or Commissioners of Income-tax (Appeals),
- d. Extra Directors of Income-tax or Additional Commissioners of Income-tax or Additional Commissioners of Income-tax (Appeals),



- e. Joint Directors of Income-tax or Joint Commissioners of Income-tax.
- f. Representative Directors of Income-tax or Deputy Commissioners of Income-tax or Deputy Commissioners of Income-tax (Appeals),
- g. Collaborator Directors of Income-tax or Assistant Commissioners of Income-tax,
- h. Income-tax Officers,
- i. Tax Recovery Officers,
- j. Monitors of Income-tax

### **1.5.8 Powers of the Authorities:**

For all reasons for the Income-tax Act, the IT specialists are vested with the different powers which are vested in a Court of Law under the Code of Civil Procedure while attempting a suit in regard of any case. All the more especially, the arrangements of the Code of Civil method and the powers conceded to the tax specialists under the code would be in regard of:

1. Power identifying with Discovery, Production of evidence, and so on: The Assessing Officer, The Joint Commissioner, the Chief Commissioner or the Commissioner has the powers as are given in a court under the code of Civil Procedure, 1908, when endeavoring to suit for the accompanying issues:

- i. discovery and investigation;
- ii. to authorize any individual for participation, and looking at him on vow
- iii. issuing commissions; and
- iv. compelling the generation of books of record and other archive

2. Intensity of Search and Seizure: Today it isn't avoided income tax specialists that individuals sidestep tax and keep unaccounted resources. At the point when the prosecution neglects to counteract tax avoidance, the office has to take actions like pursuit and seizure.

3. Demand of Books of record, and so forth: Where the Director or the Director-General or Commissioner or the Chief Commissioner in outcome of information in his ownership, has motivation to trust that (a), (b), or (c) as referenced under section 132(1) and the book of records

or different reports or the advantages have been taken under care by any expert or officer under some other law, at that point the Chief Commissioner or the Director General or Director or Commissioner can approve any Joint Director, Deputy Director, Joint Commissioner, Assistant Commissioner, Assistant Director, or Income tax Officer to require the specialist to give sue books of record, resources or any archives to the ordering officer, when such officer is of the supposition that it is never again important to hold the equivalent in his care.

4. Chief the Assessing Officer or the Joint Commissioner may with the end goal of this Act:

- a) can call any firm to give him an arrival of the addresses and names of accomplices of the firm and their offers;
- b) can ask any Hindu Undivided Family to give him return of the addresses and names of individuals from the family and the administrator;
- c) can ask any individual who is a trustee, gatekeeper or a specialist to convey him with return of the names of people for or of whom he is an operator, trustee or watchman and their addresses;
- d) can ask any individual, merchant, operator or dealer worried in the administration of stock or any product trade to give an announcement of the addresses and names of the considerable number of people to whom the Exchange or he has paid any total related with the exchange of advantages or the trade has gotten any such whole with the points of interest of every single such payment and receipts;

5. Intensity of Survey: The term 'overview' isn't characterized by the Income Tax Act. As indicated by the importance of word reference 'overview' signifies throwing of eyes or brain over something, review of something, and so on. An Income Tax expert can have an overview with the end goal of this Act. The targets of directing Income Tax studies are:

- To find new assesseees;
- To gather helpful information with the end goal of assessment;
- To confirm that the assessee who claims not to keep up any books of records is in-fact keeping up the books;

- To check whether the books are kept up, mirror the right situation.

6. Accumulation of Information: For the reason for gathering of information which might be valuable for any reason, the Income tax expert can enter any structure or spot inside the cutoff points of the territory doled out to such specialist, or wherever or building involved by any individual in regard of whom he practices ward.

It will be obligation of each individual who has been designated perpetual record number to cite such number in the entirety of his profits or correspondence with income tax specialists, in all challans for the payment of any whole, in all archives endorsed by the board in the interest of revenue.

#### **1.5.8 Central Board of Direct Taxes:**

The CBDT is a piece of Department of Revenue in the Ministry of Finance. CBDT gives fundamental contributions to arrangement and arranging of direct taxes in India, in the meantime it is additionally in charge of organization of direct tax laws through the Income Tax Department. The Central Board of Direct Taxes is a statutory specialist working under the Central Board of Revenue Act, 1963. The authorities of the Board in their ex-officio capacity likewise work as a Division of the Ministry managing matters identifying with duty and accumulation of direct taxes. The Central Board of Revenue as the Department pinnacle body accused of the organization of taxes appeared because of the Central Board of Revenue Act, 1924. At first the Board was accountable for both immediate and indirect taxes. In any case, when the organization of taxes turned out to be unreasonably clumsy for one Board to deal with, the Board was part up into two, to be specific the Central Board of Direct Taxes and Central

Leading group of Excise and Customs with impact from 1.1.1964. This bifurcation was realized by constitution of the two Boards u/s 3 of the Central Boards of Revenue Act, 1963.

#### **1.5.9 Authoritative Structure of the Central Board of Direct Taxes:**

The CBDT is going by Chairman and furthermore contains six individuals, every one of whom are ex-officio Special Secretary to Government of India.

- Member (Income Tax)

- Member (Legislation and Computerization)
- Member (Revenue)
- Member (Personnel and Vigilance)
- Member (Investigation)
- Member (Audit and Judicial)

The Chairman and Members of CBDT are chosen from Indian Revenue Service (IRS), a head civil administration of India, whose individuals establish the top administration of Income Tax Department.

#### **1.5.10 Chief General of Income Tax (Admn.):**

The office of Director General of Income Tax (Admn.) is a connected office of the Central Board of Direct Taxes under the control of Ministry of Finance, Govt. of India. It is the supervisory expert for the three Directorates working under it. DGIT (Admn) organizes the activities of the Directorates and streamlines the working/working of the Directorates. She issues requests of Transfer and Postings of Group A& Group B officers working in the three Directorates. She additionally has managerial command over Group B officers and handles cautiousness and disciplinary issues. DGIT (Admn) acquires yearly reports for every one of the three Directorates working under it and presents the equivalent to Member (Revenue) alongside her remarks.

#### **1.5.11 Vision and Mission of the Income Tax Department (ITD)**

The vision of the Income Tax Department (ITD) is to be an accomplice in the country building process through dynamic tax approach, proficient and viable tax organization and improved intentional consistence. This will be accomplished by an empowering approach condition and enlarging the revenue activation device for ideal revenue accumulation under the law, while keeping up taxpayer trust in the system. The accompanying Mission proclamation diagrams the guide for the ITD to understand its vision:



- To formulate dynamic tax arrangements
- To make consistance easy □ To authorize tax laws with decency
- To convey quality administrations
- To consistently update aptitudes and construct an expert and roused workforce

In this evolving condition, ITD looks to have an unmistakable spotlight on its objectives to have the capacity to persistently audit its strategies, working methodologies and systems for being responsive and versatile to the changing business and authoritative condition. New innovative advancement, quickened globalization, trade of information between revenue experts and the new Direct Tax Code offer the two difficulties and openings. ITD is ready to catch the chances and address the difficulties to understand its Vision through dynamic tax arrangements, proficient and compelling organization and improved intentional consistance. A comprehension of the difficulties and openings they hurl is the initial move towards meeting the difficulties. The difficulties have as needs be been ordered under the three empowering agents for acknowledgment of vision.

#### **1.5.12 Extent of Administrative Orders Issued by the Central Board of Direct Taxes**

An essential inquiry that emerges while talking about the extent of the regulatory requests issued by the Central Board of Direct Taxes is that whether these requests can be better to the taxpayers than the resolution itself or regardless of whether they are against the legal elucidation given by the courts. The Navnit Lal C. Javeri's Case is a land mark judgment on this issue which sets down completely that any roundabout issued by the Board under section 119 of the Income Tax Act, 1961 regardless of whether it strays from the resolution and gives unintended help to the taxpayer, must be offered impact to and the understanding of the arrangement by the court or council in a way not the same as the roundabout can't without anyone else legitimize the duty being forced on the taxpayer.<sup>275</sup> This is a direct result of the fact that legal elucidation of a statutory arrangement might be in opposition to the goal communicated by the official through its roundabout and when once the official as a strategy making body has taken a view gainful to the assessee, the opposite view taken by courts or courts can't be premise to raise or continue any tax obligation by method for demand of tax,

interest or punishment. This position has been additionally emphasized by numerous high courts and pinnacle court.

In light of these choices, the Delhi High Court judgment on account of Shiva Kant Jha accepts prime significance as this case identifies with non-occupant taxation and court took an opposite stand. The fundamental issue required under the watchful eye of the Delhi High Court for this situation was with respect to the legitimacy of the CBDT Circular No. 789 dated 13 April 2000. This roundabout was tested on the ground that it gave increasingly advantageous position to the assessee by holding that the Foreign Institutional Investors and other speculation finances working in Mauritius are at risk to tax under the Mauritius Tax Law, thusly, to be considered as the inhabitants of Mauritius. This private status conceded different reliefs to these elements under the Double Tax Convention among India and Mauritius. Shockingly, the Delhi High Court struck this round as ultra vires and unapproved by law with no respect to the settled position of law in such manner. This was tested under the watchful eye of the Apex court where Delhi High Court's judgment was suppressed and it was held that the Circular No. 789 was legitimate and solid. Along these lines, the Supreme Court maintained and repeated the settled position of law.

Another essential inquiry identifying with the extent of the managerial requests issued by the Central Board of Direct Taxes is that whether such guidelines or requests can be issued to the re-appraising specialists under the Income Tax Act, 1961. To respond to this inquiry, one must investigate the scheme and powers given to the Board on one side and the nature of the capacities performed by the redrafting experts on opposite side and that also in light of the law set somewhere around different courts. The Appellate Commissioner is an Income Tax Authority referenced under section 116 of the Act and the Central Board of Direct Taxes comprised under the Central Board of Revenue Act, 1962 is the zenith body for organizing the organization of the income tax apparatus. The other income tax specialists as referenced are Chief Commissioners, Commissioners, Joint Commissioners, Additional Commissioners, Deputy Commissioners, Assistant Commissioners, Income Tax Officers, Tax Recovery Officers and Inspectors. Every one of these specialists including the investigative chief performs various types of capacities which are simply official/clerical and some of the time they are semi legal in nature. For instance, while making an assessment, the tax specialists perform a semi legal capacity. So also, Commissioner while practicing revisionary ward under the Act performs semi legal capacities. In any case, his other work is simply regulatory in

nature. It is a settled position of law that the investigative magistrates dependably perform semi legal capacities. There is a lis pending before them which must be chosen an assessee and the Income Tax Department.

The Board, almost certainly, is the zenith body for planning and guaranteeing uniformity in managerial choice has the ability to direct authoritative capacities anyway the power is by all accounts reduced in connection to regulation of semi legal capacities. Section 119 of the Income Tax Act, 1961 plainly explains that the Board can't meddle to make a specific assessment or to discard a specific case in a specific way. Along these lines, the board can't meddle with the circumspection of the redrafting experts in exercise of investigative capacities.

## **1.6 THE DEFICIENCIES IN THE INDIAN INCOME TAX SYSTEM:**

### **1. High Rate and Low Yield of Direct Taxes:**

In India, as in different LDCs, the rate of direct tax is high however the commitment to the all-out tax revenue is extremely low.

During the 1950s, the rate of income tax in India was one of the most elevated on the planet however the revenue was extremely inconsequential. This is on the grounds that high tax rates supported tax avoidance and avoidance on an extensive scale. It might be noted in this setting tax avoidance alludes to organizing one's financial issues inside the law in order to limit taxation liabilities, instead of tax-avoidance which is neglecting to meet actual tax liabilities through, e.g., not announcing income or benefit. So the Government slowly decreased the tax rate throughout the years. Notwithstanding this, the rate of income tax in India is one of the most elevated on the planet even today. The higher tax rate (counting extra charge) at present is 30% (in addition to additional charge of 2%).

### **2. Low Contribution of Income Tax:**

Although the rate of income tax is the most astounding in India, the commitment from such is exceptionally low. Tax avoidance is by all accounts the essential reason. Another reason is the high exception limit in a nation where for each capita income is exceptionally low. In India, as far as possible has been raised now and again, however the dimensions of national and per capita incomes have neglected to increment proportionately.

Consequently, an ever increasing number of individuals have figured out how to leave the tax net. India's per capita income in 1999-2000 was Rs. 16,047 at current costs yet as far as possible in the event of individual income tax was Rs. 50,000. On the off chance that different derivations are brought into thought, (for example, interest in affirmed Government securities, for example, NSCs, units of UTI, of open provident reserve, or protection arrangements), as far as possible would be much more. It is a pity that the level of individuals making good on income regulatory obligation in India at present is short of what one. Normally, the real dependence is on indirect taxes. In fact, an undue dependence on indirect taxes is a typical feature of the system of LDCs.

### **3. Twofold Taxation of Dividends:**

Moreover, because of twofold taxation of profit, the rate of local sparing and capital formation has neglected to increment apparently. Organizations pay corporation and different taxes, (for example, abundance benefit tax or surtax) to the Government. A segment of net benefit after tax is generally appropriated among shareholders as profit. A segment of such profit income is again taxed away as close to home income tax.

Thus, the individuals who make good on regulatory expense on profit income can't spare much and organizations discover it progressively hard to raise monetary assets on an expansive scale. It is frequently alleged that one of the reason for mechanical stagnation in India has been the high rate of taxation and moderate development of corporate capital. The issue has accepted genuine extents as of late.

### **4. Nonattendance of Agricultural Income Tax:**

Another highlight of India's tax system is that there is no tax on agrarian income. Horticulture is the overwhelming division of the Indian economy. The contribution of agribusiness and related activities to India's GDP was 29.3% in 1999-00. Arranged investment on agribusiness has additionally expanded throughout the years. Be that as it may, horticulture has neglected to make any commitment to the presentation of the Government's tax revenue. Since farming is a State subject, the presentation of the horticultural income tax system at the Central dimension has not been possible. This is another explanation behind undue dependence on indirect taxes.



### **5. Significance of Indirect Taxes:**

In India, significance of indirect taxes has expanded throughout the years which suggest that the significance of direct taxes has lessened. In outright terms (i.e., as far as rupee) the commitment of direct taxes has expanded yet the rate commitment of such taxes in all out tax revenue has declined

### **6. Dynamic Taxes on Income:**

The Government has made the system of direct tax progressive and progressiveness is viewed as alluring in the interest of equity and for lessening the disparities in the circulation of income and riches. In any case, dynamic taxes energized tax avoidance and avoidance and have neglected to decrease imbalances of income and riches.

### **7. Extending the Indirect of Tax Net:**

Throughout the years, the indirect tax net has been spread wide. Practically every one of the items that we purchase bear high indirect taxes as deals tax, extract obligation, traditions obligation, octroi, cess, etc. At present, Central Government revenue from two primary taxes, viz., association extract obligations and traditions represents about 80% of the absolute revenue.

The accumulation from these two taxes added up to Rs. 81,720 crores and Rs. 54,822 crores, separately, in 2001-02. Be that as it may, the significant deformity of the present system of indirect taxes is the falling impact (i.e., the aggregate weight) of such taxes. In India we discover a multiplicity of duties. A similar ware or factor of generation, (for example, crude material or obtained component) is taxed more than once as it goes through various phases of creation and dissemination.

There is tax, for example, State deals tax on a thing on which association extract obligations has just been paid. There is, for example, not just extract obligation or deals tax on completed vehicles yet in addition on tires, tubes and different parts. Because of the assortment of levies the falling impact can't be maintained a strategic distance from. Subsequently, indirect taxes have caused cost-push swelling in India.

## 8. Backward Nature:

In addition, indirect taxes have turned out to be increasingly more backward throughout the years. Such taxes are generally forced on consumption products. All in all, destitute individuals have a high penchant to devour than the rich individuals. In fact, the marginal affinity to expend gradually diminishes with an expansion in income.

Along these lines destitute individuals, who spend the real bit of their little income on utilization products, pay the maximum measure of indirect taxes. In this way, throughout the years, the immediate tax system has turned out to be less and less progressive because of progressive decrease in the individual income tax rate, while indirect taxes have turned out to be increasingly more backward because of the incorporation of an ever increasing number of things in the extract net.

A basic model will group the point. Assume we think about two individuals—Mr. X and Mr. Y. Their month to month incomes are Rs. 3,000 and Rs. 10,000, individually. Mr. X spends Rs. 2,000 every month on utilization merchandise and Mr. Y Rs. 4,000. Assume there is 10% extract obligation on all things of utilization.

In any case, the taxation measures embraced in the ongoing years plan to accomplish reforms in the structure of a wide range of taxes and are intended to advance the essential goals of economic development, equity, straightforwardness and inherent revenue-raising capacity.

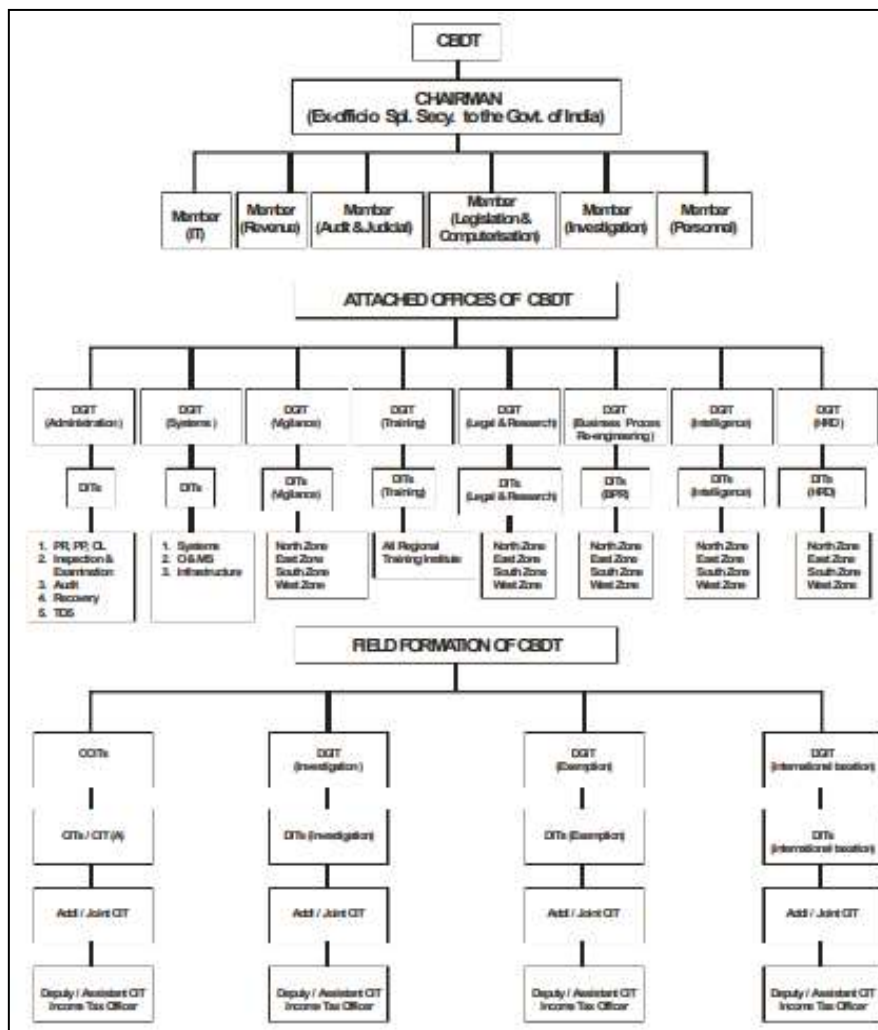
As needs be, individual income tax has been rebuilt with lower taxes, less pieces and higher exception limit.

The system of taxation of firms by disposing of the qualification among registered and unregistered firms has been re-esteemed to extend the tax net; a scheme of possible taxation has been presented for trivial traders, and little transport administrators. To plug the escape clauses and spillage of revenue, minors' income has been clubbed with that of their folks.

Taxation of capital gains has been totally rebuilt, with the goal that just capital gains net of cost increments, would be taxed. A few measures going for improving tax consistence, for example, deliberate divulgence dependence and rearranging tax organization—have been presented. Still more reforms are expected and the Government should receive some increasingly viable measures.

## 1.7 AUTHORITATIVE SET UP OF INCOME TAX DEPARTMENT

The general obligation regarding the organization of Income Tax lies with the Department of Revenue, Government of India which works through the Income Tax Department. The Income Tax Department has a system of 745 offices in 510 urban areas and staff quality of around 59000. This Department oversees direct tax laws under the control and supervision of Central Board of Direct Taxes (CBDT). The division is occupied with the undertakings of teaching and helping taxpayers in documenting tax returns, evaluating tax risk, demanding pending taxes, punishing deceptive taxpayers and discarding tax debate. The job of this office in tax system of India is quickly expanding as the offer of direct taxes in the revenue of the nation has enrolled a relentless increment over the previous decade. It has expanded to Rs. 314000 crore amid the monetary year 2007-08 from Rs. 48280 crore amid the money related year 1997-98. It has additionally out of the blue outperformed the gathering of indirect taxes amid that year. The Income Tax Department has a three level hierarchical structure as appeared in the Figure 1.1



## **1.8 THE CENTRAL BOARD OF DIRECT TAXES (CBDT)**

The Central Board of Direct Taxes (CBDT) is the zenith body in the Direct Tax set up. It gives fundamental contributions to approach and arranging of direct taxes in India and regulates direct taxes through Income Tax Department. The Board comprises of an administrator and six individuals and has a few appended and subordinate offices all through the nation.

- Part (Income Tax)
- Part (Investigation)
- Part (Audit and Judicial)
- Part (Legislation and computerization)
- Part (Personnel and Vigilance)
- Part (Revenue)

Different capacities and obligations of the CBDT are conveyed among director and six individuals, while major issues are held for aggregate choice by CBDT.

### **1.8.1 Attached Offices of CBDT**

There are 8 Directorates filling in as appended offices of the CBDT. These Directorates work under Directors General of Income Tax (DGITs). They assume an imperative job by checking the everyday working of field formations in their individual charges. They likewise build up a positive contact between the field formations and CBDT. The accompanying DGITs are connected to CBDT:

- (a) Executives General of Income Tax (Administration)
- (b) Executives General of Income Tax (Systems)
- (c) Executives General of Income Tax (Vigilance)
- (d) Executives General of Income Tax (Training)
- (e) Executives General of Income Tax (Intelligence)
- (f) Executives General of Income Tax (Business Process Reengineering)
- (g) Executives General of Income Tax (Legal and Research)

(h) Executives General of Income Tax (HRD)

Further, different Directors of Income Tax (DITs) for specified occupations have been set under separate Directors General of Income Tax.

### **1.8.2 Field Formation Of CBDT**

The field formation of CBDT comprises of three Directorates [DGIT (Investigation), DGIT (Exemption), DGIT (International Taxation)] and 18 framework controlling Chief Commissioners of Income Tax. The Chief Commissioners of Income Tax are positioned at various areas everywhere throughout the nation. They are in charge of supervision, control and organization of their separate districts. The Chief Commissioners of Income Tax are helped by Commissioners of Income Tax in their particular wards. DGIT (Investigation), DGIT (Exemption) and DGIT (International Taxation) are likewise positioned in various pieces of the nation, who are in charge of their specified obligations in their particular purviews. DGITs are helped by Directors of Income Tax (DITs) in their particular locales. The primary investigative apparatus includes Commissioners of Income Tax (Appeals), who perform crafted by transfer of requests against the requests of the evaluating officers. Consequently, the accompanying income tax experts have been comprised under the Act to release official and managerial capacities:

- (a) The Central Board of Direct Taxes.
- (b) Executives General of Income Tax or Chief Commissioners of Income Tax.
- (c) Chiefs of Income Tax or Commissioners of Income Tax or Commissioners of Income Tax (Appeals).
- (d) Extra Directors of Income Tax, Additional Commissioners of Income Tax or Additional Commissioner of Income Tax (Appeals).
- (e) Joint Directors of Income Tax or Joint Commissioners of Income Tax.
- (f) Appointee Directors of Income Tax or Deputy Commissioners of Income Tax or Deputy Commissioners of Income Tax or (Appeals).
- (g) Colleague Directors of Income Tax or Assistant Commissioners of Income Tax.



(h) Income Tax Officers

(i) Tax Recovery Officers.

(j) The Central Government may name such people as it believes fit to be income tax experts. The Central Government may approve the Board of Directors General of Income Tax or Chief Commissioners of Income Tax or Directors or Commissioner to select income tax specialists beneath the position of an Assistant Commissioner or Deputy Commissioner as indicated by guidelines and requests of the Central Government.

## **1.9 TAX-GDP RATIO – TRENDS**

The investigation of tax-GDP proportion is critical on the grounds that patterns in taxation in a nation or a gathering of nations are dissected predominantly as far as this proportion, and the creation of tax revenues. The last may change inferable from varieties in tax-GDP proportion.

### **1.9.1 The tax load in India**

The basic method to comprehend the tax load is to discover the tax-GDP proportion. At the point when the procedure of economic arranging started in India in 1950-51, the tax-GDP proportion was as low as 6.22 percent. From that point forward it climbed relentlessly up to 1990-91 and from that point declined. Against 7.76 percent in 1960-61, it was 10.27 percent in 1970-71, 13.65 percent in 1980-81, 15.4 percent in 1990-91, 14.52 percent in 2000-01 and 16.31 percent in 2010-

Until 1970-71, the tax trouble in India was not higher than that in other creating nations. Be that as it may, amid 1980s tax trouble significantly expanded. This was because of expanded interest use, endowments, guard use and budgetary help to developing open endeavors. Amid 1990s tax-GDP proportion had declined roughly by 1 percent indicate, especially because of tax rates decreases. As indicated by M. Govind Rao "the accessible evidence demonstrates that the tax-GDP ratio in India is lower than the dimension it ought to be for its per capita GDP development by at any rate 2.5 percent per annum"

Tax-GDP proportion has been widely perceived as an indicator of improvement of a nation. Tax-GDP proportion is an indicator of the dimension of taxation and relative tax trouble in a country.<sup>42</sup> Level of taxation in a nation is generally made a decision regarding the proportion

which taxes bear to some proportion of national income. This proportion is called tax-GDP proportion and the adjustment in it is dictated by varieties in both the numerator (all out tax revenue) and the denominator (national income). Investopedia characterizes the tax-GDP proportion as, ' the proportion of tax accumulation against the national (GDP)'

There are different issues related with the meanings of numerator and denominator of tax-GDP proportion. For example, should benefit/losses of open imposing business models form some portion of the numerator? Should government disability commitments be incorporated into tax receipts? The denominator of the proportion experiences more ambiguities in light of the fact that there are different proportions of national income. Among the elective proportions of national income, the essential ones are: Gross Domestic Product (GDP), Gross National Product (GNP) and Net National Product (NNP). Ought to taxes be identified with GDP or GNP or NNP, and whether at market costs or at factor cost?

In browsing the elective proportions of national income, the vital contemplations are, (a) the measure picked ought to be promptly accessible, (b) it is generally comprehended, and (c) it is solid. In perspective on these contemplations, it is a typical practice to utilize GDP at market costs as the denominator of the tax-GDP proportion. Gross domestic product is favored in light of the fact that it maintains a strategic distance from estimation of deterioration which is liable to different measurable and reasonable issues. The Organization for Economic Co-activity and Development (OECD) utilizes GDP at market costs as the denominator for looking at tax-GDP proportion among its part nations.

Tax-GDP proportion is by and large viewed as a record of relative tax trouble in a nation over some stretch of time or when nations are looked at for a similar period. Thx-GDP proportion indicates the level of national income that is obligatorily transferred from private pockets to open exchequer, and subsequently the general offer of government in the demeanor of national income. Since tax-GDP proportion reflects developments in both tax receipts and GDP, any critical correction in GDP figures will influence the proportion.

Table 1.2: Tax-GDP Ratio of Central Governments (Top 15 GDP Economies)

GDP Rank	Country/Economy	Tax-GDP Ratio (per cent)		Tax-GDP Rank
		2008	2017	
1	United States	10.8	9.7	13
2	China	8.7	10.5	10
3	Japan	10.5	9.8	12
4	Germany	10.8	11.7	8
5	France	22.4	21.3	3
6	Brazil	16.7	15.7	5
7	United Kingdom	26.8	27.0	1
8	Italy	21.1	22.5	2
9	Russia	16.6	15.0	7
10	<b>India</b>	<b>9.9</b>	<b>10.4</b>	<b>11</b>
11	Canada	13.7	11.6	9
12	Spain	12.9	9.6	14
13	Australia	24.9	20.5	4
14	Mexico	N/A	N/A	N/A
15	South Korea	14.7	15.6	6
	<b>World</b>	<b>14.6</b>	<b>14.6</b>	
	Low Income	10.7	11.7	--
	Middle Income	12.4	13.2	--
	South Asia	9.9	10.3	--
	East Asia & Pacific	10.0	10.9	--
	High Income	15.0	14.4	--
	Euro Area	18.0	17.6	--

Note: GDP rank based on GDP current in US\$ of the world (listing by World Bank 2008-2011).

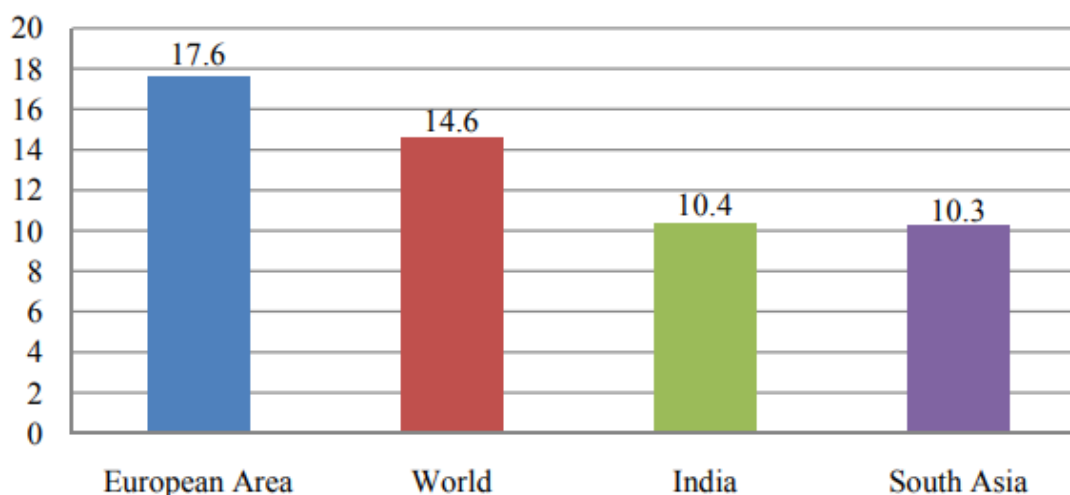


Figure 1.4: Tax GDP Ratio of India vis-à-vis World (2017)

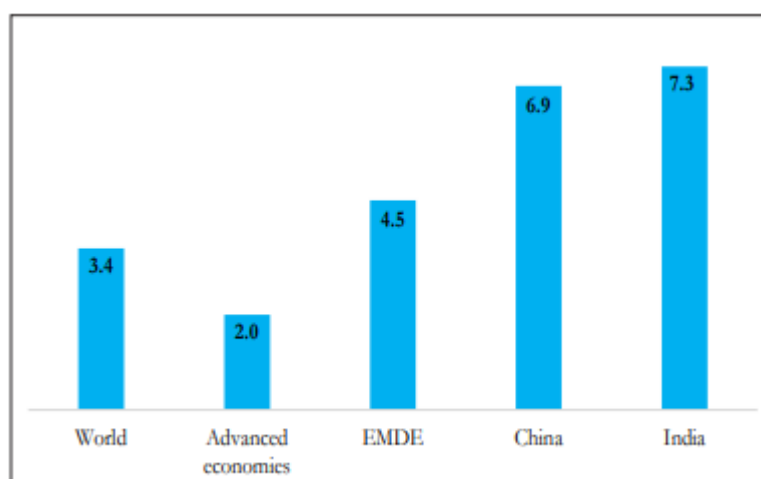


Figure 1.5: Average growth of GDP during 2014-17 (per cent)

From a low of 5.5 percent in 2012-13, development in GDP relentlessly improved for a long time and topped in 2015-16, especially in final quarter (Q4) when it printed 9.1 percent (GVA development likewise crested in Q4 of 2015-16). Be that as it may, development began backing off from first quarter (Q1) of 2016-17. Gross domestic product and GVA development eased back to 6.1 percent and 5.6 percent separately in Q4 of 2016-17.

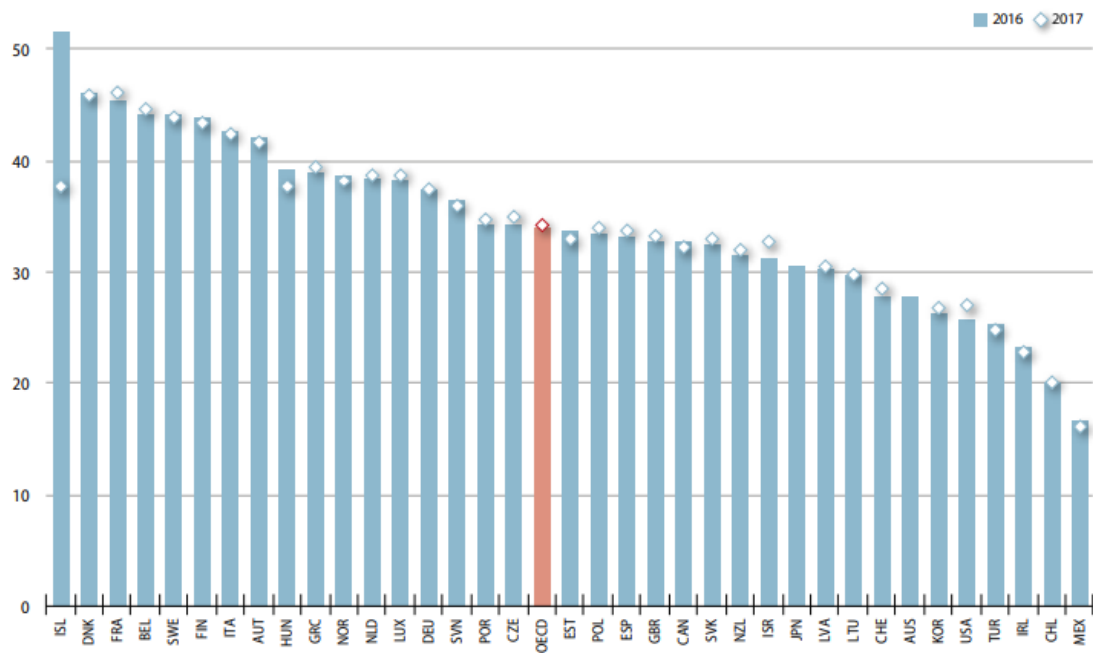


Figure 1.6: Tax-to-GDP ratios, 2016 and 2017 (% of GDP)



## CHAPTER - 2

### REVIEW OF LITERATURE

**Purohit, M.C. also, Purohit, V. K. (2013)** in their "Investigate Reorganizing Tax Department for VAT Administration – A Study of NorthEastern States", has examined the current tax association for VAT organization and systems in the State of Assam and Meghalaya. The investigation was embraced by the Foundation for Public Economics and Policy Research, New Delhi, with the primary targets to break down the current tax association for VAT organization and strategies in the State of Assam and Meghalaya and to prescribe essential changes to make the tax organization proficient, taxpayer cordial and appropriate for VAT.

The investigation attempted in the Report has its topic on the tax managerial association which is in presence in the State of Assam and Meghalaya. It draws the suggestion that the lack in VAT organization is essentially because of the fact that the present association for State-VAT organization in the North Eastern States experiences the ill effects of extreme worry for insurance and confirmations and depends on case specialization. It suggests that the need of great importance is to have a reengineering of the Tax Department based on capacity and to have an Auditor's wing with exceptionally prepared review officers.

The investigation infers that changing hierarchical structure could be a key to compelling tax organization reform and holds that authoritative change would go for uniting the tax base through expanding of the tax base, accomplishing inward profitability gains to lessen cost of organization and empowering deliberate consistence. The investigation proposes that the tax organization ought to be the blend of sort of tax approach, including in that useful methodology and tax payer fragment approach. For lessening interaction with tax payers the examination recommends division of work in managing taxpayers and to sort out the interaction of tax authorities and taxpayers through institutionalize forms which are simple for interior review and watchfulness offices to watch. The investigation likewise shows the scheme of redesign of the current Department of Taxes under the headquarter association, regional association and unit association with an adjustment in the structure for committed customer administrations, review, research and MIS, enforcement, discount, Large Taxpayers Unit (LTU) and enrollment. Worrying upon the parts of customer administrations, preparing of authorities, system of enlistment, investigation of profits and choice of cases for review and review

methods, the examination suggests changes in the standards and strategies of VAT organization to advance intentional consistence, recognizable proof of stop filers and defaulters and to keep up low regulatory and consistence cost.

In this examination an investigation has been made on the job of VAT in States' financial structure to demonstrate that the State-VAT establishes a noteworthy wellspring of revenue for the North Eastern State Governments and which has demonstrated an upsurge throughout the years. Examination of the structure of State-VAT i.e., the rate of taxes appropriate on changed products, is made in the investigation to induce that the States of Assam and Meghalaya has not had the capacity to gather anticipated revenue, as has been the situation in different States in India.

A depiction of the current association for VAT organization in the State of Assam and Meghalaya has been given in the examination to show the closeness just as changes made in the hierarchical setup between the Value Added Tax system and past General Sales Tax system. The investigation watched, "Given the current tax association, it is felt that changing hierarchical plan could be a key to powerful tax organization reform. Hierarchical change would go for combining the tax base through widening of the tax base, accomplishing inner efficiency gains to diminish the expense of organization, and empowering deliberate consistence."

Exhibiting the methodology for VAT organization on the parts of purpose of toll of tax, enrollment of merchants, payment of tax, accommodation and preparing of profits, and evaluating, the investigation attempts to break down the inadequacies in such tax activities. It expresses that, "Strategies for tax organization are critical from two noteworthy viewpoints. To begin with, the higher tax yield is straightforwardly a consequence of the productive task of tax methodology. Also, as an opposite end product, wasteful task of tax techniques makes bother taxpaying merchants who come into direct contact with the Tax Department. Analysis of the tax, in this manner, stems to a great extent from the lacks in tax tasks."

The investigation has additionally exhibited an intricate depiction of universal practices in tax association and techniques in request to draw exercises from the experience of various nations on issues identified with association structure and methods on organization of Value Added Tax.

Purohit, M.C. is one of the known experts in the field of taxation in India and around the world, having gigantic commitment towards organizing and reforming of the tax systems. His experience drawn out of expansive number of articles, explore studies and reports on the tax systems particularly the Value Added Tax system, have advanced the present Report too. The investigation embraced is one of only a handful couple of literatures accessible managing Tax Administration system in Assam. The ends drawn and proposals made toward the finish of the Report are for the most part dependent on a relative investigation of the current tax organization system with few of different States in India and as universally best practiced. This has made the present specialist a value to audit the present Report.

Ends and recommendation made with respect to re-association of the current geologically based managerial setup, into a blend of utilitarian based and taxpayer section approach, are not founded on explicit findings made out of the tax authoritative working in the State of Assam. Be that as it may, the present analyst finds the recommendation persuading to the extent they depend on globally best practiced methodology. Different recommendations made on accommodating customer administrations, preparing of authorities, change in system of enrollment, investigation of profits, choice for review and review methods are on procedural issues made out of explicit experience of the Authors of the examination. The present specialist finds that such recommendations are available to plausibility for further investigate under the current regulatory setup and working in the State of Assam.

**Tax Administration Reforms Commission (TARC) (2014)** in its Report, 'Tax Administration Reform in India – Spirit, Purpose and Empowerment', has stretched out suggestions to audit the open Tax Administration system of India. It looked into the relevance of tax approaches just as tax laws and prescribed measures to reinforce the capacity of India's Tax system. It routed to a portion of the fundamental driver of long drawn prosecutions between the taxpayers and tax organization in India. TARC was set up under the Chairmanship of Shome, Dr. Parthasarathi with Parande, Y.G., Kalia, Sunita, Diwakar, M.R., Mahalingam, Seturaman, Moorthy, S.S.N., and Zutshi, M.K., as its Committee Members. Tax Administration Reforms Commission (TARC) was mandated to survey the application of tax arrangements and tax laws in India with regards to worldwide prescribed procedures, and to suggest measures for reforms required in tax organization to improve its adequacy and proficiency.

The four Reports of TARC submitted contains various suggestions for tax organization reforms. The First Report (2014a) has tended to the reform issues of business process, taxpayers administrations, question goals and authoritative structure. The Second Report (2014b) looked into the capacity building and database issues of the traditions division. Third Report (2014c) has managed issues of impact assessments, enlarging of the tax base and enforcement components. The Fourth Report (2015) has attempted create estimating models for revenue focuses, for recognition of fakes and for research capacity working for tax organization.

The wide proposals of TARC incorporate, changes in the structure of hierarchical setup, improvement in taxpayers administration, upgraded utilization of information and correspondence innovation, trade of information with different offices, reinforcing of human asset the board, key inner procedures, traditions capacity building, impact assessment, development of base, consistence the executives, revenue anticipating, prescient examination and research for tax administration and so on.

In regard of authoritative setup of the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC), Tax Administration Reforms Commission (TARC) saw that the Revenue Secretary at the highest point of the tax organization, is over the CBDT and the CBEC, and isn't a tax organization master, yet he has the last say as far as tax organization before it achieves the Finance Minister. TARC watched pervasiveness of counterfeit partition among immediate and indirect tax organization and an absence of co-task among CBDT and CBEC. TARC suggested that CBDT and CBEC ought to be completely incorporated and should move towards a bound together administration structure under the Central Board of Direct and Indirect Taxes. It likewise prescribed that the post of Revenue Secretary ought to be canceled and its capacities ought to be allocated to the two Boards. A Governing Council to administer the working of the two Boards, and a Tax Council to recommend arrangement and enactment ought to be set up.

It was seen that the determination of the Officials at CBDT and CBEC does not think about specialization, approach involvement, and so on and is fairly founded on rank. Weight on tax officers to meet remotely forced revenue targets were seen as a standard undertaking with an absence of insurance to those tax officers from unknown cautiousness grievances. TARC suggested that emphasis ought to be on specialization, including parallel section of pros in the

Boards. Indian Revenue Service (IRS) officers ought to have some expertise in a specific tax organization territories. The Central Vigilance Commission was prescribed to have a Member who has been an IRS officer. The approach of not taking insight of unknown objections was prescribed to be carefully pursued.

TARC saw that examination based investigation of arrangement and impact assessment contemplates were totally missing and the Information and Communication Technology (ICT) system was not used to its definitive advantages.

TARC additionally seen that in India there is most elevated number of question emerging between tax organization and taxpayers and resultant least extent of recuperation of unfulfilled obligations of tax. To handle the issue TARC suggested that review enactment ought to be dodged. It suggested that the two Boards i.e., CBDT and CBEC should begin a unique drive for survey and liquidation of cases right now stopping up the system by setting up devoted teams. A different debate the executive's vertical was prescribed to be set up in each Board notwithstanding the procedure and practice of pre-question meeting before issuing a tax demand take note.

TARC in its Report despite the fact that manage the organization of Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC), the proposals made towards streamlining the organization by permitting specialization of managerial authorities, improvement in taxpayers administration, upgraded utilization of information and correspondence innovation and setting up of devoted team to audit and liquidate long pending cases are persuading. The suggestions made are not new from those made in before studies and reports by different Commissions and Task compel. The suggestions are for the most part gotten from global best practice. Be that as it may, they form the standard for any reform in tax organization system and are consequently persuading. Present analyst finds that such proposals can be broke down on the possibility of their materialness to the indirect tax organization in Assam. This made the analyst to audit the previously mentioned reports.

**Shome, P. (2014)** in his book 'Taxation Principles and Applications A Compendium' has exhibited chosen papers, with huge extracts from them, with their extension, approach and investigation by altering and refreshing where valuable. The abstract endeavors to cover the



standards of taxation, the improvement of investigative approaches and application in practice and exercises from usage for tax organization.

The present work was embraced to introduce as an abridgment a portion of the chose diary articles, papers in altered volumes, books and addresses among the accessible literature on taxation, for a wide readership and present the movement of the Author's idea and work.

The Author by submitting a general direction to the encounters and improvements occurring in tax organization in Latin America, Brazil, Colombo, United States, Thailand, and different economies, has exhibited an investigation of the standards of taxation that ought to be connected to keep up straightforwardness in a tax system and communicates worry over the deviation from such standards which focuses towards specific challenges experienced by creating economies in social affair the revenue. Choosing the papers depicting circumstance relating to various periods of taxation experience, the examination has been given in a memorable setting and point of view.

The unavoidable central message that the Compendium endeavors to pass on is that, 'tax approach can't be executed without equivalent headway in tax organization. In the event that the tax structure is excessively mind boggling, it can't be regulated. In the meantime if, for managerial accommodation, an enacted tax structure experiences simple authoritative disentanglement, a nation's tax approach will never be actualized as was planned. This exchange – collaboration over challenge – between tax approach and tax organization, is vital for effective premise and results in a nation's position in taxation.'

With a review of historical reference to taxation in India, the Author tends to the issues of, frequency and dispersion impacts of taxation; impacts of taxation on the productivity of asset portion and significant angles; straightforwardness in organization and consistence of Value Added Tax (VAT) and Goods and Service Tax (GST); developments in taxation just as rising issues in global taxation; and issues in tax organization and tax approach or enactment that can't be controlled productively, stays just on paper and does not profit the taxpayer or the exchequer.

Concentrating on the chose issues in tax organization and review of India's involvement with Tax Deduction at Source (TDS) of the income tax, the Author addresses on more extensive issues of reforming the structure and the executives of tax organization, introducing a client

center in tax organization, and utilization of information innovation for TDS so as to accomplish the best results in organization.

The Author thinks about practical structure, as opposed to a land one, as increasingly proficient structure for the executives of tax organization. It was presumed that all taxes gathered from organizations, for example, the corporate income tax and the VAT or GST ought to be gathered under the equivalent overall regulatory arm so as to effectively cross information among immediate and indirect taxes and furthermore to help decrease consistence cost of taxpayers. He recommends that consistence cost assessment ought to be made for each significant tax arrangement change as an impact assessment explanation.

Having client center as a goal was considered as, containing the new vision of modernizing tax organization. The Author likewise thinks about that the rise of good peril and corruption is a wonder that ought to be tended to straightforwardly while keeping structures basic, sine multifaceted nature and challenges in elucidation of the law breed prosecution as well as corruption. He proposes that the requirement for specialization among tax officers can't be overemphasized specifically in a situation of expanding specialization among tax guides in private segment. In the meantime the requirement for cautiousness over tax officers just as knowledge assembling on tax dodgers was considered to have accepted significance even as the conceivable outcomes of revenue spillage have extended. He thinks about that benchmarking a tax organization's performance against others is dynamic technique for its self-assessment and consequent improvement. The ends and recommendations dependent on encounters of different economies of the world tends to more extensive point of view required for modernizing tax organization in India. The present specialist in course of its exploration enquiry finds the suggestive reforms applicable for tax organization in the State of Assam.

Shome, Pathasarathi, has not exclusively been an idea chief in the field of open money, but on the other hand is a productive creator whose work is internationally valued and respected. His expository work radiating from his specialized help with the monetary field has added to additionally connected research and financial approach formulation in numerous Ministries of Finance and Tax Administrations around the globe. The present Compendium is an impression of his experience which has influenced him to incorporate chosen literatures in the field of tax organization. This has made the present scientist to audit the present book over the span of present research think about.

**Kumar, S., Nagar, A. L., Samanta, S. (2007)** in their paper, "Ordering the Effectiveness of Tax Administration", analyzes the adequacy of direct tax organization in India through an economic model. The paper considered gathering of taxes and builds a tax enforcement list along these lines prescribing approach reforms for improving productivity and adequacy of tax organization

The writers hold the view that, "adequacy of tax organization would rely upon its capacity to distinguish and convey tax wrongdoers to books. A portion of the primary regions of tax offenses are unregistered taxpayers, stop filers, tax dodgers, and reprobate taxpayers."

They recommend that, "Critical deterrents to taxpayers' intentional consistence are the apparent inequity of tax system, multifaceted nature of tax laws, absence of decency of the punishment system and frail taxpayer training programs. Absence of satisfactory preparing of the staff, tax organization's failure to guarantee sufficient follow-up action amid the intrigue procedure and frail tax review programs act as obstruction to authorized consistence."

The creators built up an econometric model by utilization of the essential segment technique so as to evacuate the impact of feedback between willful consistence and authorized consistence. They close dependent on the created model that, notwithstanding of significant increment in quantum of direct tax revenue, there has not been substantial change in adequacy of direct tax organization in the nation over some stretch of time.

The creators presume that so as to make productive and powerful tax organization, every one of the tax organization parts of recognition of stop filers, making reprobate taxpayers to make good on overdue debts of government obligation, punishing of tax dodgers, carrying unregistered taxpayers into the tax net, are vital. They likewise presume that it is imperative for the tax division to center towards encouraging deliberate consistence.

Creators recommend that expanded viability of tax organization would be reflected in expanded deliberate consistence and in this manner there is a need to oversee tax organization so as to accomplish legitimate harmony between the administrations to taxpayers and enforcement of tax laws to advance willful consistence.

The creators acknowledge the perspective on **Rao, M. Govinda and Rao, R. Kavita (2005)** that adjustments in the tax structure have frequently been made in a specially appointed way.

They repeats the perspective on Das Gupta, Arindam that high consistence costs joined with the poor condition of computerization and information systems have prompted a proceeded with interface of taxpayers and tax authorities, with consistence costs however low dimensions of tax consistence.

The creators locate that virtual nonattendance of information and insufficiently gathering of accessible information is a noteworthy part of poor tax organization. This, as proposed by the creators, has hampered appropriate investigation of taxes so as to give sufficient logical background to adjust changes in tax structure and has additionally made enforcement troublesome. Towards improving of proficiency and adequacy of tax organization, the creators infer that one key methodology in such manner is fabricating a legitimate information system and information base. The present analyst finds the ends drawn applicable notwithstanding for indirect tax organization in the State of Assam, and all things considered the specialist assessed the present paper.

**Singh, R. what's more, Agarwal, S. (2012)** in their investigation of "Return and Assessment Perception of Assesses under VAT" had attempted to distinguish the similitude and disparity in the view of the taxpayers with respect to the arrival and assessment viewpoint under VAT in Assam and to find the issues of closeness and contrasts in the recognition. The Authors attempted the investigation as per them, since the presentation of VAT in India, no critical examinations were led to investigate VAT from the point of view of taxpayers and numerous negative encounters are as yet being looked by taxpayers after fruition of numerous assessment long periods of presentation of VAT. Recognizing probably the most ominous encounters which identifies with documenting of profits, estimation of tax, and mentality of tax authorities, the examination was made as an endeavor to reveal those regions.

The investigation embraced depends on the topic of view of taxpayers and depends on the taxpayers of Tinsukia Town in Assam. It is with specific reference to returns and assessment arrangements of Assam Value Added Tax.

Creators presumed that the impression of tax payers with respect to the profits and assessments angle is similarly isolated, positive for specific viewpoints and ominous for specific perspectives. Larger part of the respondents studies were found to hold sees that extent of blunder in filling tax form just as turnover form is more extensive, and specialists' assistance

is required for understanding the arrangements. They recommended that there is a requirement for social showcasing apparatus to instruct taxpayers in regard of things of which their observation is negative. Recommendations were reached out for masterminding preparing and introduction programs through teach traders with the goal that VAT turns out to be more easy to use, assets be dedicated to getting ready fitting enactment, creating regulatory systems, preparing staffs, enlisting tax payers other than worrying upon the necessity to enquire the adequate or deficient of different parts of profits.

They proposed that the specialists required with VAT of Assam ought to likewise enquire further in regards to couple of specific parts of VAT as the suppositions were observed to be similarly separated in the chosen populace for the investigation. The perspectives recognized were, adequacy or inadequacy of notes in tax form and turnover form, agreeable specialist for such form top off, plausibility of filling such form without specialists' assistance, important and superfluous information asked in such forms, computation of tax payable without specialists' assistance, sensibility of timeframe for returns accommodation.

Creators made an examination of the different issues to a great extent dependent on essential source, where a study dependent on poll strategy was led to gather perspectives and impression of the taxpayers which included traders who have tax payment encounters and the individuals who make good on government obligations in the interest of others just as expert bookkeepers. The ends were drawn by considering invalid theory which was tried by utilizing Binominal test.

The assessment of VAT has been made just from the keen of taxpayers and is constrained inside the taxpayers situated in Tinsukia town of Assam. Further, the perspectives and recognitions communicated experiences essential constraints of probability of distinction between what are records and what is valid as the respondents in the examination probably won't have intentionally announced their actual supposition. Along these lines it may not be fitting to sum up the ends and proposals to analyze the present Value Added Tax system in Assam. Proposals broadened are basic issues to a great extent reviewing the impression of taxpayers just and are available to a further investigation dependent on relative examination of the view of taxpayers dish Assam. Be that as it may, as the investigation is one of only a handful couple of concentrates on the Value Added Tax system in Assam, the present specialist has checked on the said examination attempt by the Authors.



**Das-Gupta, A, Andrade, F. (2012)** in their paper, "An Analysis of the Effectiveness of the State Tax Administration in India with Particular Reference to the Value-Added Tax" surveys the viability of state level Value-Added Tax (VAT) organizations in India. The investigation covers the examination of the shortcomings in tax organization of sixteen States, to be specific, Andhra Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Odisha (prior Orissa), Punjab, Rajasthan, Tamil Nadu, and West Bengal.

The investigation has put together its findings with respect to the auxiliary wellspring of different Audit Reports of the Comptroller and Auditor General of India (CAG). Tax managerial adequacy has been considered by investigating twelve unique territories of organization which are, laws, rules and authoritative manuals; association and labor; computerization; taxpayer profile; taxpayer numbering and enrollment control; return recording and stop-filer control; assessment transfer and quality; tax reviews; tax review quality and taxpayer rebelliousness; nature of CAG review development; and tax gathering, scoring models concocted in the investigation for dissecting viability of tax organization, the paper makes a measurable assessment of significance of tax organization. The investigation finds that the normal performance of the state tax organizations is poor when contrasted and performance evidence from different nations. The examination discovers evidence that feeble tax organization and its outcome, across the board tax resistance, had a factually quantifiable impact on tax performance. The examination underlines the high hazard to the proposed reform for Goods and Service Tax (GST) except if steps are first taken to reinforce the feeble state tax organization.

The examination presumes that Comptroller and Auditor General (CAG) contemplate to a great extent echoes poor province of VAT organization. Zones of most noteworthy shortcoming were recognized to be that of tax reviews, cross-check of information identifying with info tax credits and cross-state assertions, ID of unregistered merchants and routine examination of recorded returns. It finds that State organizations are not completely arranged to supplant Value Added Tax (VAT) with new tax of Goods and Service Tax (GST) and that before the new tax is supplanted the territories of shortcoming recognized should be fortified.

**Purohit, M.C. (2014)** in his article "Corruption in VAT is the most taxing issue" has talked about on the greatness of corruption pervasive in organization of State VAT and holds the view

that organization of VAT desperately requires an update before the Goods and Service Tax is presented.

The creator trusts that in front of presentation of Goods and Service Tax (GST) Government is required to address upon the issue of wild corruption in organization of Value Added Tax (VAT). He expresses that corruption is albeit pervasive in all organizations in India, the presence of corruption in the organization of VAT is astounding. He holds the view that the purpose behind presence just as expanding greatness of corruption in VAT organization is on the grounds that accompanying reforms in organization were not pursued when States received VAT and as opposed to updating States' tax organization, interwoven changes were affected on the old deals tax setup.

The creator presumes that tax existing association for VAT depends on land zones which keep up a closeness among taxpayer and tax chairman which isn't solid for smooth organization. He found that the endorsed techniques for enrollment, payment of taxes, reviewing empowers direct close to home contact and interaction among taxpayer and overseer and offers chance to connive with tax official. He recommends that re-sorting out the tax division based on capacities would be better. He suggests for a different wing for revenue receipts, review, enrollment of merchants and customer administrations. He likewise suggests re-building of the tax organization on useful premise and legitimizes techniques by utilization of information innovation. He trusts that centrality of the recommended reforms will be felt considerably more after presentation of Goods and Service Tax (GST) when the tax office should oversee vast number of merchants. The present specialist in course of its exploration enquiry finds the proposed reforms as especially applicable notwithstanding for tax organization in the State of Assam, which made the analyst to survey the article.

**Bird R. M. (2015)** in his article, 'Improving Tax organization in Developing Counties' has examined upon specific parts of tax organization in reference to creating nations. He features essential viewpoints which should be considered and improved by nations so as to move further between examining an ideal tax structure and seeing how a progressively powerful tax system may move toward becoming reality.

The creator trusts that, "For creating nations to profit by the open doors managed by globalization - or to bounce back from the blows it might bargain out - they should almost

certainly prepare sufficient monetary revenues. Money alone isn't sufficient; yet it is vital for any state to work, and the most dependable approach to get it is with a compelling tax organization." He expresses that, "the tax system establishes one of the real interfaces among natives and state in any nation so how taxes are managed may influence not just the political eventual fate of the government of the day yet in addition, all the more in a general sense, open trust in government. Tax organization may in this manner assume a basic job in forming economic advancement as well as in building up a viable state."

The creator expresses that standard economic way to deal with taxation for the most part overlooks a portion of the key issues of organization, for example, avoidance and avoidance, managerial expenses and consistence costs, taxpayers and tax authorities' conceptualization and execution of the evaluating procedure, procedure of gathering and implementing taxes. He holds the view that these may significantly modify the impacts of the tax system. He further expresses that, "a taxpayer administration point of view would underscore on lessening taxpayer vulnerability by illuminating a portion of the present legitimate ambiguities, conveying obviously what the law is, and adhering to it as opposed to transforming it consistently (or consistently) and considering consistence costs all the more unmistakably in structuring lawful and regulatory systems. Administrations to taxpayers that encourage detailing, documenting and settling government expenses may now and then be a more practical technique for verifying consistence than measures intended to counter resistance."

Bird, Richard M., is an expert having immense learning and involvement in the field of taxation which is reflected from a variety of articles and books on shifted tax issues at worldwide dimension. The ends drawn and proposals made in the present article under audit are, on procedural issues made out of explicit experience of the Author. This has made the present specialist to audit the article over the span of present research consider.

**Bagchi, A. and Chand, K. (2016)** in their paper on "Taxpayer Information Service", investigates the prerequisite for improving information administration and taxpayer division to support the deliberate consistence.

The creators express that giving of applicable and effectively reasonable information to taxpayers is an imperative obligation regarding each nation's revenue body. They list three factors which assume a critical job in upgrading taxpayers' dimension of willful consistence.

Those are, conviction of the tax to be paid, accommodation to pay it and the demeanor of tax organization which drives both of these.

The creator examines on the changing frame of mind of tax managers towards taxpayers, need of tax organization to design so as to accomplish focuses of its different working including expanded taxpayer satisfaction. They worry upon the need to comprehend taxpayer conduct and consistence frames of mind.

**Sinha, R. (2010)** assessed the current routine of taxation in created just as creating economies alongside nitty gritty correlation with that of India. Chosen nations with the end goal of the examination were Malaysia, Mexico, South Korea, Japan, USA, UK, Canada and China with thoughtfulness regarding the issue of likeness of tax revenue figures over a period from 2000 to 2008. The investigation considering completely the auxiliary information depended on following targets, surveying the hugeness of tax revenue for financial approach space accessible to Government of India and other chose Countries; evaluating by and large greatness of tax revenue when contrasted with by and large size of economy for chose Countries; evaluating marginal tax rates in income and corporate taxes winning in India and other chose Countries; looking at the expenses brought about on tax organization in chose nations; and contrasting the progressivity of tax systems of chose nations. The examination presumed that the progressivity of tax structure in India is far underneath the global dimension. The investigation additionally considers tax exemptions as a methods for tax avoidance and prescribes that under India's tax system, the issue of tremendous size of tax revenue done without consistently should be investigated. The investigation trusts that not a wide range of tax exemptions can be disposed of however there can be a solid shot for evacuating those exemptions which befit primarily advantaged sections of populace.

**Khwaja, M.S., Awasthi, R. and Loerick (2011)** in their work on altered variant of "Hazard Based Tax Audit" at the World Bank which depended on encounters of couple of nations, saw that the fundamental focal point of a cutting edge system of revenue organization isn't to gather taxes. In an advanced tax system dependent on self-assessment and deliberate consistence, tax liabilities are surveyed by taxpayers themselves and paid through banks or State treasury system. In this way, the principle elements of the revenue organization are (a) to oversee tax consistence so as to distinguish and anticipate reprobate conduct and (b) to give taxpayer administrations and training so as to assist taxpayers with discharging their tax commitments

easily and with the least multifaceted nature and consistence load. The point of the hazard assessment reviewing models is to improve the quality and viability of reviews by generously changing review practices by giving expanded meticulousness to the review procedure in various key regions including the assessments of inborn and controlled dangers and the connecting of these hazard assessments to additionally review methods.

**Rangarajan C. (2012)** advocates that a powerful tax system is the establishment of a fruitful economy and a pre-essential for economic development. He contends that organization of taxes ought to be to such an extent that it lessens the interaction of taxpayers with the office significantly. The taxpayer ought not in the slightest degree visit the tax office except if called to do as such. Tax techniques ought to be as mechanized as conceivable that the corruption does not discover wherever in the tax organization. In light of encounters he reasoned that it is conceivable that regulatory instrument could modify the first aim of tax approach and structure.

**Reddy, N. (2012)** in its investigation indicates widespread tax avoidance and tax avoidance practices by local and worldwide corporate, its resultant revenue losses to Govt. of India just as State's trouble in activating and redistribution of its assets. Study depended on goals of understanding procedures that lead to tax avoidance and tax avoidance in the bigger setting of globalization; examining the working of Indians tax system including changing structure and development of tax revenue and capacity of tax preparation reflected in tax organization; investigating losses in revenue brought about by tax approach, tax inclinations and tax uses; specify different methods for tax avoidance and tax avoidance; and grasping impact of tax losses on improvement motivation. The investigation assesses the issues of different formative money affected by different practices of tax avoidance and tax avoidance, development and structure of Indian tax system and the capacity of tax assembly through tax organization, approach of Special Economic Zones (SEZs), tax avoidance and avoidance in India because of dark economy, capital flight and impact of revenue losses because of tax inclinations, tax avoidance and tax avoidance on nations advancement need uniquely the social part.

**Grag, R. and, Karve, N. (2014)** dissected the tax suits in India and identified underlying drivers for real tax prosecutions. Issues referred to be in assessment orders and at the assessment arrange and presumed that there is a need to improve the nature of assessments.

**Jayakumar and Elavarasan (2015)** this paper worries about Impact of Tax Reforms among Salaried Assesses in Tamilnadu. The point of the paper is see if and how the tax reforms influence the dimension of salaried assesses. Transport non-irregular testing strategy was utilized and 100 tax payers were returned and usable in the pilot examine. This examination information were investigations engaging insights, Chi square test and Anova test the formulated theories and the huge connection between assesses" individual information and supposition dimension of tax stipends. Tax payers are solicited to indicate their dimension from concurrence with a given articulation by of a Likert"s five point scale. This examination demonstrates that, generally speaking the assesses have been negative sentiment towards Impact of Tax Reforms made tax system in India.

**Vaneeta Rani (2014)** feeling that DTC tries to consolidate and revise the law identifying with all direct taxes, in particular income tax, profit dispersion tax and riches tax in order to build up an economically proficient, viable and evenhanded direct tax system which will encourage deliberate consistence and help increment the tax-GDP proportion. All the direct taxes have been brought under a solitary code and consistence methods bound together, which will in the long run prepare for a solitary brought together taxpayer revealing system. The requirement for DTC emerged from worries about the intricate structure of 50 years old Income Tax Act, 1961, which has been altered countless, making it vast to the normal taxpayer.

**Vaneeta Rani (2014)** found that when the Indian economy confronted a phenomenal macroeconomic emergency in 1991, Fiscal union established a noteworthy goal of the arrangement reaction. For this reason, it ended up important to: (an) upgrade tax and non-tax revenue, (b) abridge current consumption development, (c) rebuild open segment endeavors, including disinvestment, (d) improve Fiscal and money related coordination, and (e) deregulate budgetary system. The requirement for enhancements in budgetary practices prompted the enactment of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 which introduced Indian economy in a period of Fiscal combination dependent on Fiscal approach rules. Tax Reforms presented by the Government since 1991 have assembled a structure which is straightforward, depends on moderate tax rates yet with a more extensive base and better enforcement. In addition, they have helped in adjusting basic awkward nature in the tax system. They are delicate on industry so as to make new speculation atmosphere and make India universally focused. By bringing down the tax rates, the Government anticipates quick mechanical advancement and henceforth lightness in tax revenues. The nation is distinctly



anticipating execution of Direct Taxes Code (DTC) and National Level Goods and Services Tax (GST). GST is India's most goal-oriented indirect tax reform. Absence of political agreement is holding up advancement and execution of GST. This paper gives a distinctive record of late reforms in the Indian tax system as a piece of the on-going strategy of liberalization and globalization of the Indian economy.

**Sury, M. M. (2013)** expressed that among the different indices of capacity to settle regulatory obligations, income is respected, by a wide margin, as the most fitting. This is borne out by the notoriety of income taxes the world over. Income tax is imposed on the yearly income of different taxable elements, principally individuals and organizations. For working an income tax system effectively, Fiscal experts, especially in creating nations, are required to determine different issues to make it perfect with the financial goals of government approach. This paper analyzes general strategy issues pertinent for structuring and reshaping a reasonable income tax system.

**Sopan Kasinath (2013)** the taxpayers in India are the first class gathering and contribute tax absolutely in the economic development and improvement of Indian economy. Immediate and indirect taxes are one of the wellsprings of revenue to the government for the welfare of the overall population. According to the income tax act, 1961, the taxpayers should profit the findings of Rs. 100,000 for diminish the tax risk. Tax payers can diminish the tax risk through tax avoidance yet not through tax avoidance.

**Kamal Pant, Arya A. (2012)** led the New Direct Tax code which was said to be presented from the money related year, 2012-13 supplanting the multi decade old Income tax Act, 1961 has the goal to make the Indian tax structure obvious. The Income Tax Act 1961 has turned out to be extremely unpredictable and basically incomprehensible to the normal man by righteousness of a convoluted structure, various amendments, visit strategy changes and a huge number of decisions that gave differing translations to effectively undecipherable arrangements. This intricacy has not just expanded the expense of consistence for the normal tax payer, yet additionally made it exorbitant for the organization to gather tax. For the substitution of Income Tax 1961, the new Direct Tax Code which is totally new gives moderate alleviation to tax payers, lessen superfluous exemptions and improve consistence for improving accumulations. The tax payers themselves can figure and document Income Tax Returns

without the assistance of specialists. This paper features the review of the Direct Taxes Code more or less.

**Kimberly A. Clausing (2012)** this article talks about the choices confronting policymakers in the taxation of worldwide firms, their communicators worries about receiving a regional tax system without due thought of the consequences for U.S. economic activity and the corporate tax base. On the off chance that U.S. joblessness rates are low, occupations abroad need not uproot employments at home, despite the fact that the arrangement of employments may change (and global corporate occupations are regularly great, high compensation occupations). In this economy, be that as it may, those new, low tax nation employments could uproot occupations at home. With high joblessness rates, further tilt the playing field for occupations in low tax nations and given today's spending atmosphere, keeping away from further disintegration of the corporate tax base ought to be a need.

**BIRD and Zolt (2011)** point out in most creating nation's income taxes especially close to home income taxes assume just a constrained job in financing open part activities and have little impact on income appropriation. Contrasted with created nations, most creating nations depend more on utilization than income taxes, with VATs and extract taxes giving a significant bit of tax revenues. Regardless of whether estimated as a level of GDP or a level of in general tax revenue, individual income taxes assume an a lot littler job in creating nations than created nations. Creating nations face troublesome difficulties in reforming their tax systems. Distinctive nations have diverse conditions, targets, limits and arrangement trade off. Diverse reforms may bode well for each. The double income tax approach gives a promising premise on which many creating nations might almost certainly develop increasingly normal, supportable, gainful, and maybe significantly progressively dynamic, tax systems.

**Nicholas and Wempe (2010)** examined a backward tax system, lower income taxpayers pay bigger rates of their incomes in taxes contrasted with higher income taxpayers. Albeit most policymakers and natives see backward taxation as for the most part uncalled for and dishonest, the U.S. tax system taxes compensation, pay, and independent work income in a way that purposely subjects lower income taxpayers to marginal tax rates that are more noteworthy than those forced on higher income taxpayers. Accordingly, some lower income taxpayers pay a bigger level of their income in taxes than higher income taxpayers. In this article, they contend that this relapse in the taxation of salaried income is out of line and unscrupulous. We at that

point assess President Osama's government managed savings plan, which would hold the vast majority of the present tax system's backward structure. At long last, they offer two basic elective proposition I) Revenue unbiased proposition ii) Revenue upgrading recommendation that are non-backward, and in this way increasingly reasonable and moral ways to deal with the taxation of salaried income

**Amitabh Ojha et al (2009)** the point of this examination is to explore the imaginable forerunners of youthful Indian professionals' conduct aim (BI) to utilize the income tax e-documenting administration. Preceding information gathering, for which a self-regulated review was directed, address exhibits were orchestrated to acclimate the potential tax payers with the income tax e-recording administration. The psychometric information were dissected for unwavering quality and build legitimacy of the measures, and from that point a relapse examination was done. Relapse results demonstrated that forerunners of youthful Indian professionals' BI to utilize the income tax e-documenting administration are: saw usability, individual imaginativeness in information innovation, relative favorable position (RA), performance of e-recording administration, and similarity (COMP). Past examinations on income tax e-recording are plagued by issues of adopter inclination, and inability to regard trust as a multi-dimensional. Furthermore, these examinations are skewed towards two speculations, to be specific innovation acknowledgment model, and hypothesis of arranged conduct. Albeit saw characteristics of improving have held extensive guarantee as an elective structure, it has a perpetual issue of perplexing among RA and COMP. In examining the predecessors of youthful Indian professionals' expectation to utilize the income tax e-recording, this investigation additionally endeavors to manage these issues, which are vital to the practice of e-government appropriation inquire about.

**Jayakumar and Nagalakshmi (2008)** the proposal entitled "Tax Reforms Perception of Income Tax Assesses in Tamilnadu" a few investigations don't focus on the strategy measures in the individual income tax in India after 1991 and there was no exhaustive examination to understand the view of income tax assesses. They found that specific essential enhancements in authoritative association, amendments, see, booklets, e-recording returns in town panchayat's association, absence of arrangement for non-documenting of TDS by the tax deductors, increment the PAN card holder, Low familiarity with tax payers administration program are consider to be the factors influencing tax reforms. Sentiments about income tax rates in India are moderate. A decent tax reform should be all around arranged and all

encompassing, tending to generally speaking procedure, association and employment structure. It is alluring that taxmen must be associated with all economic in activities in plans.

**Horioka, C.Y., Sekita, S. (2007)** in this paper, they directed a hypothetical examination of individual taxes (included utilization and income taxes), depict and assess at various times structure of individual taxes in Japan, and dependent on our findings, make various strategy proposals about how to reform individual taxes in Japan. They find that the structure of Japan's present utilization and income taxes is risky from the view purposes of both productivity and equity and propose a reform bundle that improves both the effectiveness and equity of Japan's own taxes and in the meantime, accomplishes financial reproduction. Accepting that work supply is more cost inelastic than sparing, the continuous cancelation of different tax breaks for sparing (capital income) has brought down the proficiency of Japan's Income Tax and the decrease in progressivity has diminished the equity thereof. Along these lines, Japan's late income tax reforms have decreased the productivity just as the equity of the income tax, and in this way one can't state that they were attractive from an ideal taxation stand point. In addition, bury word related imbalances seem to have been decreased yet not wiped out completely.

**Pranav and Madhu (2006)** the Government of India has chalked out a national e-administration action plan for the execution of different e-administration activities for tax payers, 24 hours every day, so a tax payer can satisfy his day by day tax commitment without sitting around idly and without visiting income tax offices. The idea of e-filing is as yet advancing and is experiencing part at a quick pace in the nation. This article gives a review of this essential activity of the government.

**Jayakumar (2006)** in his article "Direct tax reform-An Overview" checked on about the different advisory groups looked in the tax reforms and model of tax reforms. He recommended that to boost the tax revenue it is the crying need of great importance to carry the rural rich into the tax net and the tax office ought to be mechanized to give better administrations and likewise to the early assessment.

**John Gibson and Scott Rozelle (2005)** analysts regularly use unit esteems (family uses on an item partitioned by the quantity obtained) as intermediaries at market costs while figuring destitution lines and evaluating consumer demand conditions. Such intermediaries are regularly required in light of the fact that network cost overviews in creating economies are

either missing or endure quality issues. In any case, utilizing unit esteems may result in inclinations because of estimation mistake and quality impacts. In a family unit review test, information on costs was acquired in three different ways: from unit esteems, from a market value overview and from the conclusions of householders who were appeared of things and requested to report the nearby cost. The three arrangements of value information are utilized to figure destitution lines, gauge value flexibility and break down marginal tax reforms. There are significant inclinations when unit esteems are utilized as an intermediary for market cost, notwithstanding when modern revision strategies are connected. Performance was better at the cost suppositions of family individuals. The outcomes feature the significance of value accumulation strategies and the need to consider the more extensive expenses of having conceivably questionable network level value information.

**Jagadeesh and Joel (2016)** estimated pay disparity concerning tax law changes in 1991 that killed the twofold taxation of wages paid to accomplices in organization firms. The firms react unequivocally to tax motivations for income moving and feature the need to control for the potential impacts of tax impetuses in investigations of pay disparity.

**Junghun Kim (2015)** the moderately straightforward nature of the tax arrangement in Korea is changed, as augmenting income hole, joblessness, social consumptions, and decentralization have turned out to be essential strategy issues. In this paper, the tax system in Korea is diagramed and a few vital tax reform issues, for example, economic development, tax rivalry, redistribution, tax task, and land taxes are talked about. The principle reform issues are the followings. The tax load is required to rise, however the bearing of changes in tax blend isn't clear since social consumptions can assume as imperative job as immediate taxation for redistribution. Taxes identified with genuine domains in Korea are excessively confounded and the progressivity is should have been reduced. The jobs of central and nearby governments concerning tax arrangement are not very much structured. Redistributive capacity ought to be appointed to the central governments, and tax trading of nearby governments ought to be limited.

**Ramesh Dadhich and C. K. Shah (2005)** the incidental advantages tax and the tax on money withdrawals has attracted contention, however it is the nullification of the class of „Standard Deduction“ in income tax law which is a phony pas. The money serve isn't right to proclaim standard reasoning, which is a mandatory derivation to touch base at the Net Taxable Income

of the salaried class, as some sort of a Personal remittance which ought to be discarded. It is neither a Personal recompense nor an exclusion. in the event that it is a mandatory component for registering the net taxable income of the salaried class, this be ever annulled as a classification It is to be sure unexpected that while P Chidambaram needs to shed standard derivation, regarding it as an individual remittance, he has no issue in propagating exemptions for a few recompenses, for example, on transport, uniforms and for empowering scholarly research and other expert interests.

**Rao (2005)** investigated that the Indian Tax system was characterized by a high reliance on indirect taxes, low normal successful tax rates, high marginal powerful tax rates and expansive tax prompted bends on speculation and financing choices and accordingly reforms ought to be gone for improving monetary combinations, bringing down the marginal tax weight and diminishing tax actuated mutilations.

**Takumi Naito (2005)** watched „Growth, Revenue and Welfare impacts of Tariff and Tax Reform“. The two fundamental consequences of the examination are: Trade liberalization raises or lower the development rate if and just if the import area is progressively powerful and work concentrated or capital escalated. Development revenue and welfare gains can be accomplished by method for consolidating consumer value unbiased duty and tax reform for development improvement with an extra ascent in the utilization tax on the less misshaped merchandise.

**Acharya Shankar (2005)** this paper portrays the forms of India's tax reform story from the mid-1970s to the present and finds that tremendous advancement has been made over the most recent thirty years, made a decision by the standards of economic productivity, equity, worked in revenue flexibility and straightforwardness. Be that as it may, key issues for further reform incorporate the plenty of complex exemptions tormenting traditions tax, low lightness of extract, mix of Cenvat with state VAT and the expansive basing of direct taxes. Continuing projects to send IT and present day chance administration techniques in tax organization will be basic, for the announcement "Tax Administration is Tax Policy" is very valid.

**Arindam Das Gupta (2005)** an endeavor is made here to assess the tax reform of the non-corporate tax structure by analyzed its present base, the rate structure, chose organization reforms and likely charges of these reforms for consistence expenses and consistence. There



are four primary ends. Tax base reforms have expanded the differential treatment of income from various sources. In any case reforms hold back before steps expected to completely catch counterbalancing profits by decreased consistence costs and expanded tax consistence. Second, the rebuilt tax rates are the most liberal since the 1960s, with the exception of marginally for individual taxpayers near as far as possible. Third, be that as it may, reforms are probably going to expand individual consistence costs as a rate to taxes gathered. Fourth, consistence and so the revenue impact of late reforms is probably going to have been sure however modestly.

**Ranina (2005)** expressed the Direct Tax code proposed in the fund bill 2005, brought up that the procedure of reform is yet to begin. Streamlining the present tax law which has turned out to be confounded is for all intents and purposes incomprehensible. She proposed given underneath:

- A new tax code drafted with accuracy and effortlessness is the crying need of great importance.
- Outsourcing of the vast majority of the elements of the tax division is by all accounts the best arrangement.
- Dispute goals must be given its due need. An elective question goals component may likewise be considered. Decisiveness to tax suit there must be Supreme Court seats to discard requests speedily

**Pramod Kumar Rai, (2004)** this paper gives an outline of the Indian tax system and examines the difficulties in tax gathering looked by creating economies utilizing India as a model. The paper talks about the available resources to decrease the dark economy and to improve tax consistence for better accumulation of revenue. The paper further proposes the foundation of a debate goals system in creating economies like that of the United States for rapid and reasonable settlement of taxation question.

**Pauline Jones Luong., Weinthal, E. (2004)** the perspective on establishments as power instead of as contracts overwhelms the relative legislative issues literature on both institutional creation and the governmental issues of economic reform. The development of a by and large ideal tax code in Russia exhibits the restrictions of this accentuation on compulsion. This new tax code was not forced by a solid central pioneer, mandated by global foundations, or the

aftereffect of state catch by incredible economic interest gatherings. To some degree, it is the result of a commonly gainful trade between the Russian government and the Russian oil organizations. Russia's capacity to arrange a successful tax routine additionally proposes the conditions under which and the miniaturized scale causal instrument whereby exogenous stuns advance institutional change and economic reform. Inferable from their shared helplessness and relationship, In 1998 monetary emergency created broadly shared observations among these actors that the adjustments of co-task had changed, yet the economic reform organization that came about required a progression of gradual vital moves that built up normal information.

**Amar Bhide (2004)** indicates India's monetary challenges come from a seriously structured and controlled tax system. Rates and guidelines of individual and corporate income taxes seem sensible by universal standards. Regardless Indian government gathers income taxes adding up to just about 3.7% of GDP, about a large portion of that of South Korea and the other Asian tigers. He opined on Indian government appropriations things like advanced education pointlessly. In the event that an exceptional tax is demanded on the individuals who pick open and tax-subsidized advanced education then it will lessen the weight on government a great deal. Additionally farming income should be taxed. This alongside disentanglements of indirect taxes and interest in tax gathering system will be required to build tax accumulation and opined India needs tax reforms.

**Fleischman, Gary M., Hutchison (2013)** the U.S presidency's mandate for tax cuts, joined with expectations of considerable spending plan surpluses amid the following ten years, is fuelling two related discussions: Elimination of the bequest tax and decrease of tax rates by reforming and rearranging the tax code. This paper utilizes the aftereffects of a review of bookkeeping tax educators to survey feelings with respect to the disposal of the home tax, just as, the practicality of diminishing tax rates through reform by utilizing a level tax. The consequences of this investigation propose that tax teachers don't support the annulment of the domain tax and are tepid to supplanting the present tax system with a level tax.

**Das Gupta and Mokherjee (2015)** censured the income tax enforcement. They saw during the 1990s India reformed the tax rates, however moderately couple of endeavors has been made to improve tax organization. The writers censured that corruption was across the board at the income tax office and tax methodology forced solid consistence.

**Gurucharan and Rajiv (2013)** inspected the impact of new tax reforms on Indian economy and monetary approach: he watched the patterns in direct taxes and indirect taxes from 1981-82 to 1998-99 indicated decrease in the proportion of tax revenue to GDP on account of the central government has been a lot quicker than that of the states. This is intelligible as the central government needed to diminish levies as a piece of the basic change program.

**Nasim and Goswami (2003)** basically checked on the immediate tax reforms estimates given by the Dr. Raja Chelliah panel, expressing that Dr. Raja Chelliah advisory group made a number very helpful proposals which be left to be actualized have likewise been taken up for usage in a staged way and inferred that by dissecting the tax reform measures have surely realized a stamped improvement in the revenue gathering. Other than the reforms measures have likewise tried to address the basic unevenness for making the tax system progressively flexible, basic, levelheaded and broad based to guarantee better consistence yet accomplishments made so far can't be professed to be pursue less. Hence, „improving the efficiency of the tax system keeps on being a noteworthy test in India.

**Kelkar Panel (2003)** the last give an account of direct taxes has vanished from the conference paper on certain issues to accommodate politically touchy recommendations made to the board. Raising the general exception farthest point and climbing the tax impetus for commitments to benefits schemes are intended to give the proposals a human face. The board is supported in guaranteeing that its suggestions would, whenever executed, bring down the expense of both debt and equity, decrease transaction costs, help consistence, increment designation effectiveness (tax breaks never again privileging one segment over another) and help revenues. There is each motivation to laud the running topic of the Kelkar board reports: disentanglement and disposal of exemptions while bringing down rates. It is hard to criticize the position that tax exemptions are obscure and protected from parliamentary oversight when contrasted with financial help as express endowments.

**Mehta (2003)** basically analyzed the issues in pay arrangements. The center issues in pay arrangements are taxability of medicinal recompense; shamefulness of some taxable income for government worker and non-government representative; confounded perquisites, different remittances given to the employees" and so on. Recommendations spelt out by them are:

- i. Allowances and different perquisites ought not to be estimated as a piece of compensation. Just essential compensation ought to be treated as genuine income under the head pay
- ii. The maximum exception point of confinement of willful retirement under section 10(10C) must be expanded.
- iii. The separation with respect to benefits, tip and leave encashment among government representatives and non-government workers ought to be evacuated.
- iv. Classification as specified and non-specified workers for perquisites reason ought to be evacuated.

**Benedict, (2011)** The creator contemplates the law arrangements managing monetary administrations under the Australian GST law with the aim to check whether the arrangements have been understood accurately in light of the first reason for the enactment and how the worries distinguished might be amended.

**Bikas, (2013)** The creators have considered the VAT rate and the EU economy and likewise the connection between the VAT and macroeconomic indicators and their effect on the VAT rate. The creators reason that there is a positive connection between macroeconomic indicators like GDP, per capita income and utilization, trade, import and so on and the VAT rate material.

**Borec, (2013)** The creators have examined how assesses may conform to the VAT laws given that the GST is a goal based tax. The creators mostly manage B2C situations where the VAT compliances would should be done in the state where the client is found. The creators have talked about the troubles in this consistence particularly in the internet business transactions.

**Mix, (2012)** The creators have considered the connection between the method of gathering of VAT revenues with the objective of VAT accumulation for the district of Tarkwa – Nsuaem in West Ghana. The creators have utilized surveys and meetings to gather the information and then dissected it utilizing the relapse investigation and built up that the technique for VAT accumulation in the said district was better than expected. The investigation is critical in light of the fact that VAT is one of the essential revenue generators for any Government.

**Ciobanasu (2012)** The creators follow the relationship between's the sorts of taxes and their job in the planned revenues and the financial advancement of Romania. Indirect tax by its very nature is less demanding to oversee, is nonpartisan to status of tax payer, and builds revenue however prompts expansion. Then again direct taxes rely upon the tax payer and are hard to oversee. Further, indirect tax encourages the government to an extent to coordinate utilization of the general population. The creators infer that both the taxes are essential for by and large development of the economy.

**Crossley, (2009)** In 2009, the United Kingdom Government chose to diminish the VAT rate by a marginal sum so as to help the consumer spending. The creators have considered the said connection in his paper and inferred that if the VAT rate is decreased, the spending by general consumers increments bringing about in general lightness in the economy.

**Emmanuel, (2013)** The creator has inspected the connection between VAT, the expansion in VAT rates and the economic development and tax revenue in Nigeria. For this examination the creator has set out 2 Null theory which are post the exploration acknowledged. The creator presumes that given the solid connection between the abovementioned, the Government and specialists ought to actively teach people in general on the advantages of VAT with the goal that they acknowledge changes in VAT rates all the more effectively.

**Eugen, (2011)** the creators have inspected the different techniques embraced by assesses to sidestep VAT particularly in intra nation transactions in Romania. The creators have additionally suggested the documentation and returns which could be depended upon by both the specialists and the assesses to guarantee that there is no tax avoidance.

**Eva, (2008)** The creator in his paper has analyzed the expense of conforming to the indirect tax laws in the Slovak Republic by doing examination of little, medium and expansive organizations through a survey and presumes that organizations particularly the little ones are not ready to and don't attempt endeavors to measure the expense of consistence which is very high because of the mind boggling laws.

**Fathi, (2012)** the creators have investigated the association between the rate of VAT and the avoidance of VAT by the open utilizing shifted test techniques. They reason that there is no association between the two on the grounds that in numerous nations where the VAT rate is high the consistence is additionally high and where it is low the avoidance is high.

**Firth, (2012)** GST on money related administrations as dependably been a topic of extraordinary discussion. There is an issue in taxing monetary administrations because of their elusive nature, the perplexity around the area of specialist organization and administration beneficiary and the estimation of the administration. The creators in their paper are attempting to address these issues uncommonly for the nation of Canada. In Canada, there is an exclusion for monetary administrations, delegate benefits in connection to money related administrations and so forth. The creators in their paper have examined the current laws and recommended changes to the current laws for better productivity in taxing money related administrations.

**Grigore, (2012)** The creators ponder the main highlights of VAT in the EU part expresses, the distinctions in them and the adjustments in VAT laws required crosswise over EU part states so as to help intra EU trade and reasons that specific tax reforms are required to be attempted by all part EU states to guarantee ideal productivity of VAT as a monetary device.

**Halakhandi, (2007)** GST should be presented in India path back in 2010. It has been getting deferred because of different reasons real one being getting to an agreement between the different states and the center for pay. The creator in the paper has talked about the current laws in India for indirect taxes, the VAT laws in different states with their points of interest and burdens, the impact of the proposed GST, the compliances under the proposed GST and so on. The creator has likewise utilized different numerical guides to exhibit how GST is financially savvy.

**Herekar, (2012)** The Ministry of Finance had set up the Task Force with Mr. V. Kelkar as the director of the Task Force. The principle assignment of the Task Force was to assess the impact of the proposed GST on the Indian economy. The creator in the paper has examined the diverse pieces of GST and their impact on the normal man, the business and the economy. The creator has finished up dependent on optional information that if GST is presented in India, it would positively affect the general economy.

**Huang, (2013)** The creators look at the connection between the recently presented GST in Australia in 2000 and the home loan costs somewhere in the range of 1999 and 2001. The investigation reasons that given that in Australia money related administrations industry is taxed on info taxation premise for example the yield contract administration isn't at risk to GST and GST paid on information administrations to give these home loan administrations are



additionally not permitted. This additional expense of sunk information tax is passed as expanded home loan expenses to clients making lodging exorbitant post presentation of GST in Australia.

**Ilaboya, (2012)** The creators have contemplated the connection between indirect tax and economic development explicitly in Nigeria and reasoned that the connection is backwards and center from indirect tax ought to be moved in Nigeria. This is likewise on the grounds that the investigation uncovers that there is an immediate connection between direct taxes and economic development.

**Keating, (2010)** GST is usable in both Australia and New Zealand with against avoidance/avoidance arrangements under the GST law encircled in both the nations. The creator thinks about the said enemy of avoidance arrangements in the two nations, looks at their adequacy and additionally whether tax payers have effectively dodged the law. The creator infers that if the law translations dependent on the New Zealand Court choices are alluded to, it infers that assesses will think that its hard to sidestep the law.

**Keho, (2011)** The creator inspects the association between the tax rates and economic development utilizing the ARDL limits testing approach, for Cote d'Ivoire in the period 1960 to 2006. The creator has inferred that there is a solid connection among taxes and economic development particularly direct tax and development, and he further presumes that changing from direct to indirect taxes positively affects the economic development and general economy.

**Keho, (2011)** The creator analyzes the association between the tax rates and economic development utilizing the ARDL limits testing approach, for Cote d'Ivoire in the period 1960 to 2006. The creator has inferred that there is a solid connection among taxes and economic development particularly direct tax and development, and he further reasons that changing from direct to indirect taxes positively affects the economic development and general economy.

**Mansor, (2013)** GST has dependably been considered as an apparatus in the hands of any Government to build revenue. The Malaysian Government presented the said tax in Malaysia so as to lessen its spending shortfall. The writers in the paper have examined the preparation of the Malaysian economy in embracing the said recently presented GST alongside the reactions of different sections of the general public.

**Mansor, (2012)** The creators have in the paper contemplated the connection between key arranging and basic leadership procedure and fitness of the tax organization in indirect taxes in Malaysia. For this the creator has contrasted the arranging system in Malaysia and different economies and inferred that in Malaysia the primary issue is around lack of assets and will of workers in the tax division.

**Muntean, (2010)** The EU comprises of 17 states (27 informally) in the geological territory of Europe who have received Euro as their basic cash. The fiscal strategy of the EU is managed by the European Central Bank. Tax is received by the individual states at various rates. There is trade between the part states and of every individual state with non EU states. The creator has contemplated the different systems/measures received by the European Commission to diminish the avoidance of VAT material on imports/sends out on merchandise and enterprises transacted inside the EU and/or from outside EU states.

**New Zealand Government, (2012)** The creator has followed the GST and import obligations appropriate on the different imports into New Zealand. The paper examines not just the products on which obligation is payable yet additionally whether further GST is payable on similar merchandise. The paper additionally talks about the materialness of the taxes on the merchandise requested and conveyed through web. The paper additionally talks about different exemptions accessible like belongings to the import taxation.

**Newton, (2011)** VAT is connected on budgetary administrations transactions in the EU area. The creators in their paper have examined the pertinence of VAT on money related administrations transactions, and the expense of VAT to budgetary administrations industry. The creators have first talked about the proposition to present Financial Transactions Tax and Financial Activities Tax by IMF in the EU area and then contrasted the equivalent and the expense of VAT to the money related administrations industry.

**Pena, (2010)** In 2001, in Mexico, it was proposed to present a level 15% VAT rate on specific things like sustenance and so forth which are things of essential utilization, rather than financing the majority. The creator utilizing the General Equilibrium Model examinations the impact of the proposed presentation of level VAT rate and infers that it is smarter to present such level rate on essential things which will produce revenue, and a piece of this revenue can be utilized for the improvement of masses than sponsoring the majority.

**Ramona, (2012)** The creator has investigated the connection between an esteem included tax money related administrations division and the revenue produced and administrative impact of the equivalent particularly with reference to Romania. The creator additionally contemplates the troubles in taxing the money related division which is immaterial.

**Saeed, (2012)** VAT as a tax to produce revenue and improve returns proportion was presented in various SAARC nations at various purposes of time. The creators have in the paper inspected the viability of VAT as a tax to produce tax revenue and to improve the tax to GDP proportion in SAARC nations. The creators for this reason have presumed that VAT is viable on the two checks.

**Stroe, (2011)** The creator has in the paper broke down the different VAT systems existing and usable in different pieces of the world. The creator further expresses that VAT significantly impacts the economies of each nation exceptionally creating nations, and consequently is vital. The creator at that point has looked at the VAT tax system in USA and Europe and has presumed that VAT as a tax is a weight for the economy. The creator further dependent on this investigation attempts to make a perfect model of indirect taxes which could be received by nations.

**Sundar, (2013)** Value Added Tax is a tax which is all-involving in merchandise and enterprises and in this manner influences each individual and business. The creators have examined the criticalness of VAT with regards to the Indian economy and impact of VAT on the normal man and industry in India utilizing auxiliary information made accessible by the Government. One of the suggestions of the creators is to accomplish more straightforwardness in VAT compliances in India.

**Tamizi, (2013)** The creators analyze the favorable circumstances and complexities of the VAT system actualized in Iran amid 2009-2012. The examination is part into two sections; the first looks at the troubles in executing VAT in Iran given the political situation there. The second part analyzes the advantages/weaknesses of the said actualized VAT system. The investigation is led utilizing T Value on information gathered utilizing a poll.

**Tripathi, (2011)** The creators have talked about the worries looked in India post the execution of VAT, the taking in we could take from it, the impacts on the social request in India. This is talked about out of sight of the approaching GST in India. The creators have talked about the

different issues around VAT, how it impacts the diverse sections of society. Tank is available in all products delivered and GST would be available in all merchandise and enterprises created making it a tax payable by all sections of the general public. In this manner it is a tax which however great to expand the revenue impacts even the less fortunate sections of society.

**Watrin, (2008)** The creators have analyzed the connection between the dimension of consistence by individuals particularly as far as payment of tax, with the kind of tax for example immediate and indirect taxes. The creators infer that dependent on studies completed that individuals react more to changes in recognition techniques under indirect taxes than direct taxes yet are more agreeable with direct taxes than indirect taxes. The creators recommend that this standard of conduct of individuals ought to be borne at the top of the priority list by approach producers who make the tax strategies.

**Zyl, (2011)** The creator manages whether individuals having unlawful organizations need to enroll under VAT and whether the standard VAT rate would apply for their business. He presumes that even unlawful transactions ought to be at risk to VAT with the goal that they don't profit because of lower costs by virtue of no VAT. The creator has dissected the pertinence of indirect taxes on illicit transactions from different points of view.

**Dr. Shiv K. Shrivastava, Dr. Vinod K. Bhatnagar and Dr. Prakash Sharma (2010)** The particular goal of this examination exertion is to break down the impact of Goods and Service Tax (GST) on stockrooms arranged in India. The Central Warehousing Corporation has expressed that they have more than 450 warehouses which are controlled by 17 regional offices.

**Vasanthagopal.R, (2011)** however the positive impacts alluded above are reliant on a nonpartisan and judicious structure of the GST, adjusting the clashing interests of different partners, full political duty for a principal tax reform with a protected amendment, the switchover to a „flawless“ GST would be a major jump in the indirect taxation system and likewise give another catalyst to India's economic change.

**Agrawal.A (2011)** GST is likewise expected to convey numerous advantages to the Indian economy. However, every one of these advantages depend on the presumption that general taxation structure is less bureaucratic and umber some than present. The execution will be pivotal with the goal that the guaranteed advantages are figured it out.

**Benjamin Liu, Allen Huang,(2011)** Australia has encountered critical ascents in home loan expenses and sharp decreases in lodging moderateness over the most recent couple of decades, especially since it executed another tax system of Goods and Services Tax (GST) in July 2000.

**Gupta Sambhavna , Kumar Sunil, KaurJasveen, (2012).**Tax is the most dominant instrument with respect to approach producers and the essential tax reform to meet the economic objective ought to be of most extreme significance. An all-around characterized and focused on tax reform can push the economic development of the nation to more prominent statures and generally can make the entire economy come apart.

**Asongo, A.II, Jamala G.Y, Joel L and Waindu C (2013)** This exploration was directed to examine and indicate the impact of trade liberalization on the performance of the manufacturing area in Nigeria. In view of economic hypothesis bolstered by significant auxiliary information from 1989 to 2006, an econometric model was created.

**Amanuddin Shamsuddin, Muhammad IshfaqMeorRuslan, AfifahAbdHalim ,NurFatinZahari , FarhanaMohamadFazi and Sultan Haji Ahmad Shah.(2014)** The national spending plan of Malaysia 2014 had been postponed in Parliament on 25 October 2013 suggesting that GST would be actualized initiating on 1 April 2015 at 6% rate. Numerous individuals, including instructors, were wary of their acquiring capacities just as different consequences for them.

**Jaiparkash (2014)** VAT is an improvement over the current association extract obligation at the central dimension and over the deal tax at the state level while GST is a further improvement over the current VAT which is yet to be executed most presumably in the coming monetary year as guarantee made by our association fund serve.

**MONIKA TUSHIR BOHRA (2014),** In this paper an endeavor has been made to see the advantages of GST and its present status in India. Paper gives information about GST and an immaculate execution would trigger an expansion in the government revenue and a flood in the Indian economy. In India as of now we are having administration tax and VAT for gathering indirect tax.

**Mohd Rizal Palil Mohd Adha Ibrahim (2014),**The Impacts Of Goods And Services Tax (Gst)On Middle Income Earners In Malaysia.UniversityKebangsaan Malaysia, 43600 Bangi,

Selangor, Malaysia. The presentation of GST in Malaysia hosts called numerous contentions from different gatherings including scholastics, experts and the country (would turn into the taxpayers) on how GST influence products costs increment or reduction.

**NEHA JAIN (2015)** GST would assume a transformative job and achieve upset in the Indian economy. The expansion in administration tax from 12.36% to 14% would in a perfect world be an antecedent to presentation of GST. Acquaintance of a GST with supplant the current different tax structures of Center and State taxes isn't just attractive yet basic in the developing economic condition.

**Prof. Kesarisinh S. Parmar (2015).**In the light of the exact ends created in this paper, it appears to be fitting to finish up by quickly taking note of the strategy ramifications of the outcomes. In any case, the macroeconomic impact of a change to the presentation of the GST is critical as far as development impacts, value impacts, current record impacts and the impact on the financial plan balance..Secondly, in a very created open economy with a high and developing administration segment, an adjustment in the tax blend from income to utilization based taxes is probably going to give a productive wellspring of revenue.

**Dr. Shakir Shaik, Dr. S.A. Sameera, Mr. Sk.C. Firoz (2015)** Goods and Services Tax (GST) is a thorough tax demand on manufacture, deal and utilization of products and enterprises at a national dimension. One of the greatest taxation reforms in India the (GST) is good to go to coordinate State economies and lift generally speaking development.

**Sacchidananda Mukherjee(2015)** To expel falling impact of taxes and give a typical across the country showcase for merchandise and enterprises, India is moving towards presentation of Goods and Services Tax (GST). Under the proposed indirect tax reform both Central and State Governments will have simultaneous taxation capacity to demand tax on supply of products and enterprises.

**IzaBintiIshak Muhammad Hanif Othman MuhamadFuzi Omar (2015)** The motivation behind this paper is to explore the students' recognition towards the recently executed Goods and Service Tax (GST) that has been actualized in Malaysia beginning from April 1, 2015. The students' recognition is estimated through satisfaction examination. Sets of survey has been structured and dispersed to 242 understudies at International Islamic University Malaysia (IIUM) and later broke down utilizing SPSS.



**Deepak Kumar Adhana (2015)** GST stands for "Merchandise and Enterprises Tax", and is proposed to be a far reaching indirect tax demand on manufacture, deal and utilization of products just as administrations at the national dimension. It will supplant all indirect taxes demanded on merchandise and ventures by the Central Government and State Governments.

**Mahima Tiwari (2016)** Indirect tax is a tax which forced on practically every single resident of the nation. The present tax system in India is fundamentally separated into two sections for example Direct Tax and Indirect Tax. After autonomy, a few reformatory measures were embraced to make the tax structure sound, reasonable, taxpayer inviting.

**Pankaj Kumar, Subhrangshu Sekhar Sarkar (2016)** India is an administrative nation where Indirect Tax is demanded by Federal and State Government. Esteem Added Tax is required by State Governments. Each State has specialist to choose the Tax rate and to control the Tax system according to their advantageous. The Taxation control has been all around characterized in Indian Constitution.

**Bhawna Manya Aancha Nagpal (2016)** The internet business industry in India is still in its early stages, however it has appeared astounding development over some undefined time frame and has contributed essentially to the country's GDP. GST is essentially an indirect tax exacted on the clearance of products and ventures and is viewed as an answer for a few complex tax illnesses being experienced by the E-business organizations in the retail area.

**Dr. B. Jaisheela,(2016)** Goods and Service Tax (GST) is a thorough tax demand on manufacture/maker deal and utilization of products and administration at a national dimension. GST is a tax on products and ventures with esteem expansion at each stage having thorough and constant chain of set-of advantages from the producer's/administration provider's point up to the retailer's level where just the last consumer should bear the tax".

**Dr. J.Murthy (2016)** The Goods and Services Tax (GST), the greatest reform in India's indirect tax structure lately. GST looks to streamline the taxation of trade in products and enterprises, decreasing procedures and expanding the simplicity of working together. Basically, Goods and Services Tax (GST) is a far reaching multi-organize esteem included tax merchandise and enterprises.

**Upender (2014)** tried to check legitimacy of "Laffer Curve" in the Indian tax system in the midst of the post reform period by mulling over daintiness of income tax system and versatility of income tax revenue with respect to most extraordinary marginal rate. Relapse condition was fitted to the information centers covering the period from 1960-61 to 2000-01. The span of tax softness was seen to be either solidarity or more than solidarity in all of the extensive stretches of post tax reform period beside the year 1997-98. A basic negative connection between most extraordinary marginal rate and income tax revenue was seen after 1990-91. Flexibility of income tax revenue concerning most extraordinary marginal rate was found negative in all the fiscal years from 1992-93 to 2000-01. It was more than solidarity just in the extended lengths of 1994-95 and 1995-96. The negative indication of versatility confirmed that Indian economy was working in the restrictive extent of income tax Laffer bend in the midst of the post reform period. The maker contemplated that Laffer impact was pertinent in India yet not enough as flexibility was not as much as solidarity.

**Sidhu (2015)** did the examination to discover the sufficiency of direct tax reforms presented in the midst of the post movement period by covering the scope of ten years from 1991-92 to 2000-01. He saw that immediate tax reforms couldn't contribute unequivocally to deal with the monetary issues of the country. The abatement in tax rates couldn't fast better tax consistence. Reforms had winning to expand the quantity of assesses yet fail to fabricate the Central Government revenue. The genuine idea of direct taxes had begun from lower income group in the midst of the time of study. Along these lines, the researcher unequivocally prescribed to review tax reform approaches sought after by the Government in the midst of the post-movement period.

**Jain (2014)** took a gander at the legal arrangements and diverse pieces of income tax system identifying with three made countries explicitly United Kingdom, United States of America and Australia and three making countries specifically - Malaysia, Pakistan and India. Time of the examination picked was 1984-85 to 1997-98. The examination revealed while the dynamic tax rate structure was pursued by virtue of individual taxpayers in all of these countries anyway the tax rates were seen to be higher in made countries than that of making 88 countries. The element of income at which the most outrageous marginal rate was material in India was low when stood out from various countries. The major unit of assessment was individual in all of the countries chose for concentrate beside United States of America, where the married individual had the alternative to record return together with mate. The maker opined that

monumental tax on agrarian income in India likely won't result in higher tax revenue rather it might assemble the administrative cost. The system of individual exemptions was seen to be progressively sensible in United Kingdom and United States of America. The examination in like manner revealed that United States of America had a system of killing exemptions and tax credits as the gross income surpassed a particular measurement and of pulling back the exception absolutely if such income achieved another settled progressively raised sum. Number of individual taxpayers as dimension of all out people in the United Kingdom, United States of America, Australia, Malaysia, Pakistan and India were 47.94 percent, 45.70 percent, 52.92 percent, 6.95 percent, 1.29 percent and 1.17 percent separately for the year 1997-98. The punishment and prosecution arrangements relevant in India in respect of various defaults of the taxpayers radiated an impression of being merciless when stood out from various countries. The examination furthermore highlighted that extent of tax revenue to GDP in India was not exactly all unique countries chose for study.

**Torgler (2016)** tried to take a gander at the local's standpoint towards tax consistence in India. The examination watched the impact of non-economic factors on three tax consistence factors to be explicit legitimization of tax avoidance, pollution and asserting government benefits without support. The maker associated relapse method on scaled down scale information taken from the fourth surge of World Values 90 Survey. The results showed that training, national pride, religiosity and age emphatically influenced consistence. Women and freely utilized had a higher readiness to concur tax rules. It was furthermore observed that cut down regular workers had the most reduced eagerness to come tax rules.

**Kumar, Nagar and Samanta (2017)** tried to take a gander at the suitability of direct tax association in India by applying econometric model. They considered assembling of individual income tax and association tax at preassessment and post assessment mastermind. Tax Enforcement Index was created by applying first section examination for the period 1986-87 to 2003-04. The examination found that TDS and advance tax, considered as obstinate consistence 91 contributed 33.88 percent and 45.45 percent of the absolute aggregation in close to home income tax and association tax separately. The remainder of the revenue was gathered through conventional assessment, expect of punishment and interest recovery. The maker opined that clear lopsidedness of tax system, flightiness of tax laws, and nonattendance of sensibility in punishment system and weak taxpayer training programs were the rule clarifications behind poor conscious consistence. The examination further highlighted that

there was a need to manufacture a suitable information system and database for improving sufficiency of income tax association. Finally, the expert suggested for keeping up a fitting congruity between the administrations to taxpayers and usage of the tax laws to advance intentional consistence.

**Datar (2016)** in his article entitled "Why the Code must be racked" conveyed his points of view about proposed Direct Taxes Code. He opined that individuals would need to squander a lot of time in understanding the new arrangements of income tax law and CBDT would need to issue different leaflets and packaging a few standards afresh. He conveyed his doubt that proposed Code would neither upgrade capability nor did tax collection in light of significant build up corruption. He felt that accuse isn't with existing Income Tax Act, anyway the manner by which it is controlled. Finally, he contemplated that there is no ground for rebate substitution of the current Act rather modifications could be finished. Exact examinations related to Income Tax System have included certain inadequacies of Income Tax System, for instance, lacking structure of Income Tax Department to address the challenges displayed and commitments cast on it, overburdened income tax specialists, unfortunate administration conditions in the office, nonappearance of systematic course of action for computerization and addition in number of pending assessments and excellent limits.

**Amit kumar Roy (2014)** in his article "Pivot Charge (Provisions) under administration Tax" communicated that the whole of the Service Tax is in danger to be paid by the recipient of the administration. The turnaround charge payments must be profited payments (and not by utilizing the Cenvat Credit) at whatever point input credit must be taken in respect of the identical for use in payment of tax of yield administrations or extract commitment for clearing excisable merchandise. 44 The article, "Arrangement/Distribution of Electricity by Developers/Landlords of Commercial Complexes – Taxability after 01.07.2012" formed by Sivakumar.S2 (2014) states that the summary of administrations, recorded under Section 66D of the Finance Act, 1994, as modified by the Finance Act, 2012, Clause (k) contains "transmission or allocation of power by a power transmission or movement utility". On its substance, to the extent Clause (k), just power transmission or flow utilities are exempted, from the exact of Service Tax. If charges are gathered by a planner or a lodging society for dissemination of power inside a private complex then such administrations is verified under this entry. The planner or the lodging society would be verified under this entry just if it is entrusted with such capacity by the Central or a State Government or in case it is, for such

assignment, a dissemination licensee authorized under the Electricity Act, 2003. Power is clearly seen as 'items', both under Central Excise Law similarly as under the VAT law. These designers would fitting power got from the area Electricity Boards and would moreover be disseminating power delivered through generators. Administration Tax can't be forced on the arrangement just as scattering of power by means of arrive rulers and planners of business structures before 01.07.2012.

The article "Judgment and Service Tax on Works Contract" created by V. S. Datey (2013) points out that the Clause (b) of zone 66E of Finance Act, 1994 characterize 'announced administration' being developed action. This spreads private, business or modern improvement. The Clause (b) 46 portion 66E (implanted with impact from 1-7-2012) states that if even one percent thought is gotten before getting fruition certificate, administration tax is payable on whole estimation of thought. The essential impact of course of action identifying with finishing certificate is that if a dimension or business unit is sold in the wake of getting fruition certificate, it is unimportant transaction of unflinching property. "Administration" implies any development did by an individual for another for thought, and incorporates an announced administration, yet will avoid (an) an action which comprises just (I) a move of title in merchandise or unfaltering property, by technique for arrangement, gift or some other way. The present course of action is that if even minor part thought is gotten, administration tax is payable on whole thought. Development done before going into understanding should not be at risk to support tax.

**Ashok Batra(2013)** portrayed in his article "Administration Tax on Construction Activities" that the extent of administration tax on improvement practices has been expanded with impact from 01-07-2012 in light of the fact that various administrations which were as yet outside the tax net, have ended up being taxable aside from advancement, erection, naming or foundation of unique works identifying with insignificant exertion houses. On the other hand, CENVAT 50 Credit in respect of "input administrations" and "capital items" has been permitted to manufacturers with impact from 01-07-2012.

**Bimal Jain (2012)** in his article "Invert Charge Mechanism-Budget 2012" out that the Union Budget 2012 has proposed various alterations in Service tax. One of the essential pieces of weight of tax obligation under Reverse Charge thought has also been proposed to be superseded from existing arrangements. Administration recipient is permitted to accept the affirmation of

the Service tax paid by him under Reverse Charge Method dependent on Challan as being indicated. Contracting of Motor Vehicles planned to pass on voyager, advantage examination ought to be made by assessee while asserting decline as Cenvat credit won't be available. Administration recipient can expect applause for the Service tax paid by him and payable by the administration provider as charged by administration provider on his receipt.

**Reinhorn (2011)** called attention to that the tax system is worried about various firms in free section symmetry. At the point when taxes are set ideally, the repaid result on passage of a firm has both an immediate impact just as an indirect impact. For the immediate impact, those businesses hit hardest by monopolistic contortions ought to be hit gentlest by tax clasps - the firms should encounter the littlest rate decrease in section. The indirect impact considers general harmony linkages and conservatives the impact of the immediate impact. Rajaraman and Koshy analyzed the likelihood of presenting a base elective resource based tax (MAT) on corporate endeavors in India. The investigation of Rajaraman and Koshy found that MAT ends up accommodating in diminishing wastefulness of Indian organizations and improving speculation choices in India. Thus, venture choices result in high tax revenue for Government.

**Piotrowska and Vanborren (2008) and Tadjibaeva and Komilova (2009)** inspected that for a tax system to be viable and effective, tax reform should be joined by institutional and basic reforms all through the economy. Along these lines, Corporatization is the driving factor for the patterns in corporate tax revenue.

**Kelkar (2012)** exhibited a pivotal investigate Roadmap for Fiscal Consolidation. In this report it is discovered that the revenue of the Government is low which prompts the high financial deficiencies and the report examined that high financial shortages watch out for (I) uplift expansion, (ii) reduce space for money related strategy stimulus (=steps taken by RBI to coordinate economy), (iii) hose private venture, development and work, and, in the event that Government makes no stride, at that point with a "do-nothing" approach, the monetary shortfall will be more than 6 percent of GDP in the present year. Such a circumstance could lead the nation to a 1991-like emergency. In this manner, Fiscal solidification is fundamental. So clearly, for "financial union", the nation should build the approaching money and diminish the active money. It might result in high tax revenues to India. Another report of Kelkar Committee (2004) investigated the Implementation of the Fiscal Responsibility and Budget Management Act, 2003 in India. The report demonstrated an observational examination of the proposed



bundle of reforms identifying with corporate tax, utilizing the Center for Monitoring Indian Economy (CMIE) database. The report suggested that the corporate income tax reforms might be relied upon to expand the corporate tax-GDP proportion.

**Romer and Romer (2010)** inspected the impacts of tax changes on economic activity. The paper investigated the causes and outcomes of changes in the dimension of taxation in the post war United States. The examination utilized the story record, for example, presidential addresses and Congressional reports, to distinguish the size, timing, and chief inspiration for all major after war tax strategy actions. The examination found that regardless of the intricacy of the administrative procedure, most critical tax changes have a predominant inspiration that fits unmistakably into one of four classifications: counteracting different effects on the economy, paying for increments in government spending, tending to an acquired spending deficiency, and advancing long-run development. The aftereffects of the investigation reasoned that tax changes have huge impacts on yield.

**Acharya (2007)** broke down India' development performance from 1950 to 2005. The examination partitioned this period into five sections and secured every single economic reform including tax reforms. The investigation found that after autonomy Indian economy has confronted numerous issues like remote trade emergency, wars and dry spell and so forth, and found troublesome in its development performance, yet after trade liberalization and tax reforms, India got pace in its development and set up itself as creating nation. India's development at a normal rate of right around 6 percent a year over the past quarter of a century is both wonderful and exemplary. The examination made a finish of India' development performance in contrast with China's development and discovered India's development has been moved more by local utilization than outer demand, frail administrations and infrastructural offices. On the off chance that India made an equalization in these fields, at that point the development picture would be unique.

**Jha (2007)** displayed an expansive diagram of financial issues standing up to creating nations. The three noteworthy issues, which were talked about in this investigation are I) creating nations have low tax/GDP and consumption/GDP proportions contrasted with created nations; ii) creating nations financial position is frequently star patterned; iii) creating nation tax assets are more unpredictable than those of created nations. The examination proposed that some key territories of financial approach in creating nations are: their taxes, use and intergovernmental

exchange costs, if there would be any improvement in these zones, it would be useful in adjusting monetary deficiencies.

**Poirson (2006)** inspected the impacts of Indian tax system and tax reforms on development, with the assistance of profitability and dimension of private speculation and made a correlation of Indian indicators of viable tax rates and tax revenue efficiency with different nations. The investigation reasoned that the most as of late proposed bundle of reforms would improve tax efficiency and lower the marginal tax weight and tax-actuated twists, however the firms that depend on inward wellsprings of assets or face issues getting would keep on confronting high marginal tax rates.

**Pang, Pinto and Wes (2006)** analyzed the Indian-East-Asian development and Latin American shortfalls. In the course of recent years, India's economy developed at a normal genuine rate of near 6 percent, yet before the finish of this period, the general government debt-to-GDP proportion was 34 rate focuses higher. The investigation characterized the monetary change amid the 1990s in basic terms: revenues from trade, extract and budgetary suppression taxes fell fundamentally because of economic reforms following the 1991 emergency; capital use was sliced to redress. The investigation finished up the Indian development and monetary deficiencies by three phases, which clarified the tax reforms developing private speculation, import rivalry and modern improvement, each exemplifying a gigantic test: at the revenue level.

**Bernardi and Frascini (2005)** examined the tax system and tax reforms in India. The examination estimated the development of GDP and monetary weight of central and state governments. Utilizing the information of a more extensive research on South-East Asian nations' taxation carried on under the supervision of V. Tanzi, the investigation inspected that a tax system of a nation like India is unavoidably raising more than one issue like huge strength of an intricate and out of date indirect taxation and financial relations among government layers. The investigation inferred that the way to update and improve the Indian tax system is still generally to be practiced. A mind boggling structure of taxes on products and ventures is to a great extent the fundamental heading of the tax system and it is hard to move towards a VAT– type structure.

**Rao and Rao (2005)** analyzed the patterns and issues in tax arrangement and reform in India. The examination demonstrated that most creating nations, which were guided in their tax reforms by multilateral organizations and Indian tax reform endeavors have to a great extent borne a residential brand. Be that as it may, in spite of this, the tax reforms of India were comprehensively in conformity with global patterns and a guidance proffered by master gatherings and was tuned in to universal accepted procedures. And the investigation reasoned that reforms ought to be embraced at central, state just as neighborhood levels, with the goal that contortions ought to be limited and tax revenue ought to be expanded.

**Geda and Shimles (2005)** analyzed the taxes and tax reforms in Ethiopia over the period 1990-2003. The examination made an endeavor to investigate the commitment of tax reform, the adjustments in its structure and institutional reform so as to understand its job in raising revenue. The examination secured different reforms additionally which were started by Ethiopian Revolution Democratic Front (EPRDF), as opposed to past 'communist' routine. The end was made that, in spite of the fact that it is too soon to assess the impact of these reforms, the general outcome demonstrates that tax revenue has been expanding over the ongoing past.

**Nishant Ravindra Ghuge and Dr Vivek Vasantrao Katdare (2015)** Tax is the significant wellspring of revenue for the government, the advancement of any nation's economy generally depends on the tax structure it has embraced. A Taxation Structure which encourages simple of working together and getting no opportunity for tax avoidance conveys thriving to a nation's economy. Then again taxation structure which has arrangements for tax avoidance and the one which does not encourage simplicity of working together backs off the development of nation's economy. In this way as taxation structure assumes an essential job in nation's advancement. India has an all-around created tax structure. The ability to impose taxes and obligations is dispersed among the three levels of Government, as per the arrangements of the Indian Constitution. Indian taxation structure has experienced numerous reforms and still it is a long ways ahead from being a perfect taxation structure. Numerous issues like Tax Evasion, Reliance on indirect taxes, Black money, and presence of parallel economy demonstrate that Indian taxation system requires some significant reforms later on ahead to address this issues. In the accompanying paper, the investigation is absolutely founded on optional information. Different figures are gotten from the distinctive sites of government of India. It is seen that there are different number of taxes and diverse tax accumulation experts in India. Additionally it is seen that there is significant reliance on indirect taxes for tax gathering than the direct

taxes. Both Indirect taxes and Direct taxes have their very own points of interest and hindrances.

**Dani S (2016)** GST otherwise called the Goods and Services Tax is characterized as the mammoth indirect tax structure intended to help and upgrade the economic development of a nation. In excess of 150 nations have executed GST up until this point. Be that as it may, the possibility of GST in India was mooted by Vajpayee government in 2000 and the sacred amendment for the equivalent was passed by the Loksabha on sixth May 2015 yet will be yet to be confirmed by the Rajyasabha. Nonetheless, there is a tremendous shout against its execution. It is interesting to understand why this proposed GST routine may hamper the development and improvement of

**Master Committee on General Anti-Avoidance Rules (GAAR) (2012):** the nation. In July 2012 the then Prime Minister Dr. Manmohan Singh established a specialist board under the chairmanship of Dr. Parthasarathi Shome. The terms of reference of the board of trustees were to get remarks from partners and overall population on the draft of GAAR rules which have been distributed by the Government on its sites and conclude the GAAR rules.

**Ramesh Babu, R.K. (2007)**, had embraced inquire about on "Ware Taxation in India: Alternative Systems (An Evaluation)" in Bangalore University, Bangalore. The examination thinks about the old routine of offers tax and VAT in the more extensive sense, which incorporates from the procedure of enrollment to evaluating. Aside from this different angles like returns, assessments, discounts, punishments and so on have been brought out dependent on the essential information from the Bangalore city. The specialist follows the background of offers tax and esteem included tax in India and analyzed the job of VAT in State's financial position. The examination likewise analyzed the structure of VAT in the province of Karnataka, the reason for exemptions from VAT and asked into the issues, suggestions rising up out of the presentation of Value Added Tax in Karnataka. The investigation proposes and contends that, the preparation to merchants is an interest in effectiveness. Consequently, the Government need to arrange workshops and courses to instruct the assesses.

**Patel, Nagaraj Goud (2008)**, had embraced look into on "View of the Service Providers and Tax Experts about Service Tax: A Study of Bangalore City" in Gulbarga University, Gulbarga. The examination made an endeavor to investigate the structure and the development patterns

of administration tax. A basic examination of view of the specialist organizations and tax experts of the Bangalore city in regards to regular viewpoints relating to support tax, urgent perspectives worried to explicit chose administrations and specialized/scholarly parts of administration tax scheme has been done. The examination uncovers a large portion of the consistence issues looked by the specialist co-ops. The analyst proposes separate managerial setup for controlling administration taxation, offers a few measures in arrangements of administration tax for issues worried to labor administration, security organization administration, protection administration, banking administration and so on. The scientist additionally proposes building up an elite call center at each commissionerate office to cook the necessities of obligation paying specialist co-ops alongside directing normal classes and workshops for illuminating perplexities on new amendments like options, erasures, new handouts, departmental elucidations and so forth.

**Kaddipudi, N. Mallikarjun (2009)**, had embraced an investigation entitled "Deals Tax and Value Added Tax – A Comparative Study" in Gulbarga University, Gulbarga. The investigation was done following presentation VAT in India amid 2005. The specialist has put together the investigation principally with respect to essential information accumulated from Dharwad and Belgaum revenue divisions comprising of six areas of Karnataka. The respondent numbering 720 had a place with the classification of general dealers, pharmaceuticals, commission specialists, home machine merchants, cars and manufacturers. The primary motivation behind the investigation was to think about the Deals Tax and VAT from the stand point of structure, tasks and results. The respondents' sentiment on these parameters watched and investigated. The scientist reaches the resolution that from various edges VAT is much better than the ordinary Sales Tax. The specialist likewise made suggestions to the partners to make the VAT routine smooth, compelling and payer agreeable. In any case, the investigation did not think about the revenue performance of Sales Tax and VAT.

**Jeya Sheela J. (2010)**, had attempted research on "Development of Tax Revenue: An Interstate Analysis" in Manonmaniam Sundaranar University, Tirunelveli. The specialist explored a between state examination of the development of tax revenue of 15 noteworthy states covering a time of 21 years from 1985-86 to 2005-06. The real finishes of the examination were;

- The revenue from all taxes expanded in all states both at current costs and consistent costs,
- In every one of the states, deals tax offers the biggest measure of revenue pursued by state extract obligation and stamp obligation,
- The created states have improved their tax endeavors at anticipated dimension,
- The state Governments are fruitful in accomplishing the goals of revenue raising for their economic advancement,
- The tax structure of the states has not experienced changes because of economic advancement of the states. Though, the state taxes are receptive to changes in state income and to the economic advancement of the states,
- Though there is a risk of disintegration of states financial independence as their reliance on central exchanges is expanding and there is no evidence for substitution impact or monetary unreliability with respect to the states.

**Panos Hatzipanayotou and et al (2011)** build up an impeccably aggressive general-harmony model of a little open economy with creation of private traded products and of an open decent which is financed by revenues from trade and household taxes. Inside this system scientists think about the consequences for open great arrangement and on welfare of the accompanying tax reforms: (I) a maker cost impartial decrease in fare taxes and a relating increment underway taxes, (ii) a consumer-cost unbiased decrease in levies and a comparing increment in utilization taxes, and (iii) a halfway tax-revenue-nonpartisan reform in trade and local taxes.

**Ludwing F.M. Reinhard and Steven Li (2011)** investigate the impact of taxes and the 2000 tax reform-actuated tax changes on the financing and speculation choices of an example of German recorded organizations throughout the years from 1996 to 2005. Rather than the impression of the German government, the outcomes don't bolster the thought that organizations purposely alter their budgetary structures so as to lessen their corporate tax payments. The investigation finds that, showcase openings and market weights affect speculation choices than on tax contemplations. Against the background of findings, the scientists question whether the ongoing tax reforms would probably achieve the destinations.



**Vincent Leyaro and et al (2010)** examine the impact of watched sustenance value changes on family unit utilization (welfare) in Tanzania and from this reenacts the welfare impact owing to tax (taxes and VAT) reforms. The three rounds of the Tanzania Household Budget Survey were utilized to apply Deaton's technique dependent on middle unit esteems and family unit spending shares. The outcomes indicate the genuine cost expanded more than 1991-2007 have decreased welfare of the normal family unit by 20 percent of 1991 income, and the misfortune was decently uniformly dispersed between the 1990s and 2000s. It was discovered that, they can't set up express connections between tax reforms and household ware value changes, to evaluate the extent to which welfare changes can be clarified by tax reforms they reenact the impact of tax changes on residential value changes.

**John Creedy and et al (2009)** look at the job of the without tax income tax edge in a mind boggling tax and exchange system comprising of a scope of taxes and advantages, each with its very own decrease rates and limits. Four elective arrangement changes, each including the disposal of the without tax limit in Australia and intended to accomplish estimated revenue nonpartisanship, were analyzed utilizing the Melbourne Institute Tax and Transfer test system. A scope of suggestions were additionally analyzed, including work supply reactions to tax changes and the impacts of strategy changes on imbalance and social welfare. The outcomes exhibit that, it was conceivable to dispose of the sans tax limit under surmised generally revenue and appropriation lack of bias, however that it was difficult to improve work supply motivations in the meantime. So as to accomplish improved motivating forces, either revenue or dissemination nonpartisanship must be relinquished.

**Shuanglin Lin (2009)** thinks about tax reforms and current tax systems in China and Russia. The examination states, in the two nations, prior tax reforms went for giving motivating forces to state-claimed endeavors (SOEs) to improve profitability. During the 1990s, China and Russia built up market-situated tax systems, and both encountered a decrease in tax revenues. Entering the new century, China received an expanded spending financial arrangement, while Russia embraced a tax-slice approach to invigorate economic development. The examination finds that, the two nations have comparative esteem included tax systems, yet their own and corporate income tax structures and government managed savings systems are significantly extraordinary. The tax offer of the total national output (GDP) is significantly higher in Russia than in China. The investigation additionally states, Russia is required to proceed with its tax-decrease arrangement and china is likewise considering significant tax reforms

**Junya Hamaaki (2008)** looks at the venture reactions to past Japanese tax reforms for individual businesses. To distinguish the tax impact, the examination gauges speculation works by utilizing a covariate of the adjustment in tax-balanced brought about by tax reform. This strategy eases the estimation mistake issue and empowers the determination of evaluations indicating the substantial change cost of venture. The findings propose that firms' speculation reacted essentially to tax reforms during the 1980s when all is said in done. Likewise, ventures of just a couple of businesses reacted to those in the late 1990s, suggesting that the way of speculation reaction marginally contrasts among enterprises.

**Jean-Yves Duclos and et al (2008)** propose graphical strategies to decide if item tax changes are "social ly improving", in the feeling of improving social welfare or diminishing destitution for expansive classes of social welfare and neediness indices. The examination additionally indicates how estimators of basic destitution lines and economic proficiency proportions can be utilized to characterize socially improving tax reforms. The strategy was delineated utilizing Mexican information.

**Poala Profeta (2007)** investigations the presentation of Italian individual income tax reform of 2001 and decrease of income levels in 2004 with higher gains for low-income and high-income individuals that for center income ones. The scientist investigates the political economy reasons under these tax reforms, primarily the endeavor of the government to attract the unsure voters (swing voters). A probabilistic model was acquainted with catch the significance of swing voters. The model predicts that the normal individual income tax rate will in general be lower for gatherings of lower income, higher inclination for relaxation and containing all the more politically portable voters. Nonetheless, information from Italian surveys appeared, while the tax reform was a decent system to attract swing voters, the particular plan of the reform, which fevoured high-income and low-income individuals, yet not the working class, was not the more proper methodology.

**Sami Bibi and Jean-Yves Duclos (2007)** propose a procedure to recognize revenue-unbiased headings for neediness mitigating tax reforms. The scan for such neediness diminishing tax reforms is done 'powerfully' over expansive classes of destitution measures and destitution lines. The system, which is represented utilizing information from Tunisia, was of critical arrangement interest given the broad utilization of ware endowment and taxation in creating and created nations alike. The outcomes recommend that Tunisian neediness could be

diminished powerfully by following reform course that are regularly inconsistent with habitually heard perspectives. The examination additionally feature the significance of expressing obviously under which set of moral criteria the attractive quality of potential indirect tax reforms was surveyed.

**Senior member Hanlon and Sean Pinder (2007)** look at whether an advantage's capability for limited tax treatment is related with positive anomalous exchanging volumes and negative unusual returns, as would be anticipated if speculators altered their conduct to decrease their tax obligation. Examination of 152 introductory open contributions (IPOs) records demonstrated that there was a steady increment in strange exchanging volume for those IPOs that have encountered a noteworthy increment in cost since posting over those IPOs that have expanded just marginally. Despite the fact that the specialists give just constrained evidence to recommend that this expansion in exchanging volume was joined by a diminishing in returns, this was not sudden in a market that has foreseen this sort of conduct by the moderately little extent of individual financial specialists ready to profit by the limited tax treatment.

## **CHAPTER - 3**

### **RESEARCH METHODOLOGY**

The present research is an endeavor to study the Taxation of Income in India amid post liberalization period. So as to have a proper comprehension of the research theme survey of writing identifying with taxation of income has been done in the past section. Essential examinations identifying with personal income charge, capital additions charge, horticultural taxation, effectiveness of Income Tax Administration and so on directed in India have been evaluated.

The study analyzes approach perspective identifying with Taxation of Income in India, growth of income charge income, performance of Income Tax Department and perception of expense experts in regards to Income Tax System in India. This part manages sampling design, data collection, data analysis, the statistical tools connected in the analysis of data and impediments of the study.

#### **3.1 SAMPLE AND SAMPLING DESIGN**

For studying the perception of expense experts with respect to Income Tax System, data has been gathered from Chartered Accountants rehearsing in Punjab and Chandigarh (U.T.). The researcher turn two stage sampling system for the study. At the main stage, the districts to be secured under primary review were chosen. It was wanted to choose four districts of Punjab by offering portrayal to all the three belts of Punjab viz. Majha (Amritsar, Gurdaspur and Tarn Taran ) Doaba (Jalandhar, Kapurthala, Hoshiarpur and Nawanshahr) and Malwa (Ferozepur, Faridkot, Bathinda, Patiala, Sangrur, Ludhiana, Ropar, Fatehgarh Sahib, Mansa, Muktsar, Mohali, Barnala and Moga). Along these lines, based on Table 4.1, Amritsar from Majha, Jalandhar from Doaba and Ludhiana and Patiala from Malwa have been chosen for study as these districts have the most noteworthy number of Chartered Accountants in their particular belts. Two districts from Malwa belt have been chosen as it is the biggest belt and covers 13 districts of Punjab. Chandigarh (U. T.) has been chosen explicitly. At second stage of sampling, a sample of 250 respondent

**Table 3.1 Number of Chartered Accountants from Different Locations as On 31.12.2017**

District	Number of chartered accountants
Amritsar	219
Gurdaspur	19
Tarn Taran	12
Hoshiarpur	64
Jalandhar	206
Nawanshahr	18
Kapurthala	21
Ferozepur	36
Ropar	19
Ludhiana	791
Sangrur	29
Patiala	134
Fatehgarh Sahib	75
Faridkot	17
Bathinda	103
Mansa	16
Muktsar	10
Moga	23
Barnala	19
Mohali	67
Chandigarh (U.T.)	396

(50 respondents each from those four districts of Punjab and 50 respondents from Chandigarh) has been taken by utilizing random sampling technique. Along these lines, Table 4.2 delineates last sample chosen for the study. The primary data was gathered amid January 2009 to December 2009.

**Table 3.2 Location-Wise Distribution of Respondents**

Chandigarh (L <sub>1</sub> )	50
Patiala (L <sub>2</sub> )	50
Ludhiana (L <sub>3</sub> )	50
Jalandhar (L <sub>4</sub> )	50
Amritsar (L <sub>5</sub> )	50

### 3.2 DATA COLLECTION

With the end goal of the study, two sets of data have been gathered. One lot of data has been gathered from auxiliary sources which incorporates the different Finance Acts, Explanatory Memorandum on the Budget of the Central Government, Reports of the different councils/commissions, Indian Economic Survey, Income Tax Act 1961, Income Tax Rules 1962, different declarations, handouts and notices of Central Board of Direct Taxes, Budget discourses of Finance Ministers, Reports of Comptroller and Auditor General of India on Direct Taxes, Economic and Political Weekly, newspapers (Economic Times, Financial Express, Business Lines) and so on. Additionally, sites of Income Tax Department, Ministry of Finance, Ministry of Statistics and Comptroller and Auditor General of India have likewise been utilized for collection of data. The auxiliary data pertains to the period from 1997-98 to 2007-08.

The second arrangement of data has been gathered from tax experts for example chartered accountants by controlling a questionnaire to them. To build up the questionnaire, the researcher audited the current writing and reached numerous experts in the field of taxation. The perceptions of the researcher amid her visits to offices of chartered accountants, income tax office and talks held with customers likewise helped in planning of questionnaire. The starter draft of the questionnaire was pre-tried on 25 chartered accountants, which helped in improving the questionnaire. With a couple of changes, last questionnaire was surrounded which has been joined.

The questionnaire contains different questions identifying with sensibility of tax rates, tax rate system, presentation of EET system, tax avoidance, debasement, finishing of evaluations, discounts, computerization of Income Tax Department, issues looked by taxpayers, fulfillment



level in regards to different elements and different assessment explanations in regards to disentanglement of tax laws, taxpayer well-disposed measures, social value and so forth.

The addresses and contact quantities of the chartered accountants have been taken from different branch catalogs of Northern India Regional Council of Institute of Chartered Accountants of India. The tax experts were reached on telephone and questionnaires were given personally or sent through dispatch. Generally, following a period of multi week, they were reminded to fill the questionnaire. The filled questionnaires were gathered personally.

### **3.3 DATA ANALYSIS**

Data has been analyzed on the basis of the various indicators for achieving various objectives of the study.

(a) Income Tax policy has been studied on the basis of the following indicators:

- Social Welfare Measures

Incentives for education

Incentives for investment in housing

Relief for maintenance of medical fitness

Incentives for savings Pension schemes

Donations under Section 80 G

Tax relief for senior citizens and women assesses

Incentives for generating employment

Simplified procedure for small taxpayers

- Rationalization and Simplification Measures

Tax rates

Income from house property

Depreciation Capital gains

Public charitable trusts

Penalty related provisions

- Measures to Accelerate Economic Development

Incentives for industrial development

Exemption of agricultural income

Promotion of scientific research and development

Investment-linked tax incentives

Incentives for capital market

- Widening of Tax Base

Permanent Account Number (PAN)

Annual Information Return (AIR)

Tax deduction at source (TDS)

E-Filing of income tax return online tax accounting system (OLTAS)

Minimum alternative tax on companies (MAT)

Dividend distribution tax (DDT)

Securities transaction tax (SST)

Withdrawal of standard deduction for salaried persons

Withdrawal of deduction in respect of interest on specified securities

Measures introduced and withdrawn

- Proposed Direct Taxes Code (DTC)
  - (b) The growth of income tax revenue has been examined by classifying data into personal income tax and corporate tax corresponding to various variables given below:
    - Significance of income tax revenue in the Indian tax structure
    - Category-wise growth in number of personal assesseees and corporate assesseees
    - Growth in income tax revenue
    - Income tax to Gross Domestic Product (GDP) ratio
    - Tax buoyancy coefficient
    - State-wise share and growth of income tax revenue
    - State-wise income tax to State Domestic Product (SDP) ratio
  - (c) The performance of Income Tax Department has been evaluated by classifying data into personal income tax and corporate tax with the help of the following indicators:
    - Variation between budget estimates and actual collection
    - Collection of income tax at pre assessment and post assessment stage
    - TDS modes of personal income tax
    - Cost of collection
    - Disposal of assessments
    - Refunds outstanding
    - Arrears of tax
    - Tax recovery
    - Execution of deterrence measures i.e. penalty and prosecution proceedings
    - Position of appeals
    - Mistakes in assessments and their impact on tax revenue

(d) Perception of tax professionals regarding Income Tax System in India: The perception has been studied by classifying primary data location-wise viz. Chandigarh (L1), Patiala (L2), Ludhiana (L3), Jalandhar (L4) and Amritsar (L5)

### 3.4 STATISTICAL TOOLS USED

The analysis of data gathered has been done by utilizing simple frequencies, percentages, averages, simple growth rate, exponential growth rate, buoyancy coefficient, average weighted score, Chi Square Test, Kendall's Coefficient of Concordance and so forth. Brief portrayal of some imperative tools is given as under:

#### SIMPLE GROWTH RATE

It simply gives the percentage increase over the previous year, i.e.

$$g = \left[ \frac{y_1 - y_{t-1}}{y_{t-1}} \right] \times 100$$

where,

g = growth rate

$y_1$  = value of variable y in current year

$y_{t-1}$  = value of variable y in the previous year

#### EXPONENTIAL GROWTH RATE (EGR)

It is simply compound growth rate but unlike the compound growth rate, it is worked out for a period on the basis of the value of a variable for all the years. In this case, least square trend is fitted for given years and given values of the variable. The exponential equations used are:

$$Y_e = abt$$

Where,  $b = 1 + g/100$

$Y_e$  is the computed value of concerned variables, a and b are the estimates, t is the time period and g is growth rate.

In the semi-logarithmic form, the equation (1) takes the form:

$$\log y_c = \log a + t \log b$$

The present equation is known as semi-logarithmic equation which gives the straight line. For this linear equation, we get the estimated value of  $\log b$  and  $\log a$ .

The growth rate obtained from equation (2) is

$$g = (b - 1) \times 100$$

if we have value of  $\log b$ , then

$$g = [\text{Antilog}(\log b) - 1] \times 100$$

### **AVERAGE WEIGHTED SCORES**

Average weighted scores were determined at suitable spots where the respondents were approached to rate distinctive credits identifying with the Income Tax System on five-point scale to gauge the degree of agreement/disagreement or level of fulfillment/disappointment. Average weighted scores have been determined by relegating weights as +2, +1, 0, - 1 and - 2 to exceptionally satisfactory, satisfactory, neither satisfactory nor dissatisfactory, dissatisfactory and very dissatisfactory separately. Based on recurrence of appraisals for each trait, average weighted scores for each property were determined as beneath:

$$W = \frac{\sum w f_w}{\sum f_w}$$

Where,  $W$  = Average weighted score

$w$  = weight given to an attribute

$f_w$  = number of respondents who attached weight to the attribute.

### **KENDALL'S CO-EFFICIENT OF CONCORDANCE**

In order to sharpen the inferences drawn on the ranking/rating basis Kendall's co-efficient of concordance (Siegel and Castellan, 2002) has been used at appropriate places by using the following formula:

$$W = \frac{12 \sum R_j^2 - 3k^2 N(N+1)^2}{k^2 N(N^2 - 1) - k \sum T_j}$$

Where, k = number of sets of ranking

N = number of objects to be ranked

$\sum R_j$  = sum of the squared sums of ranks for each of the N Objects

$T_j \sum$  = Sum of the correction factor for tied observations

In case N is greater than 7, value of chi-square has been calculated as under

$$\chi^2 = k(n-1)W$$

$\chi^2$  = Chi-square

### CHI- SQUARE TEST

The Chi-square test has been applied to study the differences with regard to various qualitative aspects highlighted by the respondents in the questionnaire. It has been worked out as follows:

$$\chi^2 = \frac{\sum(O - E)^2}{E}$$

Where,  $\chi^2$  = Chi-square value

O = Observed Frequencies

E = Expected Frequencies.

A proper use of the chi-square test necessitates that the normal frequencies in every cell are not very little. At the point when the hypothetical frequencies are under 10 and particularly under 5, the normal table estimations of  $\chi^2$  are less dependable. This is particularly valid for 1 level of opportunity, it is consistent with a lesser degree for a few degrees of opportunity. Be that as it may, the mistake is immaterial for multiple degrees of opportunity. Cochran (1954)



prescribes that in chi-square tests for which the degrees of opportunity are more noteworthy than 1, no cell ought to have a normal recurrence of under 1.

At the majority of the places bar, line and area diagrams have likewise been utilized for introduction of results.

### **3.5 OBJECTIVES OF THE STUDY**

1. To examine taxation of income in India during Post-Liberalization
2. To determine various taxation policy in India
3. To study the growth and performance of Income tax in India
4. To investigate the impact of GST in Income tax in India during Post-Liberalization Period
5. To study the various methods to improve Tax reforms in India

### **3.6 LIMITATIONS OF THE STUDY**

1. The study depends on secondary data and the constraints of utilizing secondary data may influence the results. In specific cases data of specific years was not accessible and was spoken to in tables as N.A
2. Any primary data based study through pre-designed questionnaire experiences the essential constraint of the likelihood of contrast between what is recorded and what is truth, regardless of how cautiously the data has been gathered. The equivalent might be with the present study on the grounds that the respondents may not deliberately report their actual feeling.
3. The Direct Taxes Code, which is proposed to supplant the Income Tax Act 1961 w.e.f. April 1, 2012 has not been given much significance in the research fill in as it has been alluded to Parliament Standing Committee and there might be sure changes in it.
4. There were sure questions in regards to Fringe Benefit Tax in the questionnaire, which were not dissected as it was pulled back by the legislature w.e.f. April 1, 2009.

5. State-wise growth of income tax income and state-wise tax to SDP proportion has been examined for chosen states. Growth if there should arise an occurrence of little states, for example, Manipur, Meghalaya, Tripura and so forth have been analyzed by and large as data for these states has been accessible in united structure as it were.

## **CHAPTER - 4**

### **DATA ANALYSIS AND INTERPRETATION**

The economic emergency of 1991 prompted basic tax changes in India with fundamental reason for revising the financial unevenness. In this way, the Tax Reforms Committee headed by Raja Chelliah (Government of India, 1992) and Task Force on Direct Taxes headed by Vijay Kelkar (Government of India, 2002) made a few recommendations for improving Income Tax System. These suggestions have been executed by the Government in stages every once in a while. The primary goal of these changes has been to improve tax income by augmenting tax base, empowering deliberate tax consistence and rearranging procedural tenets. This section looks at growth of income tax income based on following parameters:

- Significance of income tax revenue in the Indian tax structure
- Category-wise growth in number of personal assesseees and corporate assesseees
- Growth in income tax revenue
- Income tax to Gross Domestic Product (GDP) ratio
- Tax buoyancy coefficient
- State-wise share and growth of income tax revenue
- State-wise income tax to State Domestic Product (SDP) ratio

#### **4.1 ANALYSIS OF DIFFERENT PROSPECTIVES OF INDIAN TAXATION SYSTEM**

##### **INDIAN TAX STRUCTURE**

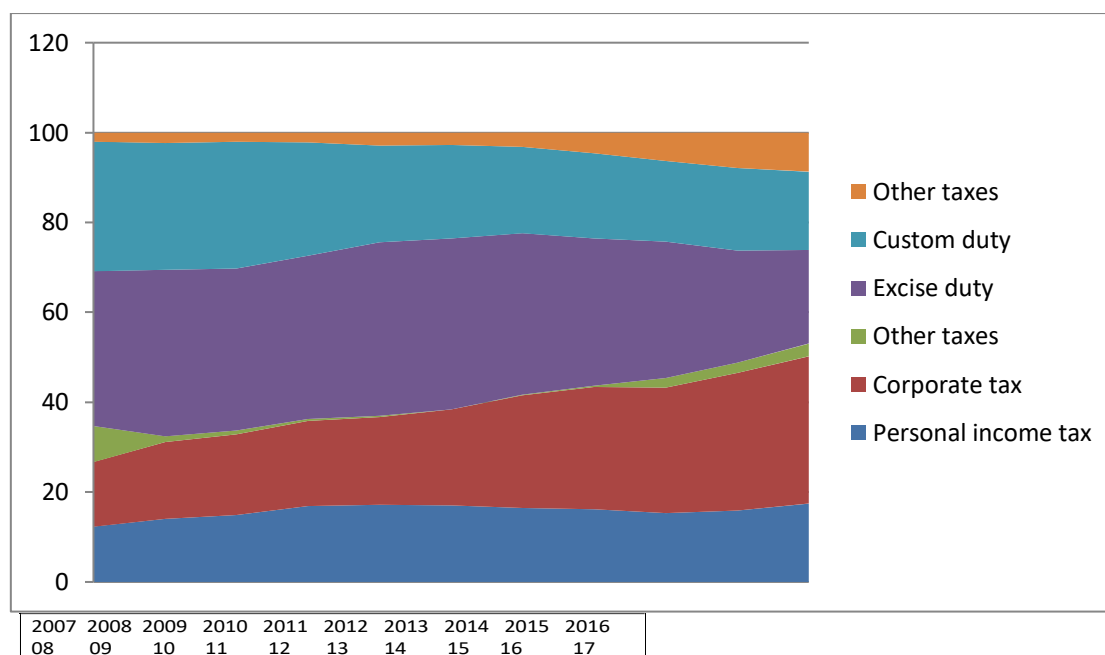
Tax structure alludes to the different taxes that establish the tax system of a nation, extensively involving direct and indirect taxes. Income tax and riches tax are the fundamental direct taxes while extract obligation and custom obligation are the primary indirect taxes of the central Government of India. Income tax can be arranged in two sections viz. Personal Income Tax and Corporate Tax. Income tax required on people, Hindu Unified families (HUFs), firms, relationship of persons (AOPs), group of people (BOIs), nearby specialists and fake juridical persons is called Personal Income Tax and income tax exacted on organizations is called

Corporate Tax. Table 4.1 presents income gathered from the different direct and indirect taxes and their individual share in all out tax income of the central Government.

**TABLE 4.1**

**DIRECT AND INDIRECT TAX REVENUE OF CENTRAL GOVT.**

Years	Direct taxes				Indirect taxes				Total tax revenue
	Personal income tax	Corporate tax	Other taxes	Total	Excise duty	Custom duty	Other taxes	Total	
<b>2007-08</b>	17101 (12.28)	20016 (14.38)	11163 (8.02)	48280 (34.68)	47962 (34.45)	40193 (28.87)	2791 (2.00)	90946 (65.32)	139226 (100.00)
<b>2008-09</b>	20240 (14.07)	24529 (17.06)	1831 (1.27)	46600 (32.41)	53246 (37.03)	40668 (28.28)	3288 (2.29)	97202 (67.59)	143802 (100.00)
<b>2009-10</b>	25655 (14.94)	30692 (17.87)	1612 (0.94)	57959 (33.75)	61902 (36.04)	48420 (28.19)	3470 (2.02)	113792 (66.25)	171751 (100.00)
<b>2010-11</b>	31764 (16.84)	35696 (18.93)	845 (0.45)	68305 (36.22)	68526 (36.33)	47542 (25.21)	4231 (2.24)	120299 (63.78)	188604 (100.00)
<b>2011-12</b>	32004 (17.11)	36609 (19.57)	585 (0.31)	69198 (36.99)	72306 (38.65)	40096 (21.43)	5461 (2.92)	117863 (63.01)	187061 (100.00)
<b>2012-13</b>	36866 (17.05)	46172 (21.35)	50 (0.02)	83088 (38.42)	82310 (38.06)	44852 (20.74)	6016 (2.78)	133178 (61.58)	216266 (100.00)
<b>2013-14</b>	41387 (16.40)	63562 (25.18)	140 (0.06)	105089 (41.64)	90774 (35.97)	48629 (19.27)	7891 (3.13)	147294 (58.36)	252383 (100.00)
<b>2014-15</b>	49268 (16.21)	82680 (27.21)	823 (0.27)	132771 (43.69)	99401 (32.71)	57566 (18.94)	14134 (4.65)	171101 (56.31)	303872 (100.00)
<b>2015-16</b>	55985 (15.38)	101277 (27.82)	7954 (2.19)	165216 (45.39)	110665 (30.40)	65050 (17.87)	23053 (6.33)	198768 (54.61)	363984 (100.00)
<b>2016-17</b>	75079 (15.94)	144318 (30.64)	10784 (2.29)	230181 (48.86)	117088 (24.86)	86304 (18.32)	37484 (7.96)	240876 (51.14)	471057 (100.00)



**Figure 4.1: Percentage Share of Different Taxes In Tax Revenue Of Government**

Table 4.1 demonstrates that general noteworthiness of different taxes has changed amid the study period. It tends to be seen from the table that share of personal income tax in absolute tax income of the Central Government expanded from 12.28 per cent in 2007-08 to 17.05 per cent in 2012-13, at that point declined to 15.94 per cent in 2016-17. Share of corporate tax in all out tax income of the Government demonstrated an expanding pattern all through the study period. It expanded from 14.38 per cent in 2007-08 to 32.76 per cent in 2016-17. Then again, share of major indirect taxes for example extract obligation and custom obligation declined from 34.45 per cent and 28.87 per cent in 2007-08 to 20.84 per cent and 17.46 per cent individually in 2017-08. The share of all out direct taxes expanded from 34.68 per cent in 2007-08 to 53.02 per cent in 2016-17, while the share of indirect taxes diminished from 65.32 per cent in 2007-08 to 46.98 per cent in 2016-17. In this manner, there is an auxiliary move in structure of tax income of central Government for direct taxes from indirect taxes. This can be considered as a positive advancement on the presumption that direct taxes are increasingly equitable in effect and ace poor when contrasted with indirect taxes.

**GROWTH IN TAX BASE**

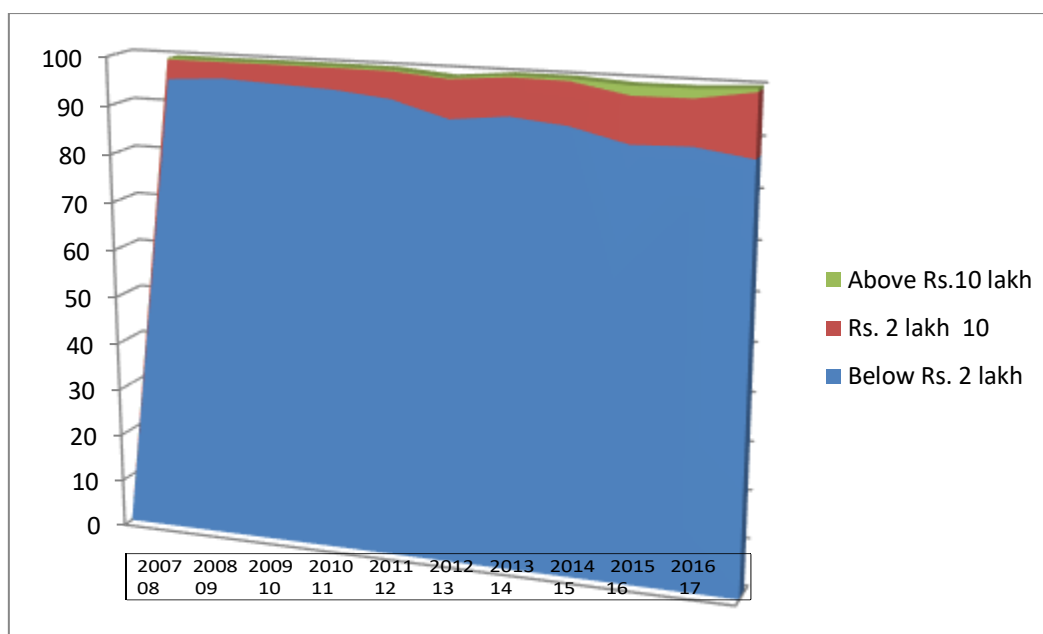
The base of income tax structure is a significant factor influencing the tax income. Government has endeavored to accomplish it through presentation of economic rule for recording income

tax return in 2016-17, extension of TDS base, presentation of Annual Information System and so forth. The quantity of personal income tax assesses and corporate assesses under different taxable income classes is given in Table 4.2 and Table 4.3 individually.

**Table 4.2: Income -Wise Number Of Personal Income Tax Assesseees**

Year	Taxable income			Search & seizure	Total
	Below Rs. 2 Lakh	Rs. 2 lakh -10 lakh	Above Rs.10 lakh		
2007-08	122.90 (95.59)	5.09 (3.96)	0.39 (0.30)	0.19 (0.15)	128.57 (100)
2008-09	162.21 (96.32)	5.49 (3.26)	0.46 (0.27)	0.25 (0.15)	168.41 (100)
2009-10	187.45 (95.80)	7.49 (3.83)	0.58 (0.30)	0.15 (0.08)	195.67 (100)
2010-11	216.07 (95.32)	9.72 (4.29)	0.73 (0.32)	0.16 (0.07)	226.68 (100)
2011-12	243.50 (94.10)	14.15 (5.47)	0.79 (0.31)	0.33 (0.13)	258.77 (100)
2012-13	255.25 (90.84)	21.89 (7.79)	0.88 (0.31)	2.98 (1.06)	281.00 (100)
2013-14	265.46 (92.08)	21.67 (7.52)	1.05 (0.36)	0.12 (0.04)	288.30 (100)
2014-15	243.63 (90.92)	22.96 (8.57)	1.22 (0.46)	0.14 (0.05)	267.95 (100)
2015-16	258.98 (88.10)	27.22 (9.26)	5.62 (1.91)	2.13 (0.72)	293.95 (100)
2016-17	273.30 (88.46)	27.87 (9.02)	5.79 (1.87)	2.00 (0.65)	308.96 (100)
<b>EGR</b>	<b>7.19</b>	<b>23.26</b>	<b>1.28</b>	<b>11.31</b>	<b>8.36</b>





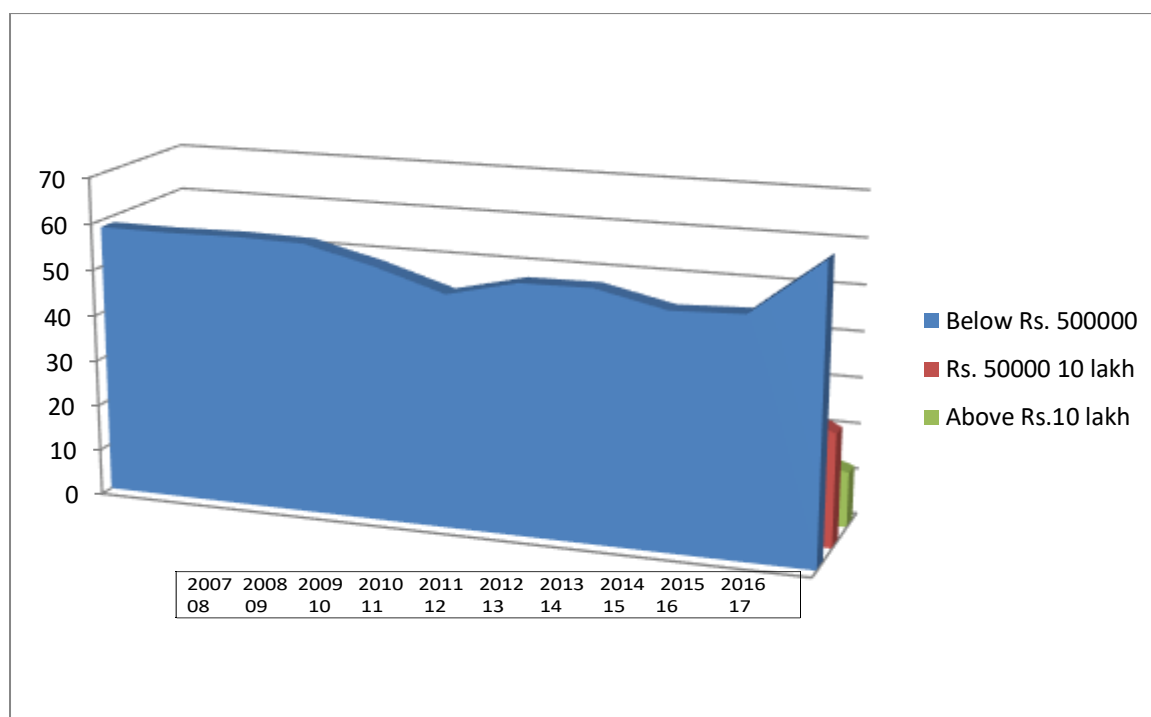
**Figure 4.2: Income-Wise Distribution of Personal Assesseees**

Table 4.2 features that absolute number of personal income tax assesses expanded from 128.57 lakh in 2007-08 to 331.65 lakh in 2016-17- at an EGR of 8.36 per cent. Assesseees having a place with taxable income "Rs. 2 lakh - 10 lakh" expanded from 5.09 lakh in 2007-08 to 41.47 lakh in 2016-17 by enrolling EGR of 23.26 per cent; evaluates having income "underneath Rs. 2 lakh" expanded from 122.90 lakh to 287.90 lakh at an EGR of 7.19 per cent and assesseees having income above Rs.10 lakh" expanded from 0.39 lakh to 2.17 lakh at an EGR of 1.28 per cent amid the relating period. In this way, EGR if there should be an occurrence of assesseees having income "above Rs.10 lakh" was very low when contrasted with by and large growth rate. Further, Figure 5.2 portrays that the percentage share of assesseees having a place with taxable income "beneath Rs. 2 lakh" diminished from 95.59 per cent of all out assesseees in 1997-98 to 86.81 per cent in 2007-08 and share of evaluates having a place with taxable income "Rs. 2 lakh - 10 lakh" expanded from 3.96 per cent to 12.5 per cent amid the relating period. Be that as it may, share of assesseees having income above Rs.10 lakh" demonstrated an irrelevant increment for example from 0.30 per cent in 2007-08 to 0.66 in 2016-17.

**Table 4.3 Income -Wise Number of Corporate Assesseees**

(Number in lakhs)

Year	Taxable income			Search & seizure	Total
	Below Rs. 50000	Rs. 50000-10 lakh	Above Rs.10 lakh		
2007-08	1.61 (58.55)	0.87 (31.64)	0.25 (9.09)	0.02 (0.73)	2.75 (100)
2008-09	1.73 (58.45)	0.91 (30.74)	0.3 (10.14)	0.02 (0.68)	2.96 (100)
2009-10	1.82 (58.71)	0.92 (29.68)	0.33 (10.65)	0.03 (0.97)	3.10 (100)
2010-11	1.95 (58.38)	0.96 (28.74)	0.41 (12.28)	0.02 (0.60)	3.34 (100)
2011-12	1.91 (54.73)	1.22 (34.96)	0.34 (9.74)	0.02 (0.57)	3.49 (100)
2012-13	1.83 (50.14)	1.29 (35.34)	0.39 (10.68)	0.14 (3.84)	3.65 (100)
2013-14	2 (53.76)	1.25 (33.60)	0.44 (11.83)	0.03 (0.81)	3.72 (100)
2014-15	2.05 (53.95)	1.19 (31.32)	0.54 (14.21)	0.02 (0.53)	3.80 (100)
2015-16	1.99 (50.64)	1.24 (31.55)	0.68 (17.30)	0.02 (0.51)	3.93 (100)
2016-17	2.05 (51.25)	1.25 (31.25)	0.68 (17.00)	0.02 (0.50)	4.00 (100)
<b>EGR</b>	<b>0.14</b>	<b>3.96</b>	<b>10.06</b>	<b>-0.73</b>	<b>4.85</b>



**Figure 4.3: Income-wise number of corporate assesseees**

Table 4.3 features that all out number of corporate assesseees expanded from 2.75 lakh in 2007-08 to 4.98 lakh in 2016-17 at an EGR of 4.85 per cent. Assesseees having a place with taxable income "above Rs.10 lakh" expanded from 0.25 lakh in 2007-08 to 0.59 lakh in 2016-17 by enrolling EGR of 10.06 per cent. Further, Figure 5.3 portrays that assesseees having income "Rs. 50000-10 lakh" expanded from 0.87 lakh to 1.21 lakh at an EGR of 3.96 per cent while assesseees having "underneath Rs. 50000" expanded from 1.61 lakh to 3.16 lakh at an EGR of 0.14 per cent amid the relating period.

### GROWTH IN INCOME TAX REVENUE

Table 4.4 features that absolute tax income of central Government expanded from Rs. 139226 crore in 2007-08 to Rs. 588909 crore in 2016-17 at an exponential growth rate (EGR) of 15.09 per cent. Income from personal income tax and corporate tax expanded from Rs. 17101 crore and Rs. 20016 crore in 2007-08 to Rs. 102655 crore and 192911 crore in 2016-17 at an EGR of 24.64 and 17.44 individually. Accordingly, personal income tax just as corporate tax expanded at a higher EGR when contrasted with that of all out tax income. Simple growth rates over the earlier years for personal income tax and corporate tax vacillated amid the period under study. Both personal income tax and corporate tax enrolled most reduced growth rate of 0.76 and 2.56 individually in 2011-12. Personal income tax enlisted its most elevated growth

rate of 36.73 per cent in 2016-17 and corporate tax indicated most elevated growth rate of 42.50 per cent in 2016-17.

**Table 4.4 Growth In Income Tax Revenue**

(Rs. in crores)

Year	Personal income tax		Corporate tax		Total income tax		Total tax revenue	
	Amount	GR	Amount	GR	Amount	GR	Amount	GR
2007-08	17101	-	20016	-	37117	-	139226	-
2008-09	20240	18.36	24529	22.55	44769	20.62	143802	3.29
2009-10	25655	26.75	30692	25.13	56347	25.86	171751	19.44
2010-11	31764	23.81	35696	16.30	67460	19.72	188604	9.81
2011-12	32004	0.76	36609	2.56	68613	1.71	187061	-0.82
2012-13	36866	15.19	46172	26.12	83038	21.02	216266	15.61
2014-15	41387	12.26	63562	37.66	104949	26.39	252383	16.70
2015-16	49268	19.04	82680	30.08	131948	25.73	303872	20.40
2016-17	55985	13.63	101277	22.49	157262	19.18	363984	19.78
<b>EGR</b>	<b>24.64</b>		<b>17.44</b>		<b>21.67</b>		<b>15.09</b>	

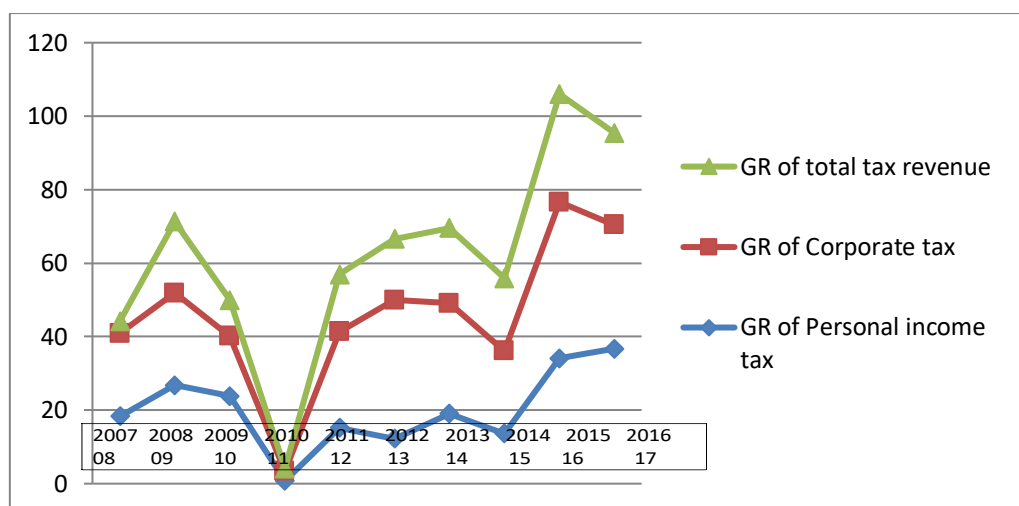


Figure 4.4: Trends in Growth Of Income Tax

### TRENDS IN INCOME TAX TO GDP RATIO

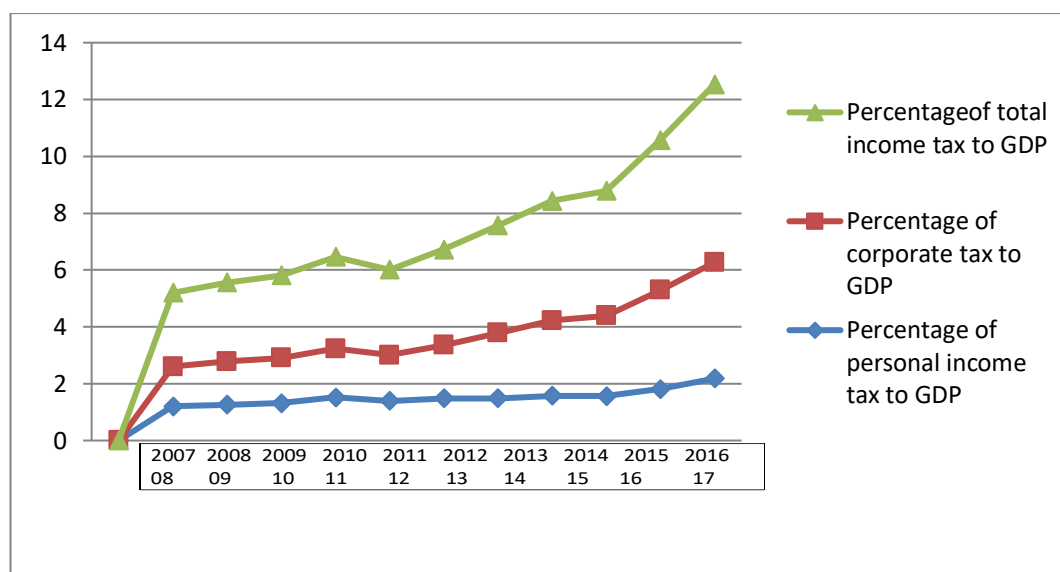
Dimension of taxation in a nation can be made a decision from its tax to GDP ratio. It demonstrates the percentage of national income that is gathered by the Government in type of tax income. Along these lines, higher the ratio better it is for the economic development of the nation. Table 4.5 presents income tax to GDP ratio from 2007-08 to 2016-17.

The Table demonstrates that personal income tax to GDP ratio and corporate tax to GDP ratio have appeared upward pattern amid the study period. Personal income tax to GDP ratio expanded from 1.20 in 2007-08 to 1.52 in 2010-11, declined to 1.40 in 2011-12 and again expanded to 2.18 in 2016-17. Corporate tax to GDP ratio expanded from 1.40 in 2007-08 to 1.71 in 2010-11.

**Table 4.5: Income tax to GDP ratio**

<b>Years</b>	<b>Personal income tax</b>	<b>Corporate tax</b>	<b>Total income tax</b>	<b>GDP</b>	<b>Percentage of personal income tax to GDP</b>	<b>Percentage of corporate tax to GDP</b>	<b>Percentage of total income tax to GDP</b>
2007-08	17101	20016	37117	1426670	1.20	1.40	2.60
2008-09	20240	24529	44769	1612383	1.26	1.52	2.78
2009-10	25655	30692	56347	1936831	1.32	1.58	2.91
2010-11	31764	35696	67460	2089499	1.52	1.71	3.23
2011-12	32004	36609	68613	2282143	1.40	1.60	3.01
2012-13	36866	46172	83038	2469564	1.49	1.87	3.36
2013-14	41387	63562	104949	2772194	1.49	2.29	3.79
2014-15	49268	82680	131948	3126596	1.58	2.64	4.22
2015-16	55985	101277	157262	3580344	1.56	2.83	4.39
2016-17	75079	144318	219397	4145810	1.81	3.48	5.29





Figure

#### 4.5: Tax to GDP Ratio

1.60 in 2011-12 and again expanded to 4.09 in 2016-17. All in all income tax to GDP ratio expanded from 2.60 in 2007-08 to 3.23 in 2010-11, at that point declined to 3.01 in 2011-12 and again expanded to 6.27 in 2016-17. It is unmistakably apparent that corporate tax to GDP ratio stayed higher when contrasted with personal income tax to GDP ratio all through the study period.

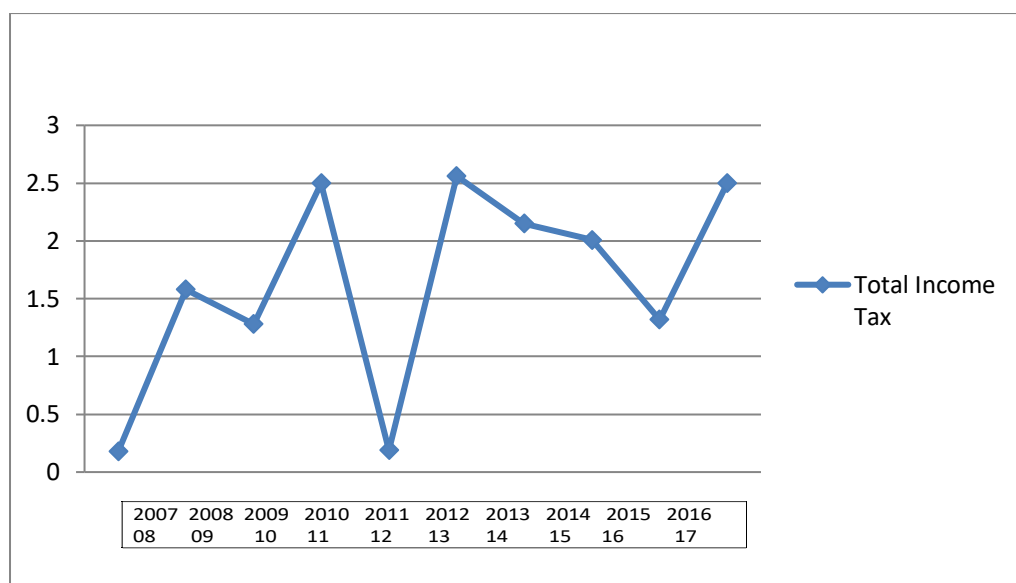
#### TAX BUOYANCY

Tax buoyancy is a marker to quantify effectiveness in income activation in light of growth in GDP. In the event that tax buoyancy is high, it shows worked in-adaptability in the tax structure. Further, in the event that it is more prominent than 1, it demonstrates more than proportionate reaction of the tax income to ascend in GDP. It is processed by separating the percentage change in tax income by the percentage change in GDP over the period. Buoyancy coefficients of personal income tax, corporate tax and complete income tax have been given in Table 4.6

**Table 4.6 Tax Buoyancy**

Year	Personal income tax	Corporate tax	Total income tax	GDP	Buoyancy coefficient		
					Personal income tax	Corporate tax	Total income tax
2007-08	18234	18567	36801	1361709	-	-	-
2008-09	17101	20016	37117	1426670	-1.31	1.64	0.18
2009-10	20240	24529	44769	1612383	1.41	1.73	1.58
2010-11	25655	30692	56347	1936831	2.38	2.23	1.28
2011-12	31764	35696	67460	2089499	3.02	2.07	2.50
2012-13	32004	36609	68613	2282143	0.08	0.27	0.19
2013-14	36866	46172	83038	2469564	1.85	3.18	2.56
2014-15	41387	63562	104949	2772194	0.98	3.01	2.15
2015-16	49268	82680	131948	3126596	1.46	2.30	2.01
2016-17	55985	101277	157262	3580344	0.94	1.55	1.32

Table 4.6 uncovers that income tax has indicated high level of responsiveness amid the study period. Buoyancy coefficient of income tax expanded from 0.18 in 2007-08 to 2.54 in 2016-17. It was more prominent than 1 amid the study period aside from in 2007-08 (0.18) and 2011-12 (0.19).

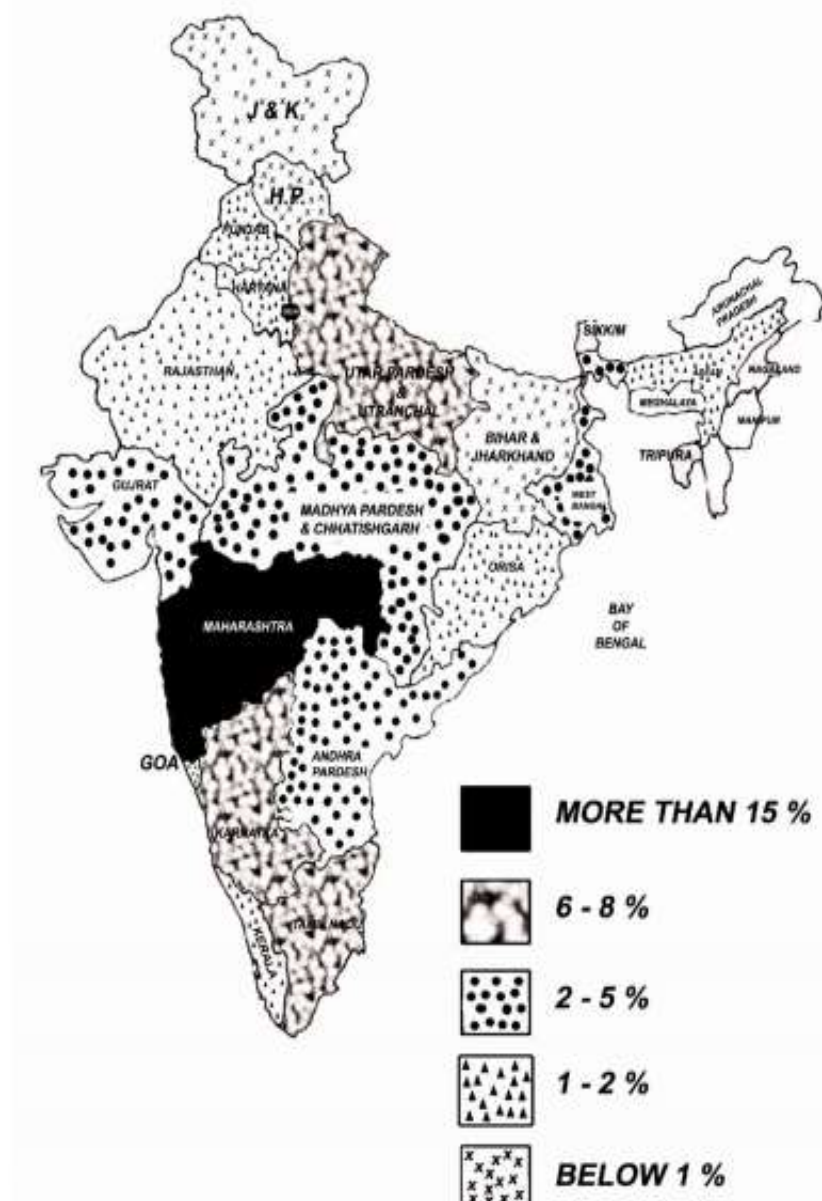


**Figure 4.6: Buoyancy coefficient of Income Tax**

Besides, it was more noteworthy than 2 out of 6 years out of 10 years. Personal income tax buoyancy coefficient stayed fluctuating amid the study period. It was - 1.31 in 2007-08 demonstrating negative reaction to growth in GDP. At that point, it expanded to 3.02 in 2000-01, again declined to 0.08 in 2010-11 and rose to 2.68 in 2016-17. Along these lines, it demonstrated most astounding buoyancy coefficient of 3.02 in 2010-11. In the event of corporate tax buoyancy coefficient was more noteworthy than 1 amid study period aside from in 2011-12 (0.27). Besides, it was more prominent than 2 out of 7 years out of 10 years. Along these lines, corporate tax has demonstrated more buoyancy when contrasted with personal income tax amid the study period.

#### STATE-WISE GROWTH OF INCOME TAX REVENUE

In our nation, economic, political and social conditions fluctuate from state to state. In this way, it is a vital issue to break down state-wise income tax performance for understanding fiscal management of Indian economy.



**Figure 4.7 Share of Various States in Income Tax Revenue**

Figure 4.7 demonstrates that amid the study period Maharashtra made average most noteworthy commitment (37.09 %) towards all out income tax income of the central Government, trailed by Delhi (16.01%). In this manner, around 54 per cent of the income tax income of the Central Government was contributed by these two states amid the study period. Next group of states incorporate Uttar Pradesh and Utranchal, Karnataka and Tamilnadu, whose commitment fluctuated between 6 per cent and 8 per cent of central Government income tax income. The states of West Bengal, Andhra Pradesh, Gujarat and Madhya Pradesh and Chhatishgarh generated income in the scope of 2 per cent to 5 per cent of all out income tax income of the

central Government. The average share of Rajasthan, Orissa, Kerala, Punjab, Haryana and Assam states fluctuated between 1 per cent and 2 per cent of complete income tax income of the central Government. The group of states like Bihar, Goa, J&K and Himachal Pradesh made the least commitment, as their average commitment stayed underneath 1 per cent towards complete income tax income amid period under reference.

Analysis of EGR uncovers that most noteworthy growth rate was accomplished by Goa whose income tax income expanded from Rs.150.48 crore in 2007-08 to Rs. 563.70 crore in 2016-17 at an EGR of 44.82 per cent. It was trailed by Haryana whose income tax income expanded from Rs. 303.99 crore in 2007-08 to Rs. 1311.32 crore in 2016-17 at an EGR of 34.83 per cent. State of Punjab experienced the least EGR of 12.91 per cent.

Further, all out income tax income at all India level expanded at EGR of 21.67 per cent amid the relating period. Andhra Pradesh, Assam, Bihar and Jharkhand, Goa, Gujrat, Karnatka, Maharashtra, Delhi, Orissa, Rajasthan and Tamilnadu watched higher EGR than by and large EGR of the nation and the rest of the states performed at a lower EGR amid the study period.

**TABLE 4.7 STATE-WISE INCOME TAX TO STATE DOMESTIC PRODUCT RATIO**

States	2007 -08	2008 -09	2009 - 2010	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15	2015 -16	2016 -17	Mea n	EG R
<b>Andhra Pradesh</b>	1.15	1.20	1.52	1.88	1.81	1.89	2.22	2.55	3.10	4.12	<b>2.39</b>	<b>14.65</b>
<b>Assam</b>	1.00	0.97	1.12	2.22	1.84	2.14	2.99	3.14	3.24	3.17	<b>2.27</b>	<b>14.38</b>
<b>Bihar &amp; Jharkhand</b>	0.56	0.56	0.58	0.76	0.91	0.93	0.98	1.40	1.32	1.37	<b>1.00</b>	<b>12.31</b>
<b>Goa</b>	2.89	2.70	2.60	3.49	2.92	2.01	4.41	7.90	9.23	12.21	<b>5.75</b>	<b>19.24</b>
<b>Gujarat</b>	2.06	2.13	2.57	2.93	2.59	2.74	2.65	3.20	3.36	4.28	<b>3.10</b>	<b>8.31</b>
<b>Haryana</b>	0.79	0.86	0.86	1.06	1.18	1.31	1.48	1.92	2.15	2.58	<b>1.62</b>	<b>15.82</b>
<b>HP</b>	0.78	0.76	0.97	1.47	1.05	1.01	1.08	1.24	1.03	1.65	<b>1.15</b>	<b>6.29</b>
<b>J&amp;K</b>	0.48	0.64	0.80	1.14	1.40	1.57	1.82	1.01	1.05	1.52	<b>1.21</b>	<b>10.77</b>
<b>Karnataka</b>	2.25	2.20	3.00	3.68	4.05	5.03	6.41	7.64	8.33	10.51	<b>6.16</b>	<b>20.59</b>
<b>Kerala</b>	1.28	1.22	1.30	1.58	1.61	1.80	2.05	1.83	1.53	1.69	<b>1.62</b>	<b>4.01</b>
<b>MP &amp; Chattisgarh</b>	1.41	1.43	1.33	1.75	1.77	2.00	2.02	2.50	2.31	2.47	<b>1.99</b>	<b>7.88</b>
<b>Maharashtra</b>	7.36	8.30	10.44	11.86	10.80	12.17	13.79	14.52	14.82	18.32	<b>13.24</b>	<b>10.15</b>
<b>Delhi</b>	15.80	16.64	17.83	18.12	18.43	20.06	22.03	24.08	26.20	32.53	<b>22.31</b>	<b>7.91</b>
<b>Orissa</b>	1.67	1.42	1.85	2.11	1.95	2.13	2.59	3.52	3.50	4.04	<b>2.67</b>	<b>11.99</b>
<b>Punjab</b>	1.15	1.20	1.51	1.62	1.47	1.64	1.86	1.97	1.72	1.99	<b>1.65</b>	<b>5.52</b>
<b>Rajasthan</b>	0.79	0.93	0.96	1.04	1.04	1.28	1.42	1.62	1.88	3.35	<b>1.62</b>	<b>15.43</b>
<b>Tamil Nadu</b>	2.35	2.71	3.04	3.41	3.40	3.79	4.10	4.67	5.08	5.87	<b>4.08</b>	<b>10.03</b>
<b>UP &amp; Uttaranchal</b>	1.19	1.41	2.38	3.37	3.05	3.39	3.55	4.43	4.61	4.64	<b>3.32</b>	<b>13.63</b>
<b>West Bengal</b>	1.81	1.82	2.11	2.43	2.30	2.31	2.71	2.99	3.48	3.94	<b>2.74</b>	<b>8.95</b>
<b>U.Territories</b>	3.70	3.17	3.73	3.22	4.37	4.27	3.62	4.25	4.46	5.39	<b>4.14</b>	<b>4.51</b>
<b>Other states</b>	8.08	7.89	8.89	7.86	5.64	6.98	6.90	8.06	6.67	6.41	<b>7.40</b>	<b>-1.35</b>
<b>Mean</b>	<b>2.79</b>	<b>2.86</b>	<b>3.30</b>	<b>3.67</b>	<b>3.50</b>	<b>3.83</b>	<b>4.32</b>	<b>4.97</b>	<b>5.19</b>	<b>6.29</b>	<b>4.35</b>	<b>9.56</b>





remained worst performing whose average income tax to GDP ratio was below 2 per cent. The next category of states which showed below average performance (income tax-GDP ratio between 2 to 4 per cent) include Andhra Pradesh, Assam, Orissa, West Bengal, Haryana and U P & Uttaranchal. The states of Tamil Nadu and Goa witnessed medium level and above medium level performance with income tax to GDP ratio of 4.08 per cent and 5.75 per cent respectively. Low income tax to GDP ratio for states like Bihar & Jharkhand, H. P., J & K and Rajasthan may be due to large number of non-taxpaying population.

Analysis of EGR reveals that mean income tax to GDP ratio increased from 2.79 in 2007-08 to 7.16 in 2016-17 at an EGR of 9.56 per cent. The highest growth rate was experienced by Karnataka, whose income tax to GDP ratio increased from 2.25 in 2007-08 to 14.61 in 2016-17 at an EGR of 20.59 per cent. It was followed by Goa whose income tax to GDP ratio increased from 2.89 in 2007-08 to 12.88 in 2016-17 at an EGR of 19.24 per cent. State of Kerala experienced the lowest EGR of 4.01 per cent, whose income tax to GDP ratio increased from 1.28 to 1.91 during the corresponding period. Further, the states of Delhi, Karnataka, Haryana, Rajasthan and Tamilnadu showed continuous growth in income tax-GDP ratio during the study period. The states of Andhra Pradesh, Maharashtra, Goa and West Bengal also showed continuous growth in income tax-GDP ratio during the study period except 2011-12.

The foregoing analysis reveals that tax reforms introduced during nineteen nineties succeeded in changing the composition of tax structure in India in favour of direct taxes. The number income tax assesses, income tax revenue, income tax to GDP ratio and buoyancy coefficient showed an upward trend. Maharashtra and Delhi remained best performing states in terms of share in total income tax revenue and income tax to GDP ratio. The states Bihar & Jharkhand, J & K and Himachal Pradesh experienced lowest average income tax to GDP ratio and made lowest contribution towards total income tax revenue as compared to other states during the study period.

### **PERFORMANCE EVALUATION OF INCOME TAX ADMINISTRATION**

Tax policy and tax administration mutually affect each other. A competent and fair tax administration is the pre requisite for implementing tax policy in the true spirit and for achieving the objectives of taxation. Income Tax Department in India administers direct tax laws with staff strength of around 59000, under the control and supervision of Central Board

of Direct Taxes (CBDT). The Income Tax Administration was restructured with effect from August 1, 2001 to facilitate the introduction of computer technology. Further, keeping in mind the global developments, the department has devoted considerable efforts for reforming the tax administration in recent years. Some important measures in this direction are introduction of mandatory quoting of Permanent Account Number (PAN), e-filing of returns, e-TDS, e-payment, Tax Information Network (TIN), Annual Information Return (AIR) for high value transactions, Integrated Taxpayer Profiling System (ITPS), Refund banker scheme in certain cities etc. All these initiatives have been taken to increase the operational efficiency of the tax administration and for creating a taxpayer friendly atmosphere.

This chapter attempts to evaluate the performance of the Income Tax Administration in India on the basis of following parameters:

- Variation between budget estimates and actual collection
- Collection of income tax at pre assessment and post assessment stage
- TDS modes of personal income tax
- Cost of collection
- Disposal of assessments
- Refunds outstanding
- Arrears of tax
- Tax recovery
- Execution of deterrence measures i.e. penalty and prosecution
- proceedings Position of appeals
- Cases settled by the Settlement Commission
- Mistakes in assessments and their impact on tax revenue

## **VARIATION BETWEEN BUDGET ESTIMATES AND ACTUAL COLLECTION**

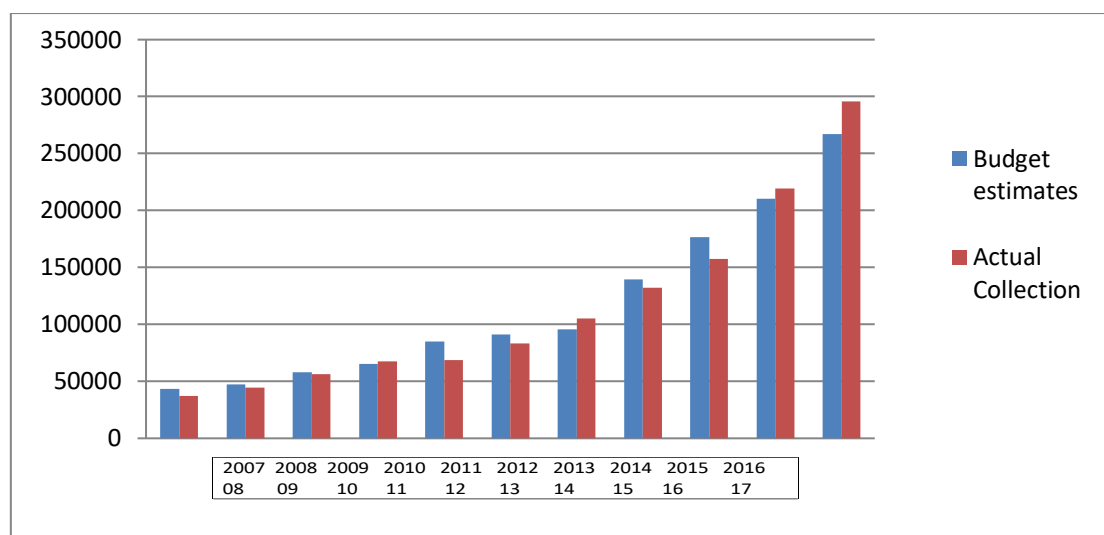
Government prepares budget in the light of Economic Survey every year and fixes the targets to be achieved by the Income Tax Department in terms of tax collection. Table 4.9 presents the comparative position of actual receipts and budget estimates of personal income tax and corporate tax during the study period.

Table 4.8 and Figure 4.9 show that actual collection of income tax remained less than budget estimates from 2007-08 to 2015-16 except in 2010- 2011 and 2013-14. However, it exceeded budget estimates during 2016-17. The highest negative variation as a percentage of budget estimates (19.09%) was shown in 2011-12 and the highest positive variation as a percentage of budget estimates (10.63%) was shown in 2007-08. Personal income tax collection remained less than budget estimates throughout the study period except in 2010-11.

**TABLE 4.8 COMPARATIVE POSITION OF ACTUAL RECEIPTS AND BUDGET ESTIMATES**

(Rs. in crores)

Year	Budget estimates			Actual collection			Variations		
	Personal income tax	Corporate tax	Total	Personal income tax	Corporate tax	Total	Personal income tax	Corporate tax	Total
2007-08	21700	21860	43560	17101	20016	37117	-4599 (-21.19)	-1844 (-8.44)	-6443 (-14.79)
2008-09	20930	26550	47480	20240	24529	44769	-690 (-3.30)	-2021 (-7.61)	-2711 (-5.71)
2009-10	26910	30850	57760	25654	30692	56347	-1256 (-4.67)	-158 (-0.51)	-1414 (-2.45)
2010-11	30510	35040	65550	31764	35696	67460	1254 (4.11)	656 (1.87)	1910 (2.91)
2011-12	40600	44200	84800	32004	36609	68613	-8596 (-21.17)	-7591 (-17.17)	-16187 (-19.09)
2012-13	42524	48616	91140	36866	46172	83038	-5658 (-13.31)	-2444 (-5.03)	-8102 (-8.89)
2013-14	44070	51499	95569	41387	63562	104949	-2683 (-6.09)	12063 (23.42)	9380 9.81
2014-15	50929	88436	139365	49268	82679	131947	-1661 (-3.26)	-5757 (-6.51)	-7418 (-5.32)
2015-16	66239	110573	176812	55985	101277	157262	-10254 (-15.48)	-9296 (-8.41)	-19550 (-11.06)
2016-17	77409	133010	210419	75079	144318	219397	-2330 (-3.01)	11308 (8.50)	8978 (4.27)



**Figure 4.9: Comparative Positions Of Actual Receipts And Budget Estimates**

The highest negative variation as a percentage of budget estimates (21.19%) was observed in 2007-08 and the highest positive variation as a percentage of budget estimates (4.11%) was observed in 2010-11.

Further, corporate tax collection also remained less than budget estimates from 2007-08 to 2015-16 except in 2010-2011 and 2013-14. However, it was more than budget estimates during 2016-17 and 2016-17. The highest negative variation as a percentage of budget estimates i.e. 17.17 was found in 2011-12 and the highest positive variation as a percentage of budget estimates i.e. 23.42 was found in 2013-14.

### **INCOME TAX COLLECTION AT PRE ASSESSMENT AND POST ASSESSMENT STAGE**

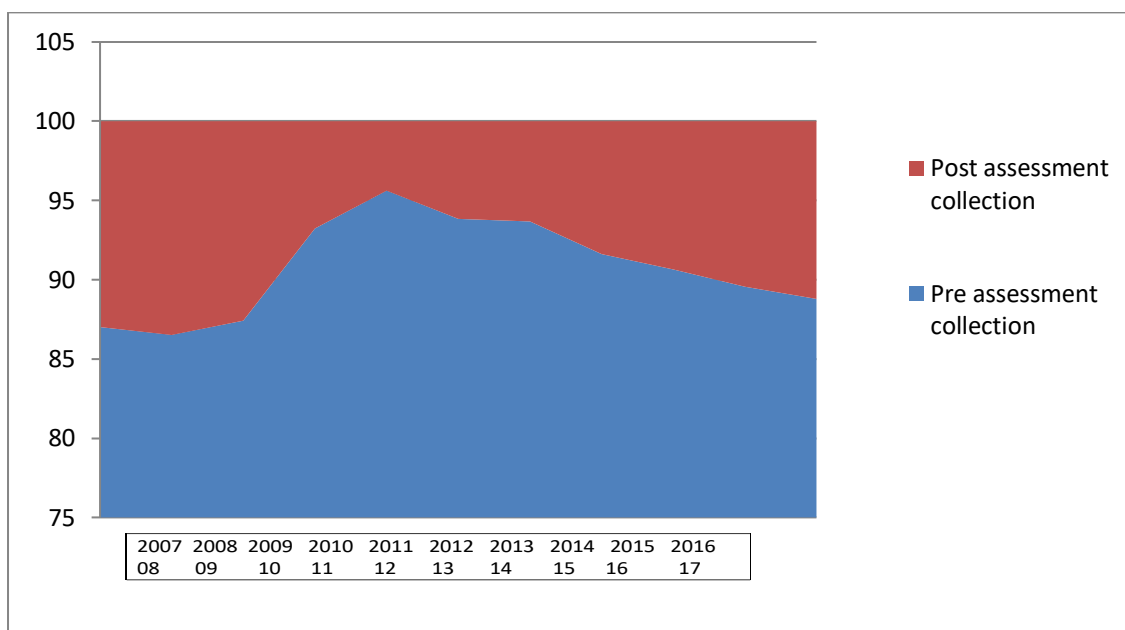
Income tax is chargeable for every assessment year in respect of the total income of the previous year at the rates prescribed in the annual Finance Act. The Act provides for a very comprehensive assessment procedure whereby tax can be collected at pre assessment stage and post assessment stage. Tax at pre- assessment stage is collected by way of deduction of tax at source (TDS), advance tax and self-assessment tax. Post assessment collection is the additional demand arising after assessment. Tables 4.9 present the detail of tax collection at pre assessment and post assessment stage in case of personal income tax and corporate tax respectively.

**TABLE 4.9 COLLECTION OF PERSONAL INCOME TAX AT PRE ASSESSMENT AND POST ASSESSMENT STAGE**

Year	Pre assessment				Post assessment			Gross collection
	Tax deducted at source	Advance tax	Self assessment	Total	Regular assessment	Other receipts	Total	
2007-08	9803.23 (50.87)	4644.10 (24.10)	2317.72 (12.03)	16765.05 (87.00)	1484.41 (7.70)	1020.73 (5.30)	2505.14 (13.00)	19270.19 (100)
2008-09	11752.80 (52.44)	5287.15 (23.59)	2349.31 (10.48)	19389.26 (86.51)	1570.06 (7.01)	1452.66 (6.48)	3022.72 (13.49)	22411.98 (100)
2009-10	15401.85 (53.69)	7051.09 (24.58)	2624.06 (9.15)	25077 (87.42)	1350.93 (4.71)	2256.36 (7.87)	3607.29 (12.58)	28684.29 (100)
2010-11	22230.98 (63.22)	7347.22 (20.89)	3202.27 (9.11)	32780.47 (93.22)	1230.05 (3.50)	1152.09 (3.28)	2382.14 (6.78)	35162.61 (100)
2011-12	23724.00 (67.10)	6801.00 (19.24)	3285.00 (9.29)	33810 (95.63)	997.00 (2.82)	550.00 (1.56)	1547 (4.37)	35357.00 (100)
2012-13	27607.00 (65.55)	8533.00 (20.26)	3388.00 (8.04)	39528 (93.85)	1819.00 (4.32)	772.00 (1.83)	2591 (6.15)	42119.00 (100)
2013-14	31021.00 (64.02)	9709.00 (20.04)	4668.00 (9.63)	45398 (93.69)	2538.00 (5.24)	518.00 (1.07)	3056 (6.31)	48454.00 (100)
2014-15	29319.00 (53.04)	16100.00 (29.13)	5229.00 (9.46)	50648 (91.63)	3118.00 (5.64)	1507.00 (2.73)	4625 (8.37)	55273.00 (100)
2015-16	32409.00 (51.89)	18127.00 (29.02)	6069.00 (9.72)	56605 (90.63)	3488.00 (5.58)	2364.00 (3.79)	5852 (9.37)	62457.00 (100)
2016-17	41641.00 (50.97)	24659.00 (30.18)	6871.00 (8.41)	73171 (89.57)	5671.00 (6.94)	2855.00 (3.49)	8526 (10.43)	81697.00 (100)
<b>Mean</b>	<b>27772.99</b> <b>(56.18)</b>	<b>12570.32</b> <b>(25.43)</b>	<b>4515.76</b> <b>(9.13)</b>	<b>44859.07</b> <b>(90.74)</b>	<b>2769.86</b> <b>(5.60)</b>	<b>1807.08</b> <b>(3.66)</b>	<b>4576.94</b> <b>(9.26)</b>	<b>49436.01</b> <b>(100)</b>
<b>EGR</b>	<b>16.95</b>	<b>20.21</b>	<b>14.90</b>	<b>17.63</b>	<b>18.50</b>	<b>11.20</b>	<b>15.34</b>	<b>17.32</b>



Figure 4.10 show that on an average around 90 per cent of gross collection from personal income tax was realized at pre assessment stage. Collection at pre assessment stage was maximum (95.63% of gross collection) in 2011-12. It can be noticed that TDS contributed maximum (average 58.18% of gross collection) at pre assessment stage followed by advance tax and self-assessment throughout the study period. The average percentage share of collection from regular assessment remained higher as compared to other.



**FIGURE 4.10 Collection Of Personal Income Tax At Pre And Post Assessment Stage**

Receipts except in 2009-2010 in case of post assessment collection during the corresponding period. The absolute collection of tax from different modes has shown an upward trend during the study period. The maximum EGR has been shown by collection from advance tax at pre assessment stage (20.21%) and regular assessment (18.50%) at post assessment stage.

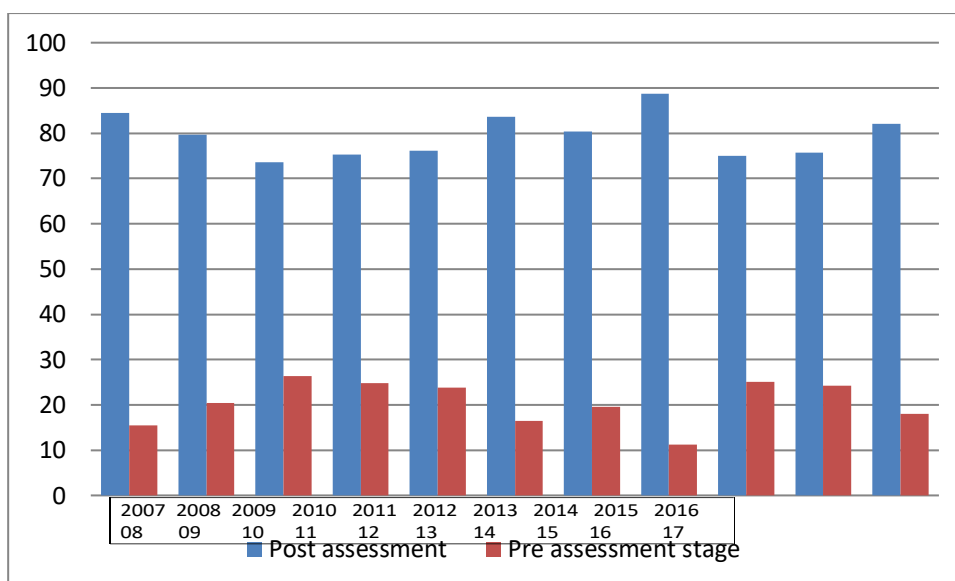
Table 4.10 and Figure 4.11 show that a major portion of gross collection from corporate tax (on an average around 80%) has been realized at pre assessment stage. Collection at pre assessment stage was maximum (88.79%) in 2014-15. It can be noticed that advance tax contributed maximum (average 58.56% of gross collection) at pre assessment stage followed by TDS (average 16.19%) and self-assessment (average 4.96%) throughout the study period. The average percentage share of collection from regular assessment remained higher as compared to other receipts in case of post assessment collection during the corresponding period except in 2014-15 and 2016-17. The absolute collection of tax from different modes

has shown an upward trend during the study period. The maximum EGR has been shown by collection from TDS at pre assessment stage (28.19%) and other receipts (33.74%) at post assessment stage.

**TABLE 4.10 Collection Of Corporate Tax At Pre Assessment And Post Assessment Stage**

(Rs. in crores)

Year	Pre assessment				Post assessment			Gross collection
	Tax deducted at source	Advance tax	Self assessment	Total	Regular assessment	Other receipts	Total	
2007-08	3984.32 (15.08)	16416.67 (62.15)	1927.13 (7.30)	22328.12 (84.53)	3469.94 (13.14)	616.73 (2.33)	4086.67 (15.47)	26414.79 (100)
2008-09	4505.06 (13.81)	19077.46 (58.50)	2386.64 (7.32)	25969.16 (79.63)	5255.02 (16.11)	1388.22 (4.26)	6643.24 (20.37)	32612.40 (100)
2009-10	3144.21 (8.03)	23797.99 (60.78)	1885.37 (4.82)	28827.57 (73.63)	5414.77 (13.83)	4908.75 (12.54)	10323.52 (26.36)	39151.09 (100)
2010-11	5982.28 (13.28)	25266.76 (56.09)	2639.48 (5.86)	33888.52 (75.23)	6891.29 (15.30)	4268.11 (9.47)	11159.4 (24.77)	45047.92 (100)
2011-12	8948.00 (17.73)	27293.00 (54.07)	2194.00 (4.35)	38435 (76.15)	8495.00 (16.83)	3544.00 (7.02)	12039 (23.85)	50474.00 (100)
2012-13	8961.00 (14.24)	40625.00 (64.54)	3026.00 (4.81)	52612 (83.58)	8926.00 (14.18)	1412.00 (2.24)	10338 (16.42)	62950.00 (100)
2013-14	11934.00 (14.51)	49004.00 (59.59)	5184.00 (6.30)	66122 (80.41)	13477.00 (16.39)	2632.00 (3.20)	16109 (19.59)	82231.00 (100)
2014-15	14654.00 (13.93)	73934.00 (70.29)	4815.00 (4.58)	93403 (88.79)	2888.00 (2.75)	8898.00 (8.46)	11786 (11.20)	105189.00 (100)
2015-16	21429.00 (17.17)	66625.00 (53.37)	5549.00 (4.44)	93603 (74.98)	18624.00 (14.92)	12610.00 (10.10)	31234 (25.02)	124837.00 (100)
2016-17	29048.00 (16.61)	96568.00 (55.20)	6954.00 (3.98)	132570 (75.78)	24725.00 (14.13)	17640.00 (10.08)	42365 (24.22)	174935.00 (100)
<b>Mean</b>	<b>14248.90 (16.19)</b>	<b>51519.35 (58.56)</b>	<b>4365.06 (4.96)</b>	<b>70133.31 (79.71)</b>	<b>10607.64 (12.06)</b>	<b>7239.35 (8.23)</b>	<b>17846.98 (20.28)</b>	<b>87980.29 (100)</b>
<b>EGR</b>	<b>28.19</b>	<b>22.79</b>	<b>18.30</b>	<b>23.44</b>	<b>16.71</b>	<b>33.74</b>	<b>22.77</b>	<b>23.33</b>



**Figure 4.11: Collection Of Corporate Tax At Pre And Post Assessment Stage**

### TDS MODES OF PERSONAL INCOME TAX

TDS provisions stipulate that tax is to be deducted by the payer from specified payments made to any person and deposit the same with the central Government. It is an important device for collecting revenue at minimum cost and checking tax evasion. Table 4.11 provides detail of collection of personal income tax through TDS.

Table 4.11 highlights that out of different sources of TDS salary income occupied top position throughout the study period. By analyzing the average share from different modes, it can be noticed that average contribution from salary was highest (38.25%) followed by payment to nonresidents (20.94%), interest

**TABLE 4.11 TDS OF PERSONAL INCOME TAX FROM VARIOUS MODES**

	Salary	Interest on securities	Dividends	Interest	Winnings from lotteries	Winning from horse races	Payments to contractors	Insurance	Payment to non-residents	Total
2007-08	5797 (42.05)	1137 (8.25)	470 (3.41)	2344 (17.00)	64 (0.46)	26 (0.19)	2468 (17.90)	134 (0.97)	1347 (9.77)	13787 (100)
2008-09	6441 (39.62)	1277 (7.87)	443 (2.72)	2767 (17.02)	70 (0.43)	43 (0.26)	3780 (23.25)	135 (0.83)	1301 (8.00)	16257 (100)
2009-10	9353 (50.43)	1593 (8.59)	369 (1.99)	3201 (17.26)	116 (0.63)	30 (0.16)	3678 (19.83)	172 (0.93)	34 (0.18)	18546 (100)
2010-11	13820 (48.99)	1847 (6.55)	338 (1.20)	3770 (13.36)	75 (0.27)	6 (0.02)	4209 (14.92)	203 (0.72)	3943 (13.98)	28211 (100)
2011-12	14668 (47.82)	2097 (6.84)	249 (0.81)	4464 (14.55)	62 (0.20)	8 (0.03)	4005 (13.06)	321 (1.05)	4797 (15.64)	30671 (100)
2012-13	16293 (44.56)	2232 (6.10)	1098 (3.00)	4485 (12.26)	130 (0.36)	6 (0.02)	5056 (13.83)	384 (1.05)	6884 (18.83)	36568 (100)
2013-14	17712 (41.23)	2214 (5.15)	950 (2.21)	4930 (11.48)	169 (0.39)	7 (0.02)	7543 (17.56)	434 (1.01)	8996 (20.94)	42955 (100)
2014-15	17341 (39.44)	1849 (4.20)	852 (1.94)	7833 (17.81)	318 (0.72)	11 (0.03)	2535 (5.76)	523 (1.19)	12711 (28.91)	43973 (100)
2015-16	17941 (33.32)	1871 (3.48)	752 (1.40)	10585 (19.66)	233 (0.43)	17 (0.03)	9638 (17.90)	967 (1.80)	11834 (21.98)	53838 (100)
2016-17	23121 (32.71)	2292 (3.24)	834 (1.18)	14557 (20.59)	445 (0.63)	27 (0.04)	12127 (17.16)	1,218 (1.72)	16068 (22.73)	70689 (100)
Mean	16003.64 (38.25)	1861.64 (4.45)	648.09 (1.55)	7309.18 (17.47)	199.54 (0.48)	18.18 (0.04)	6473.73 (15.47)	564.45 (1.35)	8761.18 (20.94)	41839.64 (100)
EGR	16.17	5.48	9.86	23.10	24.14	-3.62	16.26	30.08	51.69	20.42

Interest (17.47%) and payment to contractors (15.47%). Thus, on an average 92.13 per cent of total TDS amount was contributed by these four sources. TDS on winnings from horse races and winnings from lotteries contributed a very small percentage towards total TDS i.e. even less than 0.5 per cent. Absolute amount of TDS from salary, interest and insurance showed consistent upward trend throughout the study period. However, the collection from other modes remained fluctuating during the corresponding period. It is shown that percentage share of TDS from different modes has changed over the study period. The share of salary, interest on securities and dividend decreased from 42.05 per cent, 8.25 per cent and 3.41 per cent in 2007-08 to 32.05 per cent, 1.98 per cent and 0.74 in 2016-17 respectively. On the other hand the share of payment to nonresidents and interest increased from 9.77 per cent and 17.00 per cent to 27.17 per cent and 20.49 per cent during the corresponding period respectively. TDS from payment to nonresidents showed maximum EGR of 51.69 per cent, followed by insurance (30.08%), winnings from lotteries (24.14%), interest (23.18%), and payment to contractors (16.26%) and salary (16.17%) during the study period. However, TDS from winnings from horse races experienced negative growth rate i.e. -3.62 per cent during the corresponding period.

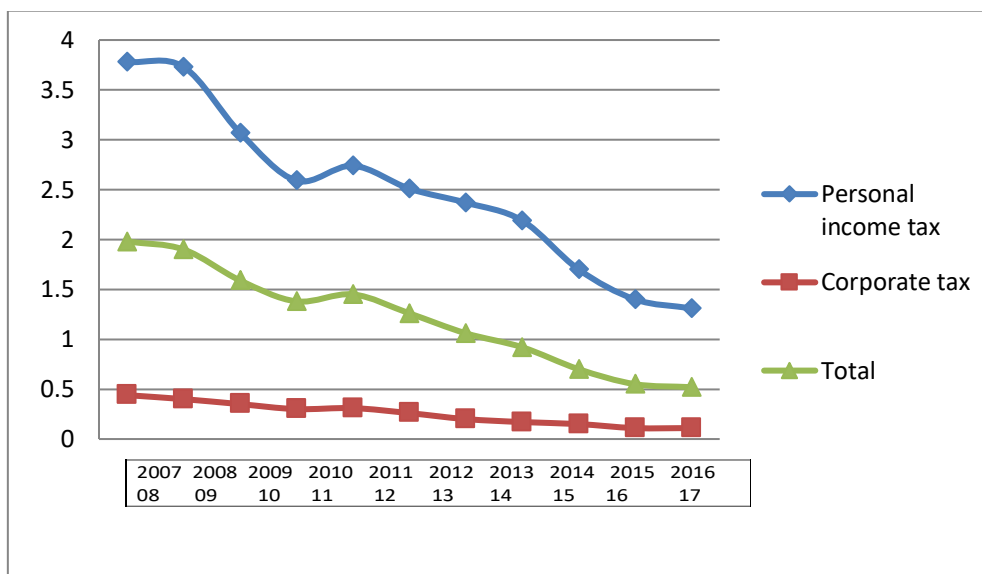
### **COST OF COLLECTION**

The enforcement and administration of tax involves some cost and higher cost reduces net revenue available with Government for development purpose. Thus, there is a need to control the cost of tax collection. Year-wise total cost of collection; cost per rupee of tax collected and cost per assessee has been presented in Table 4.12

**TABLE 4.12**

**COST OF COLLECTION OF PERSONAL AND CORPORATE INCOME TAX**

Year	Cost of collection (Rs. in crores)			Cost (Rs.) per assessee			Cost (Paisa) per rupee of tax collected		
	Personal income tax	Corporate tax	Total	Personal Income Tax	Corporate tax	Total	Personal income tax	Corporate tax	Total
2007-08	646	88	734	501	3208	559	3.78	0.44	1.98
2008-09	754	98	852	445	3318	494	3.73	0.40	1.90
2009-10	788	106	894	403	3423	450	3.07	0.35	1.59
2010-11	822	107	929	363	3201	404	2.59	0.30	1.38
2011-12	878	115	993	339	3295	379	2.74	0.31	1.45
2012-13	927	121	1048	330	3315	368	2.51	0.26	1.26
2013-14	979	129	1108	340	3468	379	2.37	0.20	1.06
2014-15	1077	141	1218	402	3711	448	2.19	0.17	0.92
2015-16	954	147	1101	325	3740	370	1.70	0.15	0.70
2016-17	1054	162	1216	341	4050	389	1.40	0.11	0.55
EGR	5.82	7.48	6.03						



**FIGURE 4.12: COST PER RUPEE OF TAX COLLECTED**

Table 4.12 reveals that overall cost of collection of income tax increased from Rs. 734 crore in 2007-08 to Rs. 1551 crore in 2016-17 showing an EGR of 6.03 per cent. The cost of collection of personal income tax was comparatively higher than that of corporate tax as the number of personal income tax assesseees ranged from 98 per cent to 99 per cent of the total number of assesseees, whereas their share in tax collection varied between 33 per cent and 46 per cent of total direct tax revenue during the period under reference. Cost of collection per assessee in case of personal income tax declined from Rs. 501 in 2007-08 to Rs. 405 in 2016-17. However, it increased from Rs. 3208 in 2007-08 to Rs. 4157 in 2016-17 in case of corporate tax. It is also evident from figure 5.5 that cost per rupee of personal income tax and corporate tax declined from 3.78 paisa and 0.44 paisa in 2007-08 to 1.31 paisa and 0.11 paisa respectively in 2016-17. Tax revenue collected at pre assessment stage from corporate tax (82.03%) and personal income tax (88.80%) in form of advance tax, TDS and self-assessment in 2016-17 might have contributed to reduction in cost of collection per rupee of tax revenue.

### **DISPOSAL OF ASSESSMENTS**

Computation of income and collection of tax are the main duties of Income Tax Department. The time limit for completion of assessments is two years under the Act. An efficient system of taxation always ensures timely completion of assessments and minimum



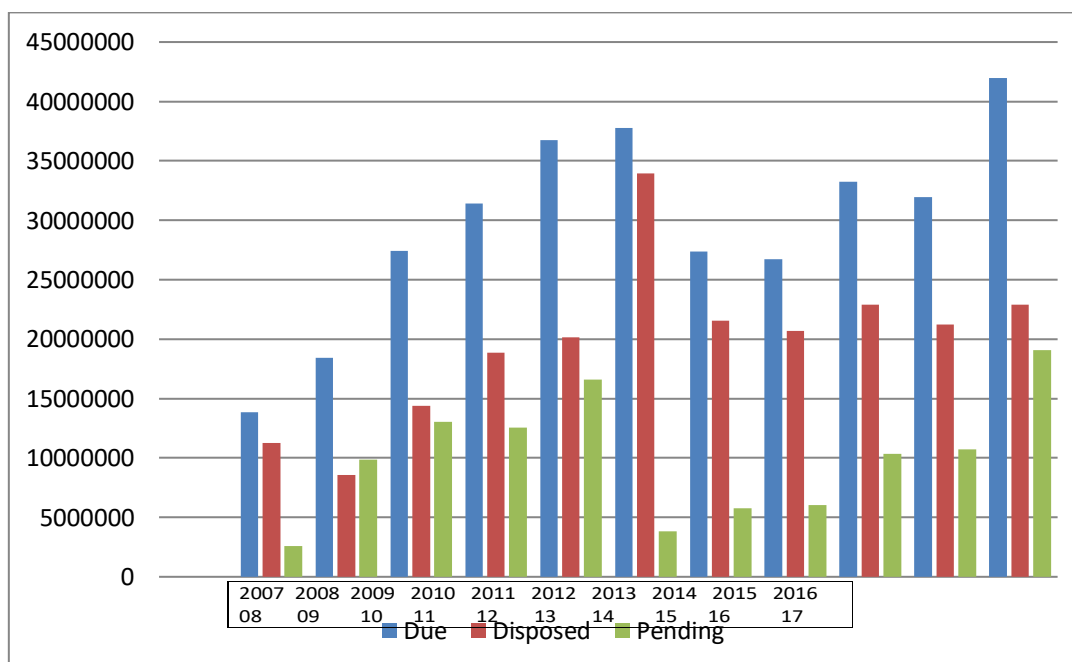
pendency. Pending assessments increase the workload of the assessing authorities for subsequent years. Table 4.13 shows assessments due for disposal, completed and pending under scrutiny and summary scheme.

**TABLE 4.13 DISPOSAL OF ASSESSMENTS**

Year	Assessments due for disposal			Assessments completed			Assessments pending		
	Scrutiny	Summary	Total	Scrutiny	Summary	Total	Scrutiny	Summary	Total
2007-08	1108764	127511693	1385993	920701	103549267	1127562	188063	2396243	2584306
				(83.04)	(81.21)	(81.35)	(16.96)	(18.79)	(20.27)
2008-09	598076	178322195	1843029	201849	8352299	8554148	396227	9479920	9876147
				(33.75)	(46.84)	(46.41)	(66.25)	(53.16)	(55.38)
2009-10	553637	268469563	2740059	316223	140438503	1436007	237414	128031060	1304052
				(57.12)	(52.31)	(52.41)	(42.88)	(47.69)	(48.57)
2010-11	360141	310463312	3140647	225730	186331100	1885884	134411	124132212	1254763
				(62.68)	(60.02)	(60.05)	(37.32)	(39.98)	(40.42)
2011-12	217540	365082344	3672577	168010	199585588	2012656	49530	165496766	1659920
				(77.23)	(54.67)	(54.80)	(22.77)	(45.33)	(45.47)
2012-13	894415	369000405	3779445	172410	337927955	3396520	722005	3107245	3829250
				(19.28)	(91.58)	(89.87)	(80.72)	(8.42)	(10.38)
2013-14	388275	269783761	2736665	197390	213804900	2157788	190885	5597886	5788771

				(50.84)	(79.25)	(78.85)	(49.16)	(20.75)	(21.46)
2014-15	439258	262980664	2673732	210866	204929651	2070383	228392	5805101	6033493
				(48.01)	(77.93)	(77.43)	(51.99)	(22.07)	(22.94)
2015-16	425225	328210072	3324623	230698	226490708	2287976	194527	101719374	1036646
				(54.25)	(69.01)	(68.82)	(45.75)	(30.99)	(31.58)
2016-17	527005	314458961	3197290	241983	209986292	2124061	285022	104472679	1073228
				(45.92)	(66.78)	(66.43)	(54.08)	(33.22)	(34.13)
EGR	-0.77	7.62	7.26	-3.81	8.78	8.36	5.82	6.88	6.69

**Source:** Compiled from Reports of Comptroller and Auditor General of India of relevant years.



**Figure 4.13: POSITION OF ASSESSMENTS**

As shown in Table 4.13 and Figure 4.13 total pending assessments increased from 2584306 in 2007-08 to 19100000 in 2016-17. It registered an exponential growth rate (EGR) of 6.69 per cent during the study period. The ratio of pending assessments to total assessments due for disposal had a fluctuating trend during this period. This ratio increased to 55.38 per cent in 2008-19 from 20.27 per cent in 2007-08, then declined to 10.38 per cent in 2012-13. However, after 2012-13 it again started rising and was 45.48 per cent in 2016-17. The absolute pendency under scrutiny and summary assessments also increased from 188063 cases and 2396243 cases in 2007-08 to 591000 and 18509000 in 2016-17 respectively. Ratio of pending assessments to total assessments under scrutiny and summary assessments increased from 16.96 per cent and 18.79 per cent in 2007-08 to 59.23 per cent and 45.15 per cent respectively in 2016-17. It is worth mentioning that 524194 cases out of 722005 pending in 2012-13 under scrutiny assessments were converted to summary assessments in 2013-14. In spite of this, the position of pendency under scrutiny assessments remained more disappointing as compared to summary assessments. While more than 98 per cent of total assessments are being completed under summary assessment scheme, the growing pendency of assessments is a cause of concern for the department. This may be due to less deployment of manpower on assessment duty and increasing workload of the department. It is worth mentioning that in 2007-08 the number of income tax officers on assessment duty per one lakh assesseees was 22.52, which declined to 14.78 in 2016-17.

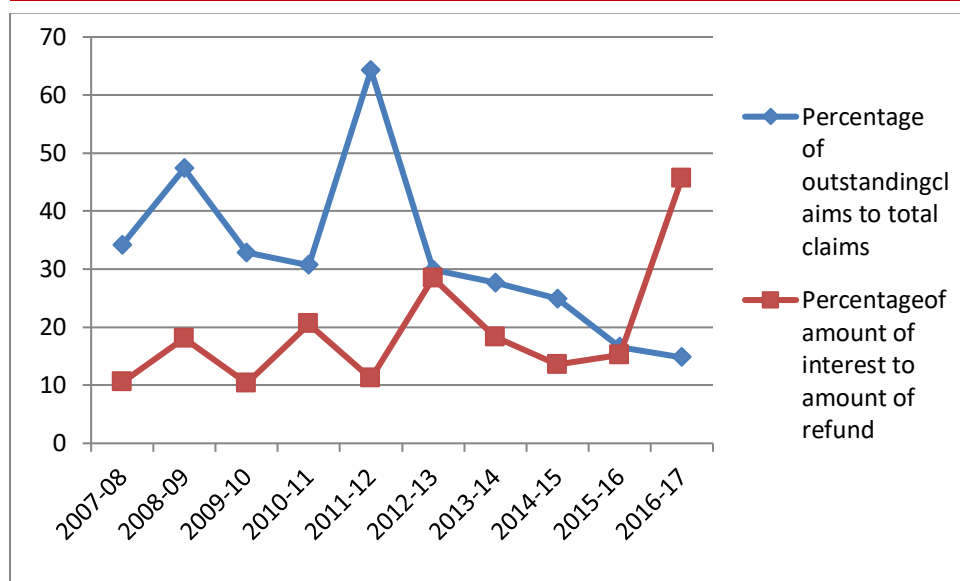
### **REFUNDS OUTSTANDING**

If the amount of tax paid is more than that of tax payable by the assessee, the excess has to be refunded and if the refund is not granted within 3 months, interest is to be paid by the Government. Disposal of refund claims is a key indicator for measuring the operational performance of tax administration in providing quality services to the taxpayers. Refunds should be granted in time as delay in refunds leads to grievances among the taxpayers and extra cost to the Government. Table 4.14 reveals the position of tax refunds from 2007-08 to 2016-17. (Data on refunds relating to 2016-17 has not been taken as it contained certain anomalies).

**TABLE 4.14 POSITION OF TAX REFUNDS**

Year	Total number of claims	Settled claims	Outstanding claims	Percentage of outstanding claims to total claims	Amount of refund (Rs. in crore)	Amount of interest (Rs. in crore)	Percentage of interest to amount of refund
2007-08	215546	141877	73669	34.18	8568.39	902.93	10.54
2008-09	204318	107600	96718	47.34	10255.36	1854.14	18.08
2009-10	470013	315583	154430	32.86	11488.59	1189.65	10.36
2010-11	433409	300397	133012	30.69	12750.28	2622.37	20.57
2011-12	492468	175883	316585	64.29	17220.00	1922.88	11.17
2012-13	735155	515427	219728	29.89	22031.00	6268.07	28.45
2013-14	446990	323375	123615	27.65	25736.00	4701.16	18.27
2014-15	404477	303747	100730	24.90	28514.00	3865.98	13.56
2015-16	331697	276646	55051	16.60	30032.00	4574.83	15.23
2016-17	310968	264957	46011	14.80	37235.00	17003.75	45.67
<b>EGR</b>	<b>3.98</b>	<b>8.42</b>	<b>-6.39</b>		<b>18.24</b>	<b>28.65</b>	

**Source:** Compiled from Reports of Comptroller and Auditor General of India of relevant years.



**Figure 4.14 Position Of Outstanding Claims And Interest On Refunds**

Table 4.14 highlights that number of claims settled increased from 141877 in 2007-08 to 264957 in 2016-17 at an EGR of 8.42 per cent and number of outstanding claims decreased from 73669 in 2007-08 to 46011 in 2016-17 at an EGR of -6.39 per cent. The trend in percentage of outstanding claims to total claims remained fluctuating during this period. It was highest in 2011-12 (64.29%) and lowest in 2016-17 (14.80%). This may be due to the introduction of computerization. However, the amount of refund and interest on refunds increased from Rs. 8568.39 crore and Rs. 902.93 crore in 2007-08 to Rs. 37235.00 crore and Rs. 17003.75 crore in 2016-17 registering an EGR of 18.24 and 28.65 per cent respectively. The ratio of amount of interest to amount of refund increased from 10.54 per cent in 2007-08 to 28.45 per cent in 2012-13 and then it declined to 15.23 per cent in 2015-16. However, it again increased to 45.67 in 2016-17 (See Figure 6.7). A discussion with tax professionals has revealed that refund claims pertaining to relatively smaller amounts are settled earlier by tax authorities as compared to refunds of large amounts. This in turn leads to higher interest payments by Income Tax Department to taxpayers.

### **ARREARS OF TAX DEMAND**

The Act provides that when any tax, interest, penalty, fine or any other sum is payable in consequence of any order, a notice of demand shall be served upon the assessee. The amount

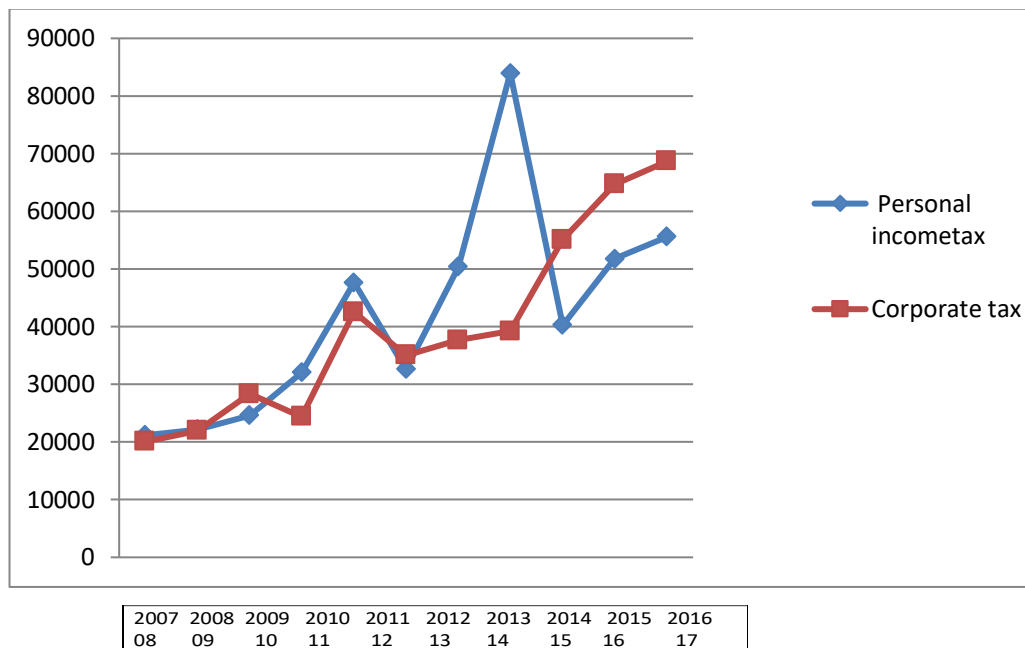
specified in the notice has to be paid within 30 days. The amount which remains unpaid becomes arrear. Mere rising of tax demand is not sufficient rather the important part is collection. Thus, it would be a frustrating exercise to raise tax demand and not collect the same. Table 4.16 shows the arrears of corporate tax and personal income tax in this regard.

**TABLE 4.15 ARREARS OF TAX DEMAND**

Year	Tax demand			Tax remaining uncollected (Arrear)			Percentage of arrear to tax demand		
	Personal income tax	Corporate tax	Total	Personal income tax	Corporate tax	Total	Personal income tax	Corporate tax	Total
2007-08	38269	40078	78347	21168	20062	41230	55.31	50.06	52.62
2008-09	42429	46483	88912	22189	21954	44143	52.30	47.23	49.65
2009-10	50276	59041	109317	24621	28349	52970	48.97	48.02	48.46
2010-11	63793	60098	123891	32029	24402	56431	50.21	40.60	45.55
2011-12	79643	79147	158790	47639	42538	90177	59.82	53.75	56.79
2012-13	69447	81229	150676	32581	35057	67638	46.91	43.16	44.89
2013-14	91773	101193	192966	50386	37631	88017	54.90	37.19	45.61
2014-15	133245	121884	255129	83977	39204	123181	63.02	32.17	48.28
2015-16	96274	156375	252649	40289	55098	95387	41.85	35.23	37.75
2016-17	126820	209001	335821	51771	64683	116454	40.82	30.95	34.68
<b>EGR</b>	<b>14.65</b>	<b>19.91</b>	<b>17.63</b>	<b>11.20</b>	<b>12.85</b>	<b>12.24</b>			

**Source:** Compiled from Reports of Comptroller and Auditor General of India of years.

relevant



**Figure 4.15: ARREARS OF TAX DEMAND**

Table 4.15 highlights that the arrear of total tax demand increased from Rs. 41230 crore in 2007-08 to Rs. 124274 crore in 2016-17 registering an EGR of 19.91 per cent. Arrear in case of personal income tax increased from Rs. 21168 crore in 2007-08 to Rs. 55612 crore in 2016-17 and that of corporate tax from Rs. 20062 crore in 2007-08 to Rs. 68662 crore in 2016-17. It may be seen that uncollected tax in absolute amount continued mounting both in case of personal income tax and corporate tax (see figure 6.8). However, the percentage of arrears to total tax demand showed a declining trend in case of personal income tax as well as corporate tax during the period under reference. In case of personal income tax it declined to 35.14 in 2016-17 from 55.31 in 2007-08. Further, in case of corporate tax this percentage declined to 26.25 in 2007-08 from 50.06 in 2007-08. However, still it is very high. It may be due to less strength of tax recovery officers.

### **TAX RECOVERY MACHINERY**

Every demand of tax should be paid within 30 days of the service of notice of demand. On the default of assessee in this regard, the assessing officer may forward a certificate specifying the demand of arrear to the tax recovery officer (TRO) for recovery. The latter will serve a notice on the defaulter requiring him to pay the demand within 15 days. If amount is not paid within the specified period or within extended period, if any, the TRO shall proceed to realize the



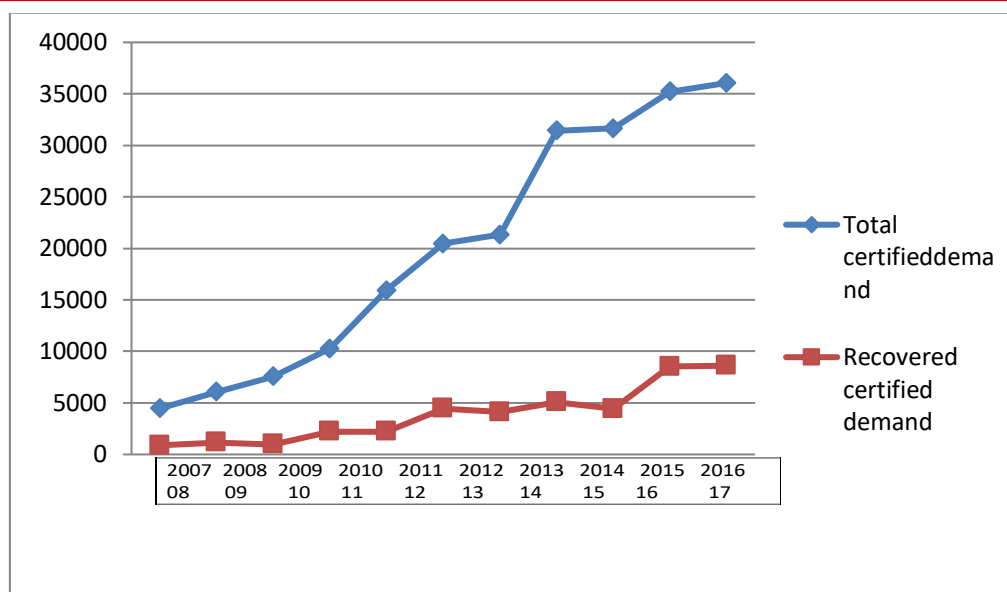
amount by attachment and sale of defaulter's movable or immovable property or by arrest of the defaulter. The demands certified to TROs and amount recovered has been presented in Table 4.16.

**TABLE 4.16 TAX DEMANDS CERTIFIED TO THE TAX RECOVERY OFFICER  
AND DEMAND RECOVERED**

(Rs. in crores)

Year	Total certified demand	Recovered certified demand	%age of recovered demand to total demand	Number of officers recovery
2007-08	4465.71	884.41	19.80	153
2008-09	6071.88	1173.66	19.33	168
2009-10	7545.99	986.85	13.08	145
2010-11	10265.65	2223.74	21.66	179
2011-12	15927.87	2229.48	14.00	472
2012-13	20451.11	4441.85	21.72	509
2013-14	21329.54	4111.73	19.28	462
2014-15	31435.36	5078.01	16.15	356
2015-16	31642.44	4433.04	14.01	329
2016-17	35225.26	8521.4	24.19	N.A.
EGR	24.73	26.76		

**Note:** N.A. stands for not available.



**Figure 4.16 POSITION OF CERTIFIED TAX DEMAND**

Table 4.16 shows that total certified demand due for recovery increased from Rs. 4465.71 crore in 2007-08 to Rs. 36057.56 in 2016-17 registering an EGR of 24.73 per cent. Further, the recovery of certified demand increased from Rs. 884.41 crore to Rs. 8612.62 crore during the same period at an EGR of 26.76 per cent. It is evident that recovery of certified demand remained less than total certified demand due for recovery throughout the study period (See Figure 6.9). The percentage of demand recovered to total demand have shown a fluctuating trend ranging between 13.08 (2009-2010) and 24.19 (2016-17). It needs to be highlighted that above 75 per cent of total certified demand remained uncollected during the study period despite an increase in the working strength of the Tax Recovery Officers (TROs) from 153 in 2007-08 to 329 in 2015-16.

### **EXECUTION OF DETERRENCE MEASURES**

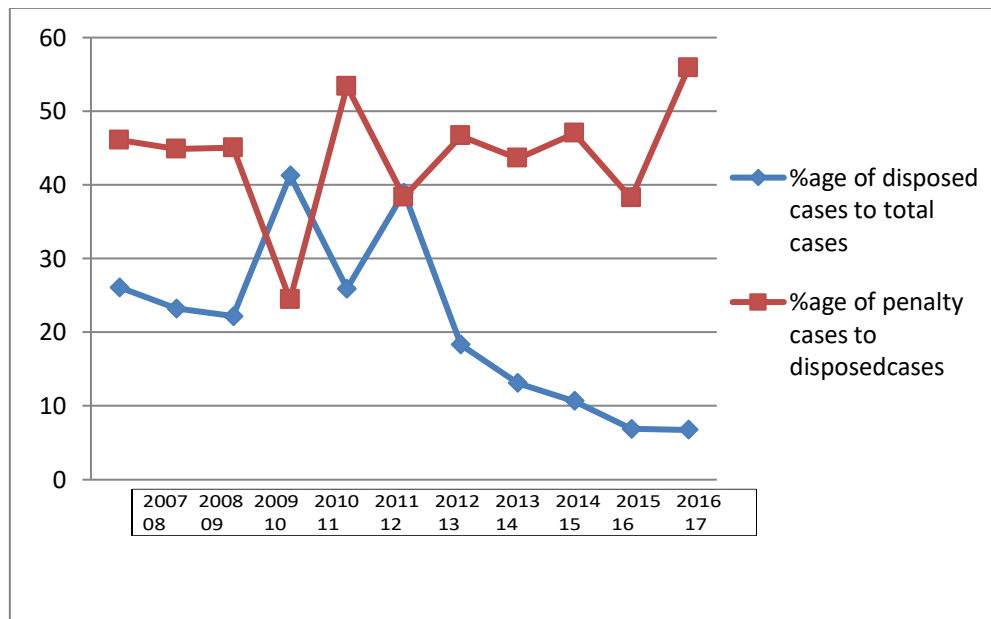
Deterrence measures including penalty and prosecution provided under the Act play an important role in ensuring correct and timely compliance of tax provisions. Penalty is leviable under the Act if an assessee fails to furnish the return or fails to produce accounts and documents or fails to deduct tax at source or misquotes PAN etc. However, a person can be prosecuted (fine, imprisonment) if he willfully presents false books of accounts, contravenes

an order under section 132, fails to deposit tax collected at source etc. Tables 4.17 and 4.18 present the position of penalty and prosecution proceedings respectively.

**TABLE 4.17 POSITIONS OF PENALTY CASES**

Year	Total cases due for disposal (initiated)	Pending cases	Disposed cases			%age of disposed cases to total cases	%age of penalty cases to disposed cases	Amount of penalty (Rs. in crore)
			Penalty cases	Non penalty cases	Total			
2007-08	275299	203488	33100	38711	71811	26.08	46.09	162.31
2008-09	262157	201245	27328	33584	60912	23.23	44.86	390.54
2009-10	270717	210665	27055	32997	60052	22.18	45.05	608.91
2010-11	335850	197164	33874	104812	138686	41.29	24.42	674.75
2011-12	245336	181789	33917	29630	63547	25.90	53.37	2269.69
2012-13	246188	150270	36795	59123	95918	38.96	38.36	1580.17
2013-14	405517	331185	34661	39671	74332	18.33	46.63	2084.98
2014-15	563565	489791	32170	41604	73774	13.09	43.61	7073.53
2015-16	734565	656182	36839	41544	78383	10.67	47.00	5046.07
2016-17	849677	791067	22392	36218	58610	6.90	38.21	2947.84
<b>EGR</b>	<b>15.51</b>	<b>18.95</b>	<b>0.79</b>	<b>-1.54</b>	<b>-0.55</b>			<b>33.49</b>

**Source:** Compiled from Reports of Comptroller and Auditor General of India of relevant years.



**FIGURE 4.17: POSITION OF PENALTY CASES**

Table 4.17 shows that number of cases due for disposal under penalty proceedings increased from 275299 in 2007-08 to 1035227 in 2016-17 registering an EGR of 15.51 per cent. Further, the number of the disposed cases showed an EGR of - 0.55 per cent during the same period resulting into higher pendency. Moreover, the ratio of disposed cases to total cases due for disposal declined from 26.08 per cent 2007-08 to 6.74 per cent in 2016-17. The purpose of imposing penalty is defeated when there is such a high pendency of penalty cases. The percentage of cases where penalty was imposed to total disposed cases have shown a fluctuating trend ranging between 24.42 (2010-11) and 55.84 (2016-17). Thus, around 50 per cent of disposed cases resulted in non-imposition of penalty showing that there was something wrong in initiation of penalty proceedings. One reason for this could be that these proceedings were being initiated in routine way playing safe and later on dropped after finding no merit in them. However, such a situation needs to be checked to avoid unfruitful work of the department and unnecessary harassment to taxpayers, which is against the principle of taxpayer friendly approach as publicized by the Tax Department.

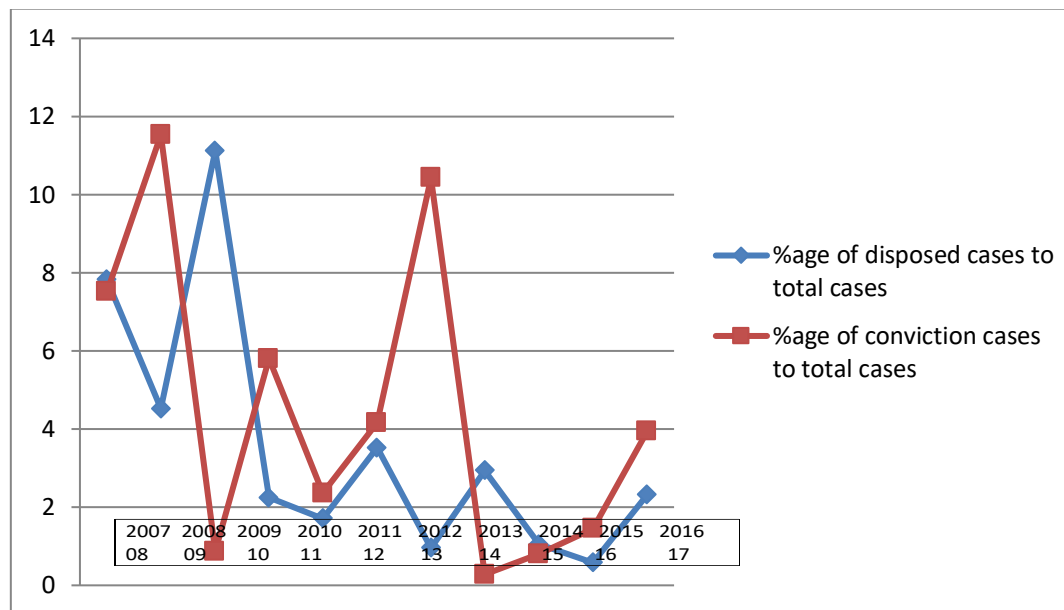
Table 4.18 shows that number of cases due for disposal under prosecution proceedings declined from 15845 in 2007-08 to 12011 in 2016-17 registering an EGR of -2.79 per cent.

Further, number of disposed cases declined from 1239 in 2007-08 to 279 in 2016-17 registering an EGR of -19.93 per cent. As a result, the percentage of disposed cases to total cases declined from 7.82 in 2007-08 to 2.32 in 2016-17. It resulted into an increase in percentage of pending cases to total cases from 92.18 in 2007-08 to 97.68 in 2016-17

**TABLE 4.18 POSITION OF PROSECUTION CASES**

Year	Total cases due for disposal (initiated)	Pending cases	Disposed cases				%age of disposed cases to total cases	%age of conviction cases to disposed cases
			Convictions	Compoundings	Acquittals	Total		
2007-08	15845	14606	93	143	1003	1239	7.82	7.51
2008-09	14790	14122	77	184	407	668	4.52	11.53
2010-11	14465	12858	14	128	1465	1607	11.12	0.87
2011-12	13086	12793	17	254	22	293	2.24	5.80
2012-13	12413	12201	5	8	199	212	1.71	2.36
2013-14	12303	11870	18	11	404	433	3.52	4.157
2014-15	11907	11792	12	55	48	115	0.96	10.43
2015-16	11895	11545	1	262	87	350	2.94	0.28
2016-17	11871	11746	1	85	39	125	1.05	0.80
<b>EGR</b>	<b>-2.79</b>	<b>-2.11</b>	<b>-30.96</b>	<b>-14.58</b>	<b>-21.84</b>	<b>19.93</b>		

**Source:** Compiled from Reports of Comptroller and Auditor General of India of relevant years



**FIGURE 4.18 POSITION OF PROSECUTION CASES**

Moreover, the percentage of conviction cases to total disposed cases declined from 7.51 in 2007-08 to 3.94 in 2016-17. It is disappointing that out of 279 prosecution cases disposed of in 2016-17, there were only 11 convictions.

### **Position of Appeals**

If an assessee is not satisfied with his assessment or refund order, he can file an appeal with Income Tax Commissioner (Appeals) at the first step and thereafter with the Income Tax Appellate Tribunal (ITAT). On any question of law arising out of such order an assessee may appeal to High Court and the Supreme Court. These appeals need to be timely disposed off to avoid harassment to taxpayers. Table 6.20 shows the position of total, disposed and pending appeals under different categories of demand with Commissioner Income Tax (Appeals) and Table 6.21 shows the position of appeals with Income Tax Appellate Tribunal (ITAT), High Court and the Supreme Court. Table 6.20 reveals that total number of appeals due for disposal decreased from 298837 in 2008-09 to 194003 in 2016-17 by registering a negative EGR of 7.32 per cent. It was mainly because of decline in number of appeals in the low demand category (less than Rs.1 lakh). However, appeals in high demand categories i.e. demand of Rs. 10-25 lakh and above Rs. 25 lakh increased from 6749 and 7938 in 2008-09 to 16033 and 18796 respectively in 2016-17. A discussion with professionals revealed that assesseees in low

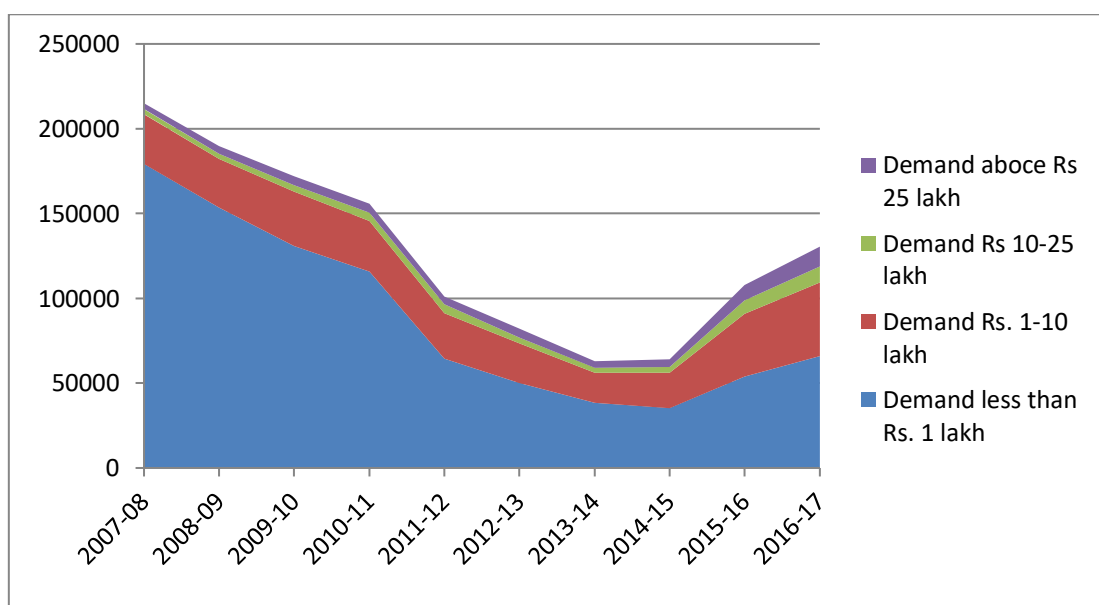
demand category do not want to appeal against an assessment order even if they feel it as unreasonable.

**TABLE 4.19 APPEALS UNDER VARIOUS CATEGORIES OF DEMAND WITH COMMISSIONER INCOME TAX (APPEALS)**

Years	Due for disposal					Disposed					Pending				
	Dem and less than Rs.1 lakh	Dem and Rs.1-10 lakh	Dem and Rs.10-25 lakh	Dem and above Rs.25 lakh	Total	Dem and less than Rs.1 lakh	Dem and Rs.1-10 lakh	Dem and Rs.10-25 lakh	Dem and above Rs.25 lakh	Total	Dem and less than Rs.1 lakh	Dem and Rs.1-10 lakh	Dem and Rs.10-25 lakh	Dem and above Rs.25 lakh	Total
2008-09	229925	54225	6749	7938	298837	50596	25090	3731	4424	83841	179329	29135	3018	3514	214996
2009-10	224706	56742	6931	8846	297225	71212	28090	3677	4645	107624	153499	28647	3254	4201	189601
2010-11	190361	60889	8521	10766	270537	59528	28835	4625	5580	98568	130833	32054	3896	5186	171969
2011-12	164019	53902	8073	9769	235763	48062	24123	3392	4325	79902	115957	29779	4681	5444	155861
2012-13	142154	56907	11666	9239	219966	77559	30325	6173	4686	118743	64595	26582	5493	4553	101223
2013-14	103526	51477	8444	10851	174298	53445	28177	4764	5766	92152	50081	23300	3680	5085	82146



2014-15	84493	51834	84211	11301	156049	46270	33919	5495	7570	93254	38223	17915	2926	3731	62795
2015-16	71203	46337	7509	9870	134919	35968	25394	4073	5359	70794	35235	20943	3436	4511	64125
2016-17	81151	63814	13823	16413	175201	27115	27021	5945	7279	67360	54036	36793	7878	9134	107841
<b>EGR</b>	<b>12.89</b>	<b>0.85</b>	<b>7.41</b>	<b>7.71</b>	<b>7.32</b>	<b>-9.44</b>	<b>0.11</b>	<b>5.54</b>	<b>5.87</b>	<b>4.27</b>	<b>14.81</b>	<b>0.95</b>	<b>8.93</b>	<b>9.06</b>	<b>9.42</b>



**FIGURE 4.19: POSITION OF PENDING APPEALS**

The number of pending appeals declined from 214996 in 2008-09 to 130358 in 2016-17 at an EGR of – 9.42 per cent. It is because of decline in pendency of appeals in the low demand category (less than Rs. 1 lakh). However, the serious issue is increasing pendency of high demand appeals. It is worth mentioning that pending appeals relating to demand of Rs. 10-25 lakh increased from 3018 in 2008-09 to 9543 in 2016-17 showing an EGR of 8.93 per

cent and that of appeals relating to demand above Rs. 25 lakh increased from 3514 in 2008-09 to 11408 in 2016-17 at an EGR of 9.06 per cent. It is to be noticed here that as per instructions of CBDT each Commissioner Income Tax (Appeals) is required to dispose of minimum 60 appeals per month. Thus, around 1.91 lakh appeals should have been disposed as compared to only 63645 actually disposed of during 2007-08 on the basis of working strength 265 CIT (Appeals). Further analysis has revealed that situation remained same in other years of the study as well.

**TABLE 4.20 APPEALS PENDING WITH COURTS AND INCOME TAX APPELLATE TRIBUNAL**

Years	Supreme Court			High Court			Income Tax Appellate Tribunal		
	Number of cases			Number of cases			Number of cases		
	Due for disposal	Disposed	Pending	Due for disposal	Disposed	Pending	Due for disposal	Disposed	Pending
1998-99	8031	92 (1.15)	7939 (98.85)	49250	1259 (2.56)	47991 (97.44)	122247	12135 (9.93)	110112 (90.07)
1999-00	9088	24 (0.26)	9064 (99.74)	57863	607 (1.05)	57256 (98.95)	116639	9239 (7.92)	107400 (92.08)
2000-01	7037	155 (2.20)	6882 (97.80)	39765	10592 (26.64)	29173 (73.36)	114452	30210 (26.40)	84242 (73.60)
2001-02	4661	167 (3.58)	4494 (96.42)	35153	6846 (19.47)	28297 (80.50)	98982	30056 (30.37)	68926 (69.63)
2002-03	4861	241 (4.96)	4620 (95.04)	31310	3266 (10.43)	28004 (89.44)	105361	34058 (32.33)	71303 (67.67)
2003-04	5033	337 (6.70)	4696 (93.30)	32986	3652 (11.07)	29334 (88.93)	104743	32929 (31.44)	71814 (68.56)
2004-05	5006	144 (2.88)	4862 (97.12)	36031	3343 (9.28)	32678 (90.69)	101396	40185 (39.63)	61211 (60.37)
2005-06	3158	136 (4.31)	3022 (95.69)	23587	1657 (9.28)	21930 (92.97)	49337	9252 (18.75)	40085 (81.25)
2006-07	3231	136 (4.21)	3095 (95.79)	33826	1957 (5.79)	31869 (94.21)	47998	8714 (18.15)	39284 (81.85)
2007-08	3422	78 (2.28)	3344 (97.72)	34354	2764 (8.05)	31590 (91.95)	44290	9623 (21.73)	34667 (78.27)
<b>Mean</b>	<b>5352.8</b>	<b>151 (3.25)</b>	<b>5201.8 (96.75)</b>	<b>37412.5</b>	<b>3594.3 (10.14)</b>	<b>33812.2 (89.85)</b>	<b>90544.5</b>	<b>21640.1 (23.66)</b>	<b>68904.4 (76.34)</b>
<b>EGR</b>	<b>-10.70</b>	<b>6.18</b>	<b>-10.97</b>	<b>-5.59</b>	<b>2.43</b>	<b>-5.20</b>	<b>-11.14</b>	<b>-4.49</b>	<b>-12.22</b>

**Source:** Compiled from Reports of Comptroller and Auditor General of India of relevant years.

**Note:** Figures in parentheses represent percentages to due cases.

Table 4.20 reveals that total number of appeals due for disposal with the Supreme Court, High Courts and Income Tax Appellate Tribunal decreased from 8031, 49250 and 122247 in 2008-09 to 3422, 34354 and 44290 in 2016-17 registering EGR of -10.70 per cent, -5.59 per cent and -11.14 per cent respectively. The total number of disposed of cases increased in case of Supreme Court and High Court from 92 and 1259 in 2008-09 to 151 and 2764 in 2016-17 at an EGR of 6.18 per cent and 2.43 per cent respectively, whereas the total number of disposed of cases decreased in case of Income Tax Appellate Tribunal from 12135 in 2008-09 to 9623 in 2016-17 at an EGR of - 4.49 per cent. It can be noted that total number of pending appeals declined with Supreme Court, High Court and Income Tax Appellate Tribunal at an EGR of -10.97, -5.20 and -12.22 respectively. The percentage of disposed of cases to total cases varied between 0.26 (2009-10) and 6.70 (2013-14), 1.05 (2009-10) to 26.64 (2011-12) and 7.92 (2008-09) to 39.63 (2014-15) in case of the Supreme Court, High Courts and Income Tax Appellate Tribunal respectively. Thus, on an average 96.75 per cent, 89.85 per cent and 76.34 per cent of total cases remained pending with Supreme Court, High Courts and Income Tax Appellate Tribunal during the study period.

Tax professionals play an important role in the implementation of income tax law of the country. They help the taxpayers in efficient management of tax affairs and discharging their tax obligations. They are well aware of the weaknesses of tax law, tax administration and problems faced by taxpayers. So, they can be helpful in understanding the various aspects of income tax system. In this chapter an attempt has been made to examine the perception of tax professionals regarding income tax system in India. This chapter has been divided into two sections. Section-1 deals with the general profile of the respondents and Section-II attempts to examine their opinion regarding various important aspects of income tax system in India.

## 4.2 ANALYSIS OF RESPONDENTS AND LOCATIONS OF OUR STUDY

The general profile of 250 respondents (Practicing Chartered Accountants) is presented below. The basic attributes of the respondents studied are age, work experience, gender, location and annual income.

### LOCATION/AGE-WISE DISTRIBUTION

Location-wise 50 respondents each have been selected from five locations viz. Chandigarh (L1), Patiala (L2), Ludhiana (L3), Jalandhar (L4) and Amritsar (L5). Age-wise respondents surveyed have been divided into four age groups viz. “ Below 30 years”, “30 but below 45 years”, “45 but below 60 years” and “ 60 or above 60 years”. Table 4.21 depicts age-wise / location-wise distribution of the respondents.

**TABLE 4.21 LOCATION-WISE /AGE-WISE DISTRIBUTION OF RESPONDENTS**

Age Groups	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Below 30 years	12 (24)	8 (16)	11 (22)	7 (14)	3 (6)	41 (16.4)
30 but below 45 years	30 (60)	37 (74)	28 (56)	29 (58)	20 (40)	144 (57.6)
45 but below 60 years	8 (16)	5 (10)	11 (22)	10 (20)	25 (50)	59 (23.6)
60 or above 60 years	0 (0)	0 (0)	0 (0)	4 (8)	2 (4)	6 (2.4)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

**Note:** 1. N in this table and all the tables to follow represents total number of respondents.

2. Figures in parentheses in this table and all the tables to follow represent percentages while figures without parentheses represent simple frequencies.

The Table reveals that 57.6 per cent of the respondents belong to age group 30 but below 45 years. It is followed by age groups 45 but below 60 years (23.6%), below 30 years (16.4%) and 60 or above 60 years (2.4%). Location-wise, majority of the respondents from all the locations except L5 belong to the age group 30 but below 45 years. In case of location L5 majority of the respondents (50%) belong to age group 45 but below 60 years.

### **EXPERIENCE- WISE / LOCATION-WISE DISTRIBUTION**

Table 4.22 shows experience-wise/location-wise distribution of the respondents. Experience-wise respondents surveyed have been divided into four groups, viz. Below 5 years, 5 but below 10 years, 10 but below 20 years and 20 or above 20 years.

Table 4.22 reveals that 39.2 per cent respondents have experience of 10 but below 20 years. It is followed by respondents having experience of 5 but below 10 years (32.8%), below 5 years (17.2%) and 20 and above 20 years, (10.8%). So, majority of the respondents (72%) have experience more than 5 but below 20 years. Further, the same trend is visible in all the locations. The proportion of the respondents having experience 20 or above 20 years is very low in locations L<sub>2</sub>, L<sub>1</sub> and L<sub>3</sub> (4% each), while this proportion is comparatively higher in case of location L<sub>5</sub> (32%).

**TABLE 4.22 EXPERIENCE-WISE/LOCATION-WISE DISTRIBUTION OF RESPONDENTS**

Experience	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Below 5 years	14 (28)	6 (12)	13 (26)	8 (16)	2 (4)	43 (17.2)
5 but below 10 years	24 (48)	23 (46)	17 (34)	10 (20)	8 (16)	82 (32.8)
10 but below 20 years	10 (20)	19 (38)	18 (36)	27 (54)	24 (48)	98 (39.2)
20 or above 20 years	2 (4)	2 (4)	2 (4)	5 (10)	16 (32)	27 (10.8)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

**GENDER-WISE/ LOCATION-WISE DISTRIBUTION**

**TABLE 4.23 Gender -Wise/ Location-Wise Distribution Of Respondents**

Gender	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Male	42 (84)	44 (88)	46 (92)	45 (90)	48 (96)	225 (90)
Female	8 (16)	6 (12)	4 (8)	5 (10)	2 (4)	25 (10)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Table 4.24 indicates that majority of the respondents (90%) are male. Location-wise, the trend remains the same in all the locations. However, the proportion of female respondents is comparatively higher in case of location L<sub>1</sub> (16%).

**INCOME-WISE/ LOCATION-WISE DISTRIBUTION**

Income-wise respondents have been divided into four groups on the basis of their annual income viz. Below Rs. 200000<sup>\*\*</sup>, 200000 but below Rs.500000<sup>\*\*</sup>, 500000 but below Rs. 1000000<sup>\*\*</sup> and 1000000 or above Rs. 1000000<sup>\*\*</sup>.

**TABLE 4.24 INCOME-WISE/ LOCATION-WISE DISTRIBUTION OF RESPONDENTS**

Income	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Below Rs.200000	6 (12)	4 (8)	8 (16)	2 (4)	2 (4)	22 (8.8)
200000 but below Rs.500000	29 (58)	35 (70)	26 (52)	28 (56)	23 (46)	141 (56.4)
500000 but below Rs. 1000000	12 (24)	11 (22)	15 (30)	16 (32)	24 (48)	78 (31.2)
1000000 or above Rs. 1000000	3 (6)	0 (0)	1 (2)	4 (8)	1 (2)	9 (3.6)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Table 4.25 exhibits that majority of the respondents (56.4%) belong to income group 200000 but below Rs.500000 followed by income group 500000 but below Rs. 1000000 (31.2%), Below Rs. 200000 (8.8%) and 1000000 or above Rs.1000000 (3.6%). Location-wise, the table reveals that majority of the respondents from all the locations except L<sub>5</sub> belong to income group 200000 but below Rs.500000. In case of location L<sub>5</sub>, 48 per cent the respondents belong to income group 500000 but below Rs. 1000000 and 46 per cent belong to income group 200000 but below Rs.500000.

## **SECTION – II**

This section examines the perception of tax professionals regarding reasonability of income tax rates, most suitable tax rate system for our country, introduction of exempt tax system, tax incentives, tax evasion, corruption, reasons for delay in refunds, problems faced by taxpayers, physical environment prevalent in the income tax offices, impact of computerization on administrative efficiency, completion of assessments and reasons for which tax professionals are consulted by taxpayers etc. Further, this section also analyses their views on simplification of tax system, exiting Government action, taxation of agricultural income, quality of services provided by income tax administration, measures for making the tax system taxpayer friendly etc.

### **TAX RATES FOR DIFFERENT PERSONS**

Tax rate structure is the main component of tax policy of any country. It affects tax base and tax compliance to a large extent. It is believed that lower tax rates lead to higher compliance and vice versa. In our country there are different tax rates for different persons. So, an effort has been made to understand the opinion of tax professionals regarding reasonability of tax rates for different types of persons i.e. Individuals, HUFs, AOPs, BOIs, Firms and Companies. The opinion has been obtained on a five point scale ranging from too high to too low. The responses of the respondents on the income tax rates for different persons have been shown.



**TABLE 4.25 OPINION OF RESPONDENTS REGARDING TAX RATES FOR INDIVIDUALS & HUFs**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Too high	3 (6)	1 (2)	10 (20)	4 (8)	1 (2)	19 (7.6)
High	28 (56)	8 (16)	18 (36)	23 (46)	16 (32)	93 (37.2)
Reasonable	19 (38)	41 (82)	22 (44)	23 (46)	33 (66)	138 (55.2)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Chi-Square value = 38.781, d. f. = 8, Significant at 5 per cent level of significance

Table 4.25 highlights that 55.2 per cent of the respondents believe that tax rates for individuals and HUFs are reasonable. However, 44.8 per cent of the respondents have considered it high or too high. None of the respondents have considered it low or too low. Location-wise analysis depicts that majority of the respondents from locations L<sub>2</sub> (82%) and L<sub>5</sub> (66%) believe that tax rates for individuals and HUFs are reasonable, whereas the respondents from location L<sub>1</sub> (62%) followed by locations L<sub>3</sub> (56%) and L<sub>4</sub> (54%) have considered it high or too high. Further, Chi-square test at 5 per cent level of significance reveals that significant opinion differences exist among the respondents from various locations with regard to reasonability of income tax rates for individuals and HUFs.

Table 4.26 shows that 66 per cent of the respondents have considered tax rates high or too high for AOPs and BOIs. It is followed by the respondents who have considered it reasonable (33.2%) or low (0.8%). None of the respondents have considered it too low. Location-wise analysis reveals that vast majority of the respondents from locations L<sub>1</sub> (88%), L<sub>3</sub> and L<sub>4</sub> (70% each) and L<sub>5</sub> (60%) have considered the rates high or too high. However, majority of the respondents from location L<sub>2</sub> (56%) have considered the rates reasonable. Chi-square test at 5 per cent level of significance reveals that significant opinion differences exist among the respondents from various locations with regard to reasonability of income tax rates for AOPs & BOIs.

**TABLE 4.26 OPINION OF RESPONDENTS REGARDING TAX RATES FOR AOPS AND BOIS**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Too high	8 (16)	4 (8)	8 (16)	3 (6)	1 (2)	24 (9.6)
High	36 (72)	17 (34)	27 (54)	32 (64)	29 (58)	141 (56.4)
Reasonable	5 (10)	28 (56)	15 (30)	15 (30)	20 (40)	83 (33.2)
Low	1 (2)	1 (2)	0 (0)	0 (0)	0 (0)	2 (0.8)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Chi-Square value = 35.215, d. f. =12, Significant at 5 per cent level of significance

**TABLE 4.27:- OPINION OF TAX PROFESSIONALS REGARDING TAX RATES FOR FIRMS**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Too high	33 (66)	10 (20)	15 (30)	9 (18)	5 (10)	72 (28.8)
High	14 (28)	29 (58)	29 (58)	30 (60)	37 (74)	139 (55.6)
Reasonable	3 (6)	10 (20)	5 (10)	11 (22)	8 (16)	37 (14.8)
Low	0 (0)	1 (2)	1 (2)	0 (0)	0 (0)	2 (0.8)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Chi-Square value = 52.836, d. f. =12, Significant at 5 per cent level of significance

Table 4.27 reveals that 84.4 per cent of the respondents believe that tax rates for firms are high or too high. It is followed by the respondents who have considered it reasonable (14.8%) or low (0.8%). None of the respondents have considered it too low. Location-wise analysis shows that vast majority of the respondents irrespective of their locations have opined that tax

rates are high or too high. Chi-square test at 5 per cent level of significance shows that significant opinion differences exist among the respondents from various locations with regard to reasonability of income tax rates for firms.

Table 4.28 highlights that 76.8 per cent of the respondents have considered tax rates for companies high or too high, whereas 21.2 per cent have considered it reasonable. Only 2 per cent respondents have considered it low. Location-wise analysis reveals that major proportions of the respondents irrespective of their locations have considered tax rate for companies high or too high. A very low proportion of respondents from locations L<sub>3</sub> & L<sub>4</sub> (4% each) and L<sub>2</sub> (2%) have considered it low. None of the respondents from locations L<sub>1</sub> and L<sub>5</sub> have opined it low. Further, Chi-square test at 5 per cent.

**TABLE 4.28 OPINION OF TAX PROFESSIONALS WITH REGARD TO TAX RATES FOR COMPANIES**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Too high	37 (74)	11 (22)	15 (30)	10 (20)	5 (10)	78 (31.2)
High	10 (20)	22 (44)	24 (48)	25 (50)	33 (66)	114 (45.6)
Reasonable	3 (6)	16 (32)	9 (18)	13 (26)	12 (24)	53 (21.2)
Low	0 (0)	1 (2)	2 (4)	2 (4)	0 (0)	5 (2)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Chi-Square value = 65.171, d. f. =12, Significant at 5 per cent level of significance

Level of significance reveals that significant opinion differences exist among the respondents from various locations with regard to reasonability of income tax rates for companies.

## TAX RATE SYSTEM

There are three main tax rate systems followed by different countries all over the world viz. flat, progressive and regressive. Every system has its own merits and demerits. Progressive tax rate system reduces income inequality but it creates incentives for income splitting techniques. It is considered as a tax on efficiency. Flat rate system is very simple to implement but it ignores the principle of capacity to pay. Regressive tax rate system motivates for more work but it again ignores the principle of capacity to pay. Tax professionals were asked to state the most suitable tax system for our country i.e. progressive, flat or regressive. Their responses have been shown in Table 4.29

**TABLE 4.29 OPINION OF RESPONDENTS REGARDING MOST SUITABLE TAX RATE SYSTEM**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Flat	11 (22)	13 (26)	11 (22)	13 (26)	16 (32)	64 (25.6)
Progressive	39 (78)	33 (66)	36 (72)	36 (72)	26 (52)	170 (68)
Regressive	0 (0)	4 (8)	3 (6)	1 (2)	8 (16)	16 (6.4)
N	50 (100)	50 (100)	50 (100)	50 (100)	50 (100)	250 (100)

Chi-Square value =16.320, d. f. =8, Significant at 5 per cent level of significance

Table 4.29 reveals that 68 per cent of the respondents have given their preference for progressive tax rate system. It is followed by those respondents who preferred flat tax rate system (25.6%) and regressive tax rate system (6.4%). Location-wise analysis shows that vast majority of the respondents from all the locations i.e. L<sub>1</sub> (78%), L<sub>3</sub> & L<sub>4</sub> (72% each), L<sub>2</sub> (66%) and L<sub>5</sub> (52%) have preferred progressive tax rate system for our country. Regressive tax rate system has been least preferred in all the locations. Further, Chi-square test at 5 per cent level

of significance reveals that significant opinion differences exist among the respondents from various locations with regard to most suitable tax rate system for our country.

### TAX INCENTIVES

Tax incentives have been widely used all over the world as an instrument of fiscal policy for achievement of various purposes. In India, tax incentives are granted to various taxpayers for achieving various socio-economic objectives such as mobilization of savings, promoting investment in priority sectors, maintaining regional balance, development of education, welfare of senior citizens etc. However, some experts have recommended the elimination of tax incentives from time to time on the ground that these lead to complication and inefficiency in the tax system. Therefore, the respondents were asked to express their opinion on a five point scale (ranging from strongly agree to strongly disagree) regarding complete phasing out of tax incentives. The responses have been shown in Table 4.31.

Table 4.30 highlights that only 30 per cent of the respondents have agreed or strongly agreed with the opinion of phasing out of tax incentives completely. However, 56.8 per cent of the respondents have disagreed or strongly disagreed with it and 13.2 per cent have been indifferent. Location-

**TABLE 4.30 OPINION OF TAX PROFESSIONALS REGARDING PHASING OUT OF TAX INCENTIVES**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Strongly agree	0 (0)	6 (12)	3 (6)	5 (10)	3 (6)	17 (6.8)
Agree	7 (14)	9 (18)	10 (20)	21 (42)	11 (22)	58 (23.2)
Neither agree nor disagree	3 (6)	8 (16)	10 (20)	6 (12)	6 (12)	33 (13.2)
Disagree	40 (80)	21 (42)	26 (52)	18 (36)	30 (60)	135 (54)
Strongly disagree	0 (0)	6 (12)	1 (2)	0 (0)	0 (0)	7 (2.8)
<b>N</b>	<b>50 (100)</b>	<b>50 (100)</b>	<b>50 (100)</b>	<b>50 (100)</b>	<b>50 (100)</b>	<b>250 (100)</b>

Chi-Square value = 51.024, d. f. =16, Significant at 5 per cent level of significance wise analysis reveals that majority of the respondents from locations L<sub>1</sub> (80%), L<sub>5</sub> (60%), L<sub>2</sub> & L<sub>3</sub> (54% each) have disagreed or strongly disagreed with this opinion. However, in case of location L<sub>4</sub> majority of the respondents i.e. 52 per cent have agreed or strongly agreed with this opinion. Further, Chi-square test at 5 per cent level of significance reveals that significant opinion differences exist among the respondents from various locations with regard to complete phasing out of tax incentives.

### REASONS FOR PHASING OUT TAX INCENTIVES

75 respondents who agreed or strongly agreed with the opinion that tax incentives should be phased out were further requested to identify the possible reasons for the same. Their responses have been consolidated in Table 4.32

Table 4.31 reveals that majority of the respondents have favored phasing out tax incentives as these incentives open loopholes for tax avoidance

**TABLE 4.31 PERCEPTION OF TAX PROFESSIONALS REGARDING REASONS FOR PHASING OUT TAX INCENTIVES**

Reasons	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Open loopholes for tax Avoidance	7 (100)	11 (73)	11 (85)	18 (69)	10 (71)	57 (76)
Distort investment choice	3 (43)	9 (60)	7 (54)	17 (65)	8 (57)	44 (59)
Increase administrative Burden	5 (71)	8 (53)	9 (69)	8 (31)	5 (36)	35 (47)
High tax exemption limit	2 (29)	10 (67)	6 (46)	14 (54)	8 (57)	40 (53)
Distort principle of equity	3 (43)	4 (27)	4 (31)	11 (42)	7 (50)	29 (39)

Growth of one sector may be at the cost of another	3 (43)	6 (40)	8 (62)	12 (46)	13 (93)	42 (56)
Make law complicated	3 (43)	8 (53)	7 (54)	11 (42)	7 (50)	36 (48)
Create corruption	3 (43)	8 (53)	5 (38)	15 (58)	2 (14)	33 (44)
Complicate procedure	1 (14)	5 (33)	3 (23)	5 (19)	4 (29)	18 (24)
Increase litigation	3 (43)	4 (27)	4 (31)	9 (35)	5 (36)	25 (33)
Reduce tax base	5 (71)	10 (67)	7 (54)	17 (65)	9 (64)	48 (64)
<b>N</b>	<b>7</b>	<b>15</b>	<b>13</b>	<b>26</b>	<b>14</b>	<b>75</b>

**Note:** Percentages are more than 100 because of multiple choices.

(76%), reduce tax base (64%), distort investment choice (59%) and affect the growth of other sectors negatively (56%). They also viewed that prevailing high tax exemption limit (53%) is important ground for phasing out tax incentives. Further, a large number of the respondents have pointed out that incentives make law complicated (48%), increase tax administration burden (47%), create corruption (44%), distort equity principle (39%) and complicate procedure (24%). Location-wise analysis reveals that majority of the respondents irrespective of their locations opined that incentives open loopholes for tax avoidance and reduce tax base. Further, majority of the respondents from all the locations except L<sub>1</sub> have viewed incentives distort investment choice. The respondents from locations L<sub>1</sub> (71%), L<sub>3</sub> (69 %) and L<sub>2</sub> (53%) were against tax incentives due to their opinion that incentives lead to additional tax administrative burden. In addition to these, the respondents from locations L<sub>2</sub> (67%), L<sub>5</sub> (57%) and L<sub>4</sub> (54%) have viewed that incentives should be phased out as prevailing tax exemption limit is high. Further, the respondents from locations L<sub>3</sub> (54%), L<sub>2</sub> (53%) and L<sub>5</sub> (50%) viewed that incentives make law complicated. The respondents from locations L<sub>5</sub> (93%) and L<sub>3</sub> (62%) have opined that incentives affect the growth of other sectors negatively and the respondents from locations L<sub>4</sub> (58%) and L<sub>2</sub> (53%) viewed that incentives create corruption in the tax system, so these should be phased



out. It can also be noted that a small number of respondents from all the locations have pointed out that incentives complicate procedure and increase litigation.

### TAX EVASION

Tax evasion refers to the efforts by an assessee to evade taxes by illegal means. This entails dishonest tax reporting and hiding of income. It generates black money and results in loss of Government revenue. It is not only detrimental to the economic progress of the country but also harmful for the society at large. With a view to understand the perception of tax professional on this issue, the respondents were asked to express their view on a five point scale (ranging from strongly agree to strongly disagree) with regard to the statement Tax evasion is very high in India". Their responses have been presented in Figure 4.32

**FIGURE 4.32 OPINIONS OF TAX PROFESSIONALS REGARDING TAX EVASION IN INDIA**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Strongly agree	12 (24)	21 (42)	20 (40)	15 (30)	15 (30)	83 (33.2)
Agree	36 (72)	28 (56)	26 (52)	35 (70)	29 (58)	154 (61.6)
Neither agree nor disagree	0 (0)	1 (2)	3 (6)	0 (0)	2 (4)	6 (2.4)
Disagree	2 (4)	0 (0)	1 (2)	0 (0)	4 (8)	7 (2.8)
<b>N</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Chi-Square value =19.6, d. f. =12, Not significant at 5 per cent level of significance

Table 4.33 reveals that vast majority of the respondents (94.8%) have agreed or strongly agreed with the statement Tax evasion is very high in India". It is followed by the respondents who have disagreed with this statement (2.8%) and have neither agreed nor

disagreed (2.4%). None of the respondents have strongly disagreed with this statement. Location-wise analysis shows that majority of the respondents from all the locations viz. L<sub>4</sub> (100%), L<sub>2</sub> (98%), L<sub>1</sub> (96%), L<sub>3</sub> (92%) and L<sub>5</sub> (88%) have agreed or strongly agreed with this statement. Further, Chi-square test at 5 per cent level of significance reveals that no significant opinion differences exist among the respondents from various locations with regard to tax evasion in India.

### REASONS FOR TAX EVASION IN INDIA

237 respondents who have agreed or strongly agreed with the statement "Tax evasion is very high in India" were further requested to identify the probable reasons for the same. Their responses have been presented in Table 4.34

Table 4.33 shows that majority of the respondents have identified "Multiple taxes" (73.8%), "High tax rates" (66.2%), "If caught it could be managed" (64.1%), "Social acceptance of tax evasion" (53.6%), "Low probability of detection" (48.9%), "Inefficiency in income tax department" (43.9%) and "Low tax morality" (42.6%) as main reasons responsible for tax evasion in India. The reasons which have been given less weight are "Ineffective penalty & prosecution provisions" (23.2%) and "Taxpayers' perception that Government does not spend tax revenue prudently" (32.5%).

**TABLE 4.33 PERCEPTION OF RESPONDENTS REGARDING REASONS FOR TAX EVASION IN INDIA**

Reasons	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
High tax rates	38 (79.2)	30 (61.2)	25 (54.3)	30 (60.0)	34 (77.3)	157 (66.2)
If caught it could be managed	31 (64.6)	30 (61.2)	26 (56.5)	30 (60.0)	35 (79.5)	152 (64.1)
Social acceptance of tax evasion	30 (62.5)	23 (46.9)	31 (67.4)	19 (38.0)	24 (54.5)	127 (53.6)

Ineffective penalty & prosecution provisions	12 (25.0)	10 (20.4)	12 (26.1)	10 (20.0)	11 (25.0)	55 (23.2)
Inefficiency in Income tax department	20 (41.7)	17 (34.7)	19 (41.3)	26 (52.0)	22 (50.0)	104 (43.9)
Taxpayers' perception that Government does not spend tax revenue prudently	9 (18.7)	18 (36.7)	20 (43.5)	14 (28.0)	16 (36.4)	77 (32.5)
Low probability of detection	26 (54.2)	25 (51.0)	23 (50.0)	22 (44.0)	20 (45.4)	116 (48.9)
Low tax morality	23 (47.9)	16 (32.6)	25 (54.3)	21 (42.0)	16 (36.4)	101 (42.6)
Multiple taxes	42 (87.5)	33 (67.3)	29 (63.0)	36 (72.0)	35 (79.5)	175 (73.8)
<b>N</b>	<b>48</b>	<b>49</b>	<b>46</b>	<b>50</b>	<b>44</b>	<b>237</b>

**Note:** Percentages are more than 100 because of multiple choices.

Location-wise analysis reveals that majority of the respondents irrespective of their locations have identified three basic reasons i.e. Multiple taxes, If caught it could be managed and High tax rates responsible for tax evasion. Besides these, other important reason has been Social acceptance of tax evasion as it has been pointed out by majority of the respondents from locations L<sub>3</sub> (67.4%), L<sub>1</sub> (62.5%) and L<sub>5</sub> (54.5%). It can also be observed that the respondents from locations L<sub>1</sub> (54.2%), L<sub>2</sub> (51.0%) and L<sub>3</sub> (50.0%) have identified Low probability of detection as one of the reasons for tax evasion. Inefficiency in income tax department has been identified as important reason only in two locations L<sub>4</sub> (52.0%) and L<sub>5</sub> (50.0%). Low tax morality has been held as important cause of tax evasion only in one location L<sub>3</sub> (54.3%). Taxpayers' perception that Government does not spend tax revenue prudently and Ineffective penalty & prosecution provisions has been considered important reasons for tax evasion only by few respondents in all the locations.

## TAX COMPLIANCE

The effectiveness of any law can be measured from its compliance. Surprisingly, 95 per cent of the respondents have pointed out that tax evasion is very high in India. Further, 90 per cent of the respondents have pointed out that corruption is prevalent in the Indian tax system. Both of these problems result in low tax compliance. Thus, there seems to be an urgent need to curb tax evasion & corruption in income tax system and increase tax compliance. Hence, the respondents were asked to suggest measures for improvement in tax compliance. The responses obtained have been exhibited in Table 4.34

**TABLE 4.34 MEASURES SUGGESTED BY RESPONDENTS FOR IMPROVING TAX COMPLIANCE**

Measures	Locations					Total
	L1	L2	L3	L4	L5	
Reduction in tax rates	39 (78)	38 (76)	39 (78)	33 (66)	43 (86)	192 (77)
Simplification of tax law	39 (78)	31 (62)	37 (74)	34 (68)	29 (58)	170 (68)
Increase in publicity	33 (66)	18 (36)	23 (46)	20 (40)	12 (24)	106 (42)
Extensive use of TDS system	42 (84)	31 (62)	40 (80)	30 (60)	30 (60)	173 (69)
Implementation of voluntary disclosure scheme	13 (26)	14 (28)	20 (40)	17 (34)	19 (38)	83 (33)
Widening of Annual Information Return network	15 (30)	22 (44)	15 (30)	19 (38)	19 (38)	90 (36)
Proper processing & use of information available under AIR network	27 (54)	23 (46)	34 (68)	25 (50)	34 (68)	143 (57)
Intensive use of coercive recovery	6 (12)	2 (4)	6 (12)	6 (12)	4 (8)	24 (10)
<b>N</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>250</b>

**Note:** Percentages are more than 100 because of multiple choices.

Table 4.34 shows that majority of the respondents (77%) have recommended Reduction in tax rates" for improving tax compliance. In addition to this, they have also recommended Extensive use of TDS system" (69%), Simplification of tax laws" (68%) and proper processing & use of information available under the Annual Information Return" (57%). The moderate proportion of the respondents has also suggested 'Increase in publicity' (42%), Widening of Annual Information Return network" (36%) and Implementation of voluntary disclosure scheme" (33%). However, a very low percentage of the respondents (10%) have suggested Intensive use of coercive recovery" in this regard. Further, location-wise analysis indicates that majority of the respondents irrespective of their locations have emphasized on three measures i.e. Reduction in tax rates", Simplifications of tax law" and Extensive use of TDS system" for improving tax compliance. Moreover, comparatively large number of respondents from locations L<sub>5</sub> (86%) and L<sub>1</sub> (84%) have suggested for Reduction in tax rates" and Extensive use of TDS" respectively. Further, majority of the respondents from locations L<sub>3</sub> and L<sub>5</sub> (68% each) have suggested Proper processing & use of information available under the Annual Information Return" in this respect. Similarly, 66 per cent of the respondents from location L<sub>1</sub> have also suggested Increase in publicity" while, a small number of respondents from all the locations has suggested Implementation of voluntary disclosure scheme" and Widening of Annual Information Return network" in this regard. Only few respondents from all the locations have recommended Intensive use of coercive recovery" as a measure for improving tax compliance.

#### **COMPUTERIZATION AND ADMINISTRATIVE EFFICIENCY OF INCOME TAX DEPARTMENT**

Computerization was introduced in Income Tax Department in 1984 on a small scale for managing the increasing volume of workload such as processing of returns. But with passage of time computerization has been introduced in other areas such as data entry, allotment of PAN cards, e- filing of returns, processing of returns, processing of challans, e-payment of tax etc. So, it has affected the efficiency of income tax administration to a large extent. The respondents were asked whether administrative efficiency of Income Tax Department has increased, decreased or not changed after computerization. Their responses have been presented in Table 4.35

Table 4.35 shows that majority of the respondents (62.8%) have felt that administrative efficiency of Income Tax Department has increased after computerization. It is followed by those respondents who believe that it has

**TABLE 4.35 OPINION OF RESPONDENTS REGARDING IMPACT OF COMPUTERIZATION ON ADMINISTRATIVE EFFICIENCY OF INCOME TAX DEPARTMENT**

Opinion	Locations					Total
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Increased	42 (84)	26 (52)	35 (70)	25 (50)	29 (58)	157 (62.8)
Decreased	2 (4)	16 (32)	7 (14)	15 (30)	8 (16)	48 (19.2)
No change	6 (12)	8 (16)	8 (16)	10 (20)	13 (26)	45 (18)
N	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>50</b> <b>(100)</b>	<b>250</b> <b>(100)</b>

Chi-Square value = 23.810, d. f. = 8, Significant at 5 per cent level of significance

Decreased (19.2%). However 18 per cent of the respondents have opined that there has been no change in it. Location-wise analysis shows that a majority of respondents irrespective of their locations L<sub>1</sub> (84%), L<sub>3</sub> (70%), L<sub>5</sub> (58%), L<sub>2</sub> (52%) and L<sub>4</sub> (50%) have opined that administrative efficiency of Income Tax Department has increased after computerization. However, around 30 per cent of the respondents from locations L<sub>2</sub> and L<sub>4</sub> have opined that administrative efficiency has decreased after computerization. Further, Chi-square test at 5 per cent level of significance reveals that significant opinion differences exist among the respondents from various locations with regard to effect of computerization on administrative efficiency of Income Tax Department.

**AVERAGE WEIGHTED SCORES (AWS)**

**(i) PHYSICAL ENVIRONMENT PREVALENT IN INCOME TAX OFFICES**

To examine the satisfaction of the respondents regarding physical environment prevalent in the income tax offices, they were asked to express their opinion on a five point scale (ranging from highly satisfactory to highly dissatisfactory) regarding services and facilities such as office space, working conditions, waiting room, drinking water, wash room facility, parking and enquiry office . The responses obtained have been presented in Table 4.36

**TABLE 4.36 RESPONDENTS' SATISFACTION LEVEL REGARDING  
 PHYSICAL ENVIRONMENT IN INCOME TAX OFFICES**  
 (N=250)

Factor	Opinions				
	Highly satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Highly dissatisfied
Office space	25 (10)	179 (71.6)	33 (13.2)	9 (3.6)	4 (1.6)
Working conditions	9 (3.6)	145 (58)	73 (29.2)	18 (7.2)	5 (2)
Waiting room facility	6 (2.4)	115 (46)	78 (31)	39 (15.6)	12 (4.8)
Drinking water	11 (4.4)	133 (53)	70 (28)	30 (12)	6 (2.4)
Wash room facility	7 (2.8)	108 (43)	89 (35.6)	40 (16)	6 (2.4)
Parking facility	1 (0.4)	83 (33.2)	88 (35.2)	67 (26.8)	11 (4.4)
Enquiry office	1 (0.4)	43 (17.2)	119 (47.6)	69 (27.6)	18 (7.2)



Table 4.36 shows that majority of the respondents have rated office space (81.6%), working conditions (61.6%), drinking water (57.4%) as satisfactory. A large proportion of the respondents have expressed their satisfaction with regard to waiting room facility (48.4%), wash room facility (45.8%) and parking facility (33.6%). However, a significant number of respondents have remained indifferent towards working conditions (29.2%), waiting room (31%), drinking water (28%), wash room facility (35.6%) and parking facility (35.2%). A large number of respondents have rated enquiry office neither satisfactory nor dissatisfactory (47.6%), followed by the respondents who rated it as dissatisfactory (34.8%) and satisfactory (17.6%).

Average weighted scores (AWS) have been calculated location-wise by assigning weights as +2, +1, 0, - 1 and - 2 to highly satisfactory, satisfactory, neither satisfactory nor dissatisfactory, dissatisfactory and highly dissatisfactory respectively. Average weighted scores have been depicted in Table.

**TABLE 4.37 AVERAGE WEIGHTED SCORES CORRESPONDING TO PHYSICAL ENVIRONMENT IN INCOME TAX OFFICES**

(N=250)

Factors	Locations					Average weighted score
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Office space	0.54	1.20	0.96	0.56	0.98	0.848
Working conditions	0.16	0.88	0.60	0.32	0.74	0.540
Waiting room facility	0.14	0.62	0.18	-0.14	0.48	0.256
Drinking water	0.14	0.72	0.44	0.30	0.66	0.452
Wash room facility	0.04	0.52	0.32	0.04	0.48	0.280
Parking facility	-0.04	0.34	-0.18	-0.12	-0.08	-0.016
Enquiry office	-0.18	-0.20	-0.16	-0.42	-0.24	-0.240

Kendall's coefficient of concordance (w) = 0.945, Chi-Square value = 28.338, d.f. =

6, Significant at 5 per cent level of significance

Table depicts that the respondents from all the locations seem to be satisfied with office space. Moreover, the respondents from locations L2 (AWS = 1.20), L5 (AWS = 0.98) and L3 (AWS = 0.96) seem to be comparatively more satisfied with office space. The respondents from all the locations except location L1 seem to be satisfied with working conditions and drinking water, whereas the respondents from location L1 seem to be indifferent towards working conditions (AWS = 0.16) and drinking water (AWS = 0.14). The respondents from locations L4 (AWS = - 0.14), L1 (AWS = 0.14) and L3 (AWS = 0.18) seem to be indifferent towards waiting room facility and the respondents from locations L2 (AWS = 0.62) and L5 (AWS = 0.48) seem to be satisfied with it. Wash room facility has been rated as satisfactory in all the locations except locations L1 and L4 (AWS = 0.04 in each case), where the respondents seem to be indifferent in this regard. The respondents seem to be indifferent with regard to parking facility in all the locations except location L2, where the respondents have been satisfied (AWS = 0.34) with it. The position of enquiry office has been rated as dissatisfactory by the respondents in locations L2 (AWS = -0.20), L4 (AWS = - 0.42) and L5 (AWS = -0.24), whereas the respondents from L1 (AWS = - 0.18) and L3 (AWS = - 0.16) seem to be indifferent in this regard. Kendall's coefficient of concordance reveals that there exists significant concordance of ranking ( $W = 0.945$ ) among the respondents belonging to different locations towards the physical environment prevalent in the income tax offices with respect to office space, working conditions, wash room facility, waiting room facility, parking facility and enquiry office.

(ii) **TAX POLICY MEASURES**

Tax policy plays an important role in the tax system of a country. An effort has been made to know the opinion of the respondents about certain policy measures such as amendments in law, disclosure requirements, tax incentives etc. The respondents were asked to indicate their views in this regard on a five-point scale ranging from strongly agree to strongly disagree. Their responses have been exhibited in Table 7.33.

Table shows that majority of respondents have agreed with the statements viz. There must be long term fiscal policy and frequent amendments must be avoided in law" (82.8%), Disclosure requirements under the Income Tax Act and Companies Act should be synchronized" (80%),

After introducing tax incentives Government should assess the cost and benefit of the same” (79.6%) and It is unfair to amend law with retrospective effect as it leads to re-opening of assessments” (71.2%). A large proportion of the respondents have disagreed with the statement. There should be compatibility.

**TABLE 4.38 OPINION OF RESPONDENTS TOWARDS POLICY MEASURES**  
**(N=250)**

Statement	Opinion				
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
There must be long term fiscal policy and frequent amendments must be avoided in law	64 (25.6)	143 (57.2)	35 (14.0)	7 (2.8)	1 (0.4)
It is unfair to amend law with retrospective effect as it leads to re-opening of assessments	75 (30)	103 (41.2)	41 (16.4)	31 (12.4)	0 (0)
After introducing tax incentives Government should assess the cost and benefit of the same	70 (28)	129 (51.6)	40 (16)	10 (4)	1 (0.4)
Disclosure requirements under the Income Tax Act and Companies Act should be synchronized	46 (18.4)	154 (61.6)	34 (13.6)	16 (6.4)	0 (0)
There should be compatibility between depreciation provided under Income Tax Act and Companies Act	12 (4.8)	78 (31.2)	37 (14.8)	120 (48)	3 (1.2)

Between depreciation provided under Income Tax Act and Companies Act” (49.2 %). However, 35 per cent of the respondents have agreed with this statement.

Further, average weighted scores (AWS) have been calculated by assigning weights as +2, +1, 0, - 1 and - 2 to strongly agree, agree, neither agree nor disagree, disagree and strongly

disagree respectively. Location-wise, average weighted scores have been presented in Table.

Table 7.34 shows that a large number of the respondents irrespective of their locations have agreed with the statements "There must be long term fiscal policy and frequent amendments must be avoided in law", "After introducing tax incentives Government should assess the cost and benefit of the same" and

**TABLE 4.39 AVERAGE WEIGHTED SCORES CORRESPONDING TO POLICY MEASURES**

Statement	Locations					Average weighted score
	L1	L2	L3	L4	L5	
There must be long term fiscal policy and frequent amendments must be avoided in law	0.74	1.14	1.04	1.12	1.20	1.048
It is unfair to amend law with retrospective effect as it leads to re-opening of assessments	0.02	1.20	0.84	1.16	1.22	0.888
After introducing tax incentives Government should assess the cost and benefit of the same	0.74	1.08	0.94	1.18	1.20	1.028
Disclosure requirements under the Income Tax Act and Companies Act should be synchronized	0.74	0.84	0.74	1.30	0.98	0.92
There should be compatibility between depreciation provided under Income Tax Act and Companies Act	-0.26	0.00	-0.20	-0.12	0.10	-0.096

Kendall's Coefficient of Concordance ( $w$ ) = 0.562, Chi-Square value = 11.242, d.f. = 4, Significant at 5 per cent level of significance.

“Disclosure requirements under the Income Tax Act and Companies Act should be synchronized”. The respondents from location L<sub>1</sub> (AWS = 0.02) seem to be indifferent towards” It is unfair to amend law with retrospective effect as it leads to re-opening of assessments” while the respondents from all other locations have agreed with this. The respondents from locations L<sub>1</sub> (AWS = -0.26) and L<sub>3</sub> (AWS = -0.20) have disagreed with the statement There should be compatibility between depreciation provided under Income Tax Act and Companies Act”. However, the respondents from locations L<sub>2</sub> (AWS =0.00), L<sub>4</sub> (AWS = -0.12) and L<sub>5</sub> (AWS = 0.10) seem to be indifferent towards it. Kendall's coefficient of concordance shows that there exists significant concurrence of rankings ( $w = 0.562$ ) among the respondents belonging to different locations regarding their opinion on various policy measures relating to income tax system.

(iii) **GOVERNMENT ACTION**

To ascertain the opinion of the respondents towards Government action, they were asked to indicate their opinion on a five-point scale (ranging from strongly agree to strongly disagree) regarding issues such as simplification of law over the period, exemption limit for senior citizens, delay in refunds, tax return preparer scheme etc. Their responses have been tabulated in Table 4.39

**TABLE 4.40 OPINION OF RESPONDENTS TOWARDS GOVERNMENT ACTION  
(EXISTING FACTS)**

(N = 250)

Statement	Opinion				
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Income tax law and procedure has been simplified over the period	2 (0.8)	61 (24.4)	81 (32.4)	93 (37.2)	13 (5.2)
There is a need to incorporate more reforms to make it compatible at international level	76 (30.4)	143 (57.2)	19 (7.6)	11 (4.4)	1 (0.4)

**ANALYSIS ON POLICY PERSPECTIVES OF TAXATION OF INCOME IN INDIA IN POST-LIBERALIZATION PERIOD**  
**DR. KAWALPREET SINGH, Ph. D in Commerce, CMJ University, Jorabat, Meghalaya, India**

Govt. amends the law to nullify the decision of courts in favour of taxpayers; it shakes the confidence of assesses	60 (24)	97 (38.8)	62 (24.8)	29 (11.6)	2 (0.8)
Expenditure on social welfare by Government is according to tax revenue collections	10 (4)	76 (30.4)	61 (24.4)	85 (34)	18 (7.2)
Higher exemption limit for senior citizens is justified	49 (19.6)	160 (64)	21 (8.4)	19 (7.6)	1 (0.4)
Higher exemption limit for females is justified	17 (6.8)	98 (39.2)	52 (20.8)	70 (28)	13 (5.2)
Incentive provisions are introduced on the basis of lobbying rather than on the basis of merit	26 (10.4)	99 (39.6)	90 (36)	30 (12)	5 (2)
Income tax provisions are titled to benefit the rich and super rich class	14 (5.6)	89 (35.6)	79 (31.6)	67 (26.8)	1 (0.4)
Agriculture income is used to convert black money in white	40 (16)	116 (46.4)	62 (24.8)	30 (12)	2 (0.8)
Delay in refunds causes more interest burden and creates dissatisfaction among the taxpayers	66 (26.4)	160 (64)	15 (6)	9 (3.6)	0 (0)
Ombudsman institution has been useful to redress taxpayer grievances	9 (3.6)	91 (36.4)	97 (38.8)	45 (18)	8 (3.2)
Tax return preparer scheme is very useful for small tax payers	6 (2.4)	68 (27.2)	75 (30)	90 (36)	11 (4.4)
Income tax is a tax on efficiency	2 (0.8)	67 (26.8)	62 (24.8)	104 (41.6)	15 (6)

Table highlights that a vast majority of the respondents have agreed with the statements viz. Delay in refunds causes more interest burden and creates dissatisfaction among the

taxpayers" (90.4%), There is a need to incorporate more reforms to make it compatible at international level"(87.6%), Higher exemption limit for senior citizens is justified"(83.6%), Government amends the law to nullify the decision of courts in favor of taxpayers; it shakes the confidence of assessee" (62.8%), Agriculture income is used to convert black money in white"(62.4%) and Incentive provisions are introduced on the basis of lobbying rather than on the basis of merit" (50%). Similarly, a large proportion of the respondents have agreed with the statements Higher exemption limit for females is justified" (46%), Income tax provisions are titled to benefit the rich and super rich class" (41.2%) and Ombudsman institution has been useful to redress taxpayer grievances" (40%). However, it can be noticed that a significant number of respondents have also disagreed with the statements Higher exemption limit for females is justified" (33.2%), Income tax provisions are titled to benefit the rich and super rich class" (27.2%) and Ombudsman institution has been useful to redress taxpayer grievances" (21.2%). Further, a large proportion of the respondents have disagreed with the statements viz. Income tax is a tax on efficiency" (47.6%), Income tax law and procedure has been simplified over the period" (42.4%), Expenditure on social welfare by Government is according to tax revenue collections" (41.2 %) and Tax return preparer scheme is very useful for small tax payers" (40.4%). It can also be observed that even a high percentage of respondents have agreed with the statements Income tax is a tax on efficiency" (27.6%), Income tax law and procedure has been simplified over the period"(25.2%), Expenditure on social welfare by Government is according to tax revenue collections" (34.4%) and Tax return preparer scheme is very useful for small tax payers" (29.6%). Further, average weighted scores (AWS) have been calculated by assigning weights as +2, +1, 0, - 1 and - 2 to strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively. Table 4.40 depicts location-wise average weighted scores so obtained.



**TABLE 4.41 AVERAGE WEIGHTED SCORES CORRESPONDING TO GOVT ACTION (EXISTING FACTS)**

Statement	Locations					Average weighted score
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
Income tax law and procedure has been simplified over the period.	-0.26	0.08	-0.14	-0.44	-0.32	-0.216
There is a need to incorporate more reforms to make it compatible at international level	0.68	1.20	1.14	1.44	1.18	1.128
Government amends the law to nullify the decision of courts in favor of taxpayers; it shakes the Confidence of assesseees.	0.24	0.70	0.54	1.12	1.08	0.736
Expenditure on social welfare by Government is according to tax Revenue collections.	-0.06	0.30	0.10	-0.52	-0.32	-0.10
Higher exemption limit for senior Citizens is justified.	0.68	1.02	0.92	1.02	1.10	0.948
Higher exemption limit for females is justified.	0.18	0.02	0.08	0.12	0.32	0.144
Incentive provisions are introduced on the basis of lobbying rather than on the basis of merit.	0.04	0.62	0.44	0.66	0.46	0.444
Income tax provisions are titled to benefit the rich and super rich class.	0.40	0.02	-0.02	0.42	0.14	0.192
Agriculture income is used to convert black money in white.	0.48	0.88	0.56	0.72	0.60	0.648
Delay in refunds causes more interest burden and creates dissatisfaction among the taxpayers.	0.82	1.16	1.04	1.30	1.34	1.132
Ombudsman institution has been useful to redress grievances.	-0.06	0.14	0.16	0.12	0.60	0.192
Tax return preparer scheme is very useful for small tax payers.	-0.10	0	0.10	-0.24	-0.40	-0.128
Income tax is a tax on efficiency.	-0.34	-0.42	-0.44	-0.02	-0.08	-0.252

Kendall's Coefficient of Concordance (w) = 0.880, Chi-Square value = 52.792, d. f. = 12, Significant at 5 per cent level of significance.

Location-wise, Table reveals that large number of respondents irrespective of their locations has agreed with the statements viz. Delay in refunds causes more interest burden and creates dissatisfaction among the taxpayers" (AWS = 1.132), There is a need to incorporate more reforms to make it compatible at international level" (AWS = 1.128), Higher Exemption limit for senior citizens is justified" (AWS = 0.948), Government amends the law to nullify the decision of courts in favour of taxpayers; it shakes the confidence of assessee" (AWS = 0.736) and Agriculture income is used to convert black money in white" (AWS = 0.648). The respondents from all the locations except L<sub>1</sub> (AWS = 0.04) have agreed with the statement Incentive provisions are introduced on the basis of lobbying rather than on the basis of merit". The respondents from location L<sub>5</sub> (AWS = 0.32) have agreed with the statement Higher exemption limit for females is justified", but respondents from all other locations seem to be indifferent in this regard. The respondents from location L<sub>5</sub> (AWS = 0.60) have agreed with the statement. Ombudsman institution has been useful to redress taxpayer grievances" and the respondents from all other locations seem to be indifferent in this regard. The respondents from locations L<sub>1</sub> (AWS = 0.40) & L<sub>4</sub> (AWS = 0.42) have agreed with the statement Income tax provisions are titled to benefit the rich and super rich class" and the respondents from rest of the locations seem to be indifferent in this regard. The respondents from locations L<sub>3</sub> (AWS = -0.14) and L<sub>2</sub> (AWS = 0.08) seem to be indifferent towards the statement Income tax law and procedure has been simplified over the period", while the respondents from rest of the locations have disagreed with this. The respondents from locations L<sub>5</sub> (AWS = -0.40) and L<sub>4</sub> (-0.24) have disagreed with the statement Tax return preparer scheme is very useful for small tax payers" whereas the respondents from all other locations seem to be indifferent in this regard. The respondents from locations L<sub>4</sub> (AWS = -0.02) and L<sub>5</sub> (AWS = -0.08) seem to be indifferent towards the statement Income tax is a tax on efficiency". However, the respondents from all other locations have disagreed with the statement. The respondents from location L<sub>2</sub> (AWS = 0.30) have agreed with the statement. Expenditure on social welfare by Government is according to tax revenue collections". On the other hand, the respondents from locations L<sub>1</sub> (AWS = -0.06) & L<sub>3</sub> (AWS = 0.10) seem to be indifferent and respondents from locations L<sub>4</sub> (AWS = -0.52) and L<sub>5</sub> (AWS = -0.32) have disagreed with it.

Further, Kendall's coefficient of concordance shows that there exists significant concurrence of rankings ( $w = 0.880$ ) among the respondents belonging to different locations with respect to various issues relating to Government action.

### **SIMPLIFICATION OF INCOME TAX SYSTEM**

It is generally believed that simple tax laws lead to higher tax compliance. An effort has been made to know the opinion of the respondents regarding measures for simplification of tax laws such as residential status, MAT, depreciation policy etc. The respondents were asked to indicate their opinion regarding this on a five-point scale (ranging from strongly agree to strongly disagree). The responses obtained have been exhibited in Table 4.41

**TABLE 4.42 OPINION OF RESPONDENTS REGARDING SIMPLIFICATION MEASURES**

(N=250)

Statement	Opinion				
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
There should be two only types of residential status i.e. resident and not resident	49 (19.6)	140 (56)	25 (10)	32 (12.8)	4 (1.6)
H.U.F status should be eliminated and share of income from H.U.F should be taxable in the hands of coparceners	8 (3.2)	76 (30.4)	38 (15.2)	89 (35.6)	39 (15.6)
Sections relating to exemptions and deductions under the head salary should be substituted by a consolidated deduction with	44 (17.6)	115 (46)	40 (16)	44 (17.6)	7 (2.8)

percentage (say 30%) of gross salary					
The provisions under the salary should be same whether the employee is working in private sector, public sector or Government sector	65 (26)	128 (51.2)	34 (13.6)	22 (8.8)	1 (0.4)
The unabsorbed depreciation should be merged with business loss and business loss should be allowed to carry forward indefinitely	29 (11.6)	103 (41.2)	69 (27.6)	47 (18.8)	2 (0.8)
Number of blocks under Section 32 for depreciation should be reduced	18 (7.2)	95 (38)	72 (28.8)	62 (24.8)	3 (1.2)
The losses carried forward for set off in subsequent years should be allowed inter head set off	42 (16.8)	128 (51.2)	39 (15.6)	38 (15.2)	3 (1.2)
Minimum Alternative Tax should be replaced by ceiling on deductions	21 (8.4)	110 (44)	51 (20.4)	61 (24.4)	7 (2.8)
Tax rates for domestic companies and foreign companies should be same	3 (1.2)	57 (22.8)	45 (18)	130 (52)	15 (6)

Table shows that majority of the respondents have agreed with the proposals for simplification of income tax system viz. The provisions under the head salary should be same whether the employee is working in private sector, public sector or Government sector“ (77.2%), There should be only two types of residential status i.e. resident and not resident“ (75.6%), The losses carried forward for set off in subsequent years should be allowed inter head set off“ (68%), Sections relating to exemptions and deductions under the head salary should be substituted by a consolidated deduction with percentage (say 30%) of gross salary“(63.6%), The unabsorbed depreciation should be merged with business loss and business loss should be allowed to carry forward indefinitely“ (52.8%) and Minimum Alternative Tax should be replaced by ceiling on deductions“(52.4%). It can also be noted that a significant number of respondents also disagreed with the statements. Sections relating to exemptions and deductions under the head salary should be substituted by a consolidated deduction with percentage (say 30%) of gross salary“ (20.4%) and Minimum Alternative Tax should be replaced by ceiling on deductions“ (27.2%). A large number of

respondents have neither agreed nor disagreed with the statement. The unabsorbed depreciation should be merged with business loss and business loss should be allowed to carry forward indefinitely" (27.6%). Majority of the respondents have disagreed with the statement H.U.F status should be eliminated and share of income from H.U.F should be taxable in the hands of coparceners" (51.2%) whereas, 33.6 per cent of the respondents agreed with this statement. 58 per cent of the respondents have disagreed with the statement Tax rates for domestic companies and foreign companies should be same" followed by 24 per cent who agreed and 18 per cent who neither agreed nor disagreed with this statement. A large proportion of the respondents have agreed with the statement. Number of blocks under Section 32 for depreciation should be reduced" while 28.8 per cent neither agreed nor disagreed and 26 per cent have disagreed with this. Further, average weighted scores (AWS) have been calculated by assigning weights as +2, +1, 0, - 1 and - 2 to strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively. Table 5.36 depicts location-wise average weighted scores so obtained.

**TABLE 4.43 AVERAGE WEIGHTED SCORES CORRESPONDING TO SIMPLIFICATION MEASURES**

Statement	Locations					Average weighted score
	L <sub>1</sub>	L <sub>2</sub>	L <sub>3</sub>	L <sub>4</sub>	L <sub>5</sub>	
There should be only two types of residential status i.e. resident and not resident	0.94	0.46	0.58	1.02	0.96	0.792
H.U.F status should be eliminated and share of income from H.U.F should be taxable in the hands of coparceners	0.48	-0.30	-0.28	0.66	-0.74	-0.30
Sections relating to exemptions and deductions under the head salary should be substituted by a consolidated deduction with percentage (say 30%) of gross salary	0.46	0.12	0.58	1.00	0.74	0.58
The provisions under the salary should be same						

whether the employee is working in private sector, public sector or Government sector	0.50	1.00	0.96	0.92	1.30	0.936
The unabsorbed depreciation should be merged with business loss and business loss should be allowed to carry forward indefinitely	0.24	0.36	0.32	0.30	0.98	0.44
Number of blocks under section 32 for depreciation should be reduced.	0.04	0.38	-0.08	0.30	0.62	0.252
The losses carried forward for set off in subsequent years should be allowed inter head set off	0.40	0.68	0.46	1.02	0.80	0.672
Minimum Alternative Tax should be replaced by ceiling on deductions	0.68	0.02	0.28	0.66	-0.10	0.308
Tax rates for domestic companies and foreign companies should be same	0.48	0.22	0.36	0.64	0.24	0.388

Kendall's Coefficient of Concordance ( $w$ ) = 0.567, Chi-Square value = 22.698, d.f. = 8, Significant at 5 per cent level of significance

Analysis of average weighted scores from Table shows that most of the respondents from all the locations have agreed with the proposals such as "There should be only two types of residential status i.e. resident and not resident", "the provisions under the salary head should be same whether the employee is working in private sector, public sector or Government sector", "The unabsorbed depreciation should be merged with business loss and business loss should be allowed to carry forward indefinitely", "The losses carried forward for set off in subsequent years should be allowed inter head set off" and "Tax rates for domestic companies and foreign companies should be same". The respondents from all the locations except location L2 (AWS = 0.12) have agreed with the proposal. Sections relating to exemptions and deductions under the head salary should be substituted by a consolidated deduction with percentage (say 30%) of gross salary". "Number of blocks under section 32 for depreciation should be reduced" have

been recommended by the respondents from locations L5 (AWS = 0.62), L2 (AWS = 0.38) & L4 (AWS=0.30) and respondents from locations L1 (AWS = 0.04) & L3 (AWS = - 0.08) seem to be indifferent in this regard. The respondents from locations L2 (AWS = 0.02) & L5 (AWS = -0.10) seem to be indifferent with regard to statement "Minimum Alternative Tax should be replaced by ceiling on deductions" and the respondents from rest of the locations have agreed with it. The respondents from location L1 (AWS=0.48) have agreed with the statement "H.U.F status should be eliminated and share of income from H.U.F should be taxable in the hands of coparceners" while the respondents from all other locations have disagreed with this. Kendall's coefficient of concordance shows that there exists significant concurrence of rankings ( $w = 0.567$ ) among the respondents belonging to different locations regarding their opinion on various proposals for simplification of income tax system.



## **CHAPTER - 5**

### **SUMMARY, CONCLUSION AND SUGGESTIONS**

Transforming taxation is an ongoing procedure, through which tax strategy creators and tax managers are consistently adjusting their tax system to reflect evolving economic, social and political conditions. The present study analyzes the Taxation of Income in India amid post advancement period and arrangement perspective in such manner. It has broken down the growth of income tax income, performance of Income Tax Department and perception of tax experts with respect to Income Tax System in India.

So as to have a proper comprehension of the research theme vital examinations identifying with personal income tax, capital gains taxation, rural taxation, proficiency of income tax administration and so on directed in India have been checked on. For assessing growth of income tax income in India and performance of the income tax administration secondary data has been gathered chiefly from Finance Acts, Explanatory Memorandum on the Budget of the Central Government, Reports of the different advisory groups/commissions, Indian Economic Survey, Income Tax Act 1961, Income Tax Rules 1962, different declarations, handouts and warnings of Central Board of Direct Taxes, Budget talks of Finance Ministers, Reports of Comptroller and Auditor General of India on Direct Taxes for the period 2007-08 to 2016-17. For studying the perception of tax experts with respect to Income Tax System, data has been gathered from tax experts for example Chartered Accountants rehearsing in Punjab and Chandigarh (U.T.). For this reason, a sample of 250 respondents has been taken by choosing 50 respondents each from chose four districts of Punjab and 50 respondents from Chandigarh.

For analysis, secondary data has been characterized into personal income tax and corporate tax and primary data has been grouped area wise viz. Chandigarh (L1), Patiala (L2), Ludhiana (L3), Jalandhar (L4) and Amritsar (L5). The significant discoveries of the study are abridged as below:

## **INCOME TAX POLICY**

- Monetary limit in connection to restorative help under Sections 80D, 80DD, 80DDB and 80U has been expanded every once in a while. Be that as it may, it is by all accounts very low when contrasted with regularly expanding genuine expense of restorative treatment.
- Government has amended Sec. 80G every once in a while amid the study period.
- Farming division, where almost 70 per cent of country's population is engaged is outside the income tax net under Sec. 10(1). Be that as it may, rural income is considered to decide tax rate on nonagricultural income.
- An assessee can guarantee full conclusion for income use and capital use (with the exception of land) acquired by him in connection to logical research identified with his business. Further, Finance Act 1999 presented a weighted conclusion of 125 per cent of any whole paid to any college, school or a foundation or logical research relationship with the end goal of logical, social or statistical research. So as to give further lift to research and development exercises, an organization engaged in the matter of production of any medications, pharmaceuticals, electronic hardware, PCs, synthetic concoctions and so on has been allowed a reasoning of 150 per cent of the consumption brought about concerning in house research and development office. The Finance Act 2010 has additionally upgraded the previously mentioned weighted conclusions of 125 per cent and 150 per cent to 175 per cent and 200 per cent, individually (w.e.f. April 1, 2010).
- Account Act 2009 has presented speculation connected tax incentives as per which, 100 per cent of the capital use brought about entirely and only to set up and operating virus chain office, warehousing office and cross-country gaseous petrol or rough or oil pipeline network would be allowed as derivation from business income.
- The Government has given certain tax incentives to reinforcing capital market, for example, profit got from household organizations has been exempted in the hands of shareholders. Further, long haul capital addition emerging from exchange of value shares or units in value arranged common reserve (chargeable to securities exchange tax) has been exempted.

Additionally, transient capital increase for this situation has been taxable at a lower rate for example 15 per cent w.e.f. A.Y. 2009-10. (10% from October 1, 2004 to A.Y. 2009-10)

- The Government has updated the edge limits for TDS remembering the general tax rates and enlarged its scope every now and then amid the study period.
- E-documenting of Income Tax Return is required for an organization and a firm obligated to review under Sec. 44AB of the Income Tax Act, while it is discretionary for different assessees. Thus, it has been required for corporate deductors to outfit their TDS return in electronic structure with impact from June 1, 2003. Further, it has been made compulsory for Government deductors and firms at risk to review under Sec. 44 AB with impact from A.Y. 2004-05. Deductors need to record e-TDS returns quarterly since A.Y. 2005-06. National Securities Depository Ltd. (NSDL) has been appointed as the e-TDS intermediary by the Income Tax Department
- Profit Distribution Tax has been presented since A.Y. 1997-98 for expanding regulatory proficiency. This tax is required at organization stage and profit gotten by the shareholders is exempted from tax in their grasp. Securities Transaction Tax (STT), presented with impact from October 1, 2004, is payable on exchanges in securities markets. It is charged on buy or closeout of securities, for example, value shares, subsidiaries, securities and units in common reserve plans. Both buyer and vender are obligated to pay STT at the rate of 0.25 per cent of security exchange esteem.
- Certain measures were presented and pulled back amid the study period, for example, necessary recording of profit based for certain economic criteria, Banking Cash Transaction Tax (BCTT) and Fringe Benefit Tax (FBT).
- Direct Taxes Code is thought about to be presented for improving the effectiveness and value of our tax system. Notwithstanding, it very well may be seen that even in the wake of taking these measures certain issues have not gotten due consideration from the Government, for example, taxation of agrarian income, modification of derivations identifying with investment funds and health advantages, reintroduction of standard

conclusion for representatives and diminishing the optional forces of tax authorities and so on.

## **5.1 CONCLUSION**

Thus, the following basic conclusions emerge from the study:

- The Government has attempted to accomplish the goal of social welfare by giving different incentives to instruction, wellbeing, lodging, funds, benefits plans, gifts, senior natives and ladies assesseees, and creating business and so forth. These incentives are apparent as these are connected with the fundamental necessities of a typical man. Nonetheless, if there should be an occurrence of certain incentives the monetary roof is by all accounts counter-intuitive or very low as it has not been overhauled since quite a while for example therapeutic costs, enthusiasm on self-involved lodging advance, sparing plans.
- Certain Rationalization and Simplification Measures have been taken amid the study period, for example, lowering income tax rates in the event of the considerable number of assesseees, presenting standard derivation at the rate of 30 per cent of net yearly an incentive if there should be an occurrence of let out house property, giving devaluation on impalpable assets and so on.
- The Government has attempted to accomplish all round economic destinations by giving incentives to infrastructure development, adjusted regional growth, logical research and development, capital market and exception of horticultural income.
- Extending of tax base has stayed one of the fundamental destinations of tax approach amid the study period. The Government has embraced certain measures towards this direction. The principle measures are presentation of obligatory Permanent Account Number, Annual Information Return, E-recording of income tax return, online tax bookkeeping system, Dividend dispersion tax and augmenting the scope of TDS. Further, certain measures were presented and pulled back amid the study period, for example, necessary recording of profit based for certain economic criteria, Banking Cash Transaction Tax (BCTT) and Fringe Benefit Tax (FBT). In addition, standard derivation for salaried class and finding in connection to intrigue income on indicated stores were pulled back amid the study period.

- Income from personal income tax just as corporate tax expanded amid the study period. Tax to GDP ratio and buoyancy coefficient if there should be an occurrence of personal income tax just as corporate tax demonstrated an upward pattern. Further, unquestionably the quantity of personal assesseees and corporate assesseees expanded however the rate of increment in number of personal assesseees having in excess of 10 lakh income remained lower when contrasted with different classes. Besides, the share of direct taxes as a percentage of complete tax income of central Government expanded, while the share of indirect taxes declined amid the study period. This can be considered as a positive development on the supposition that direct taxes are progressively equitable in effect and proper when contrasted with indirect taxes
- Income from personal income tax just as corporate tax expanded amid the study period. Tax to GDP ratio and buoyancy coefficient if there should be an occurrence of personal income tax just as corporate tax demonstrated an upward pattern. Further, irrefutably the quantity of personal assesseees and corporate assesseees expanded however the rate of increment in number of personal assesseees having in excess of 10 lakh income remained lower when contrasted with different classifications. In addition, the share of direct taxes as a percentage of absolute tax income of central Government expanded, while the share of indirect taxes declined amid the study period. This can be considered as a positive development on the suspicion that direct taxes are increasingly equitable in effect and proper when contrasted with indirect taxes
- Cost per rupee of tax collection and cost per assessee declined amid the study period. On an average around 90 per cent of gross collection from personal income tax and 80 per cent of gross collection from corporate tax was acknowledged at pre appraisal stage, which may have added to decrease in expense of collection per rupee of tax income. Hence, Income Tax Department has demonstrated noteworthy improvement in controlling expense. Further, the quantity of exceptional discount claims declined amid the study period because of computerization. In any case, the measure of discount and enthusiasm on discounts expanded amid this period
- Number of pending appraisals under investigation and rundown plans, number of pending cases under punishment and indictment procedures, measure of arrear if there should be an

occurrence of corporate tax just as personal income tax, all out ensured request due for recovery and number of pending interests identifying with high sum expanded significantly amid this period. In addition, evaluation cases including botches and subsequent income misfortune expanded amid this period. This puts a question mark on performance of Income Tax Department.

- Further, a larger part of tax experts opined that tax avoidance and defilement are pervasive in the Indian Income Tax System. They pointed out that various taxes, high tax rates, controls on identification, social acknowledgment of tax avoidance, low likelihood of recognition and low tax ethical quality are primary reasons in charge of tax avoidance. Over the top optional forces accessible with income tax specialists, absence of mindfulness in regards to rights accessible with tax payers and tedious and expensive legal procedure have been distinguished as primary explanations behind debasement. A discourse with tax experts uncovered that discount claims pertaining to moderately littler sums are settled before by tax specialists when contrasted with discounts of substantial sums and there is nonsensical postponement in discounts. The respondents have recognized high TDS rates and increment in number of profits as principle purposes behind postponement in discounts.
- The respondents opined that income tax staff is accessible in the office and labor is overburdened in Income Tax Department. In any case, they likewise opined that Income tax administration isn't taxpayer benevolent and it is hard to fulfill surveying officers in regards to accuracy of information. Individuals perceive tax officers as tax masters and not as tax facilitator. In addition, they opined that wastefulness in Income Tax Department is one of the fundamental driver in charge of tax avoidance notwithstanding social, economic and political reasons. Defilement in Income Tax System is winning because of badgering to taxpayers and absence of respectability with respect to tax authorities notwithstanding prior referenced reasons. They likewise seen that shortage of staff, wasteful staff and deliberate postponement to get pay off are additionally imperative reasons causing preposterous deferral in discounts
- A very high number of cases stayed pending with the Supreme Court, High Court and Income Tax Appellate Tribunal and Settlement Commission amid the study period.

- Greater part of the respondents have rated office space, working conditions, drinking water, sitting area office, wash room office and stopping office as satisfactory. In any case, the respondents will in general be disappointed with the situation of enquiry office.
- Tax experts opined that tax rates are sensible for people and HUFs and high for AOPs and BOIs, firms and organizations. The respondents are not for eliminating tax incentives totally and presenting EET system. The respondents considered multifaceted nature of income tax law, visit changes in tax law and methods, minimization of tax load and evading botches in tax consistence are the fundamental driver for which taxpayers look for direction of tax experts. The respondents have pointed out that convoluted tax law, high tax rates, debasement, high consistence cost and extensive return frames are the serious issues talked about with them by their customers.

## **5.2 SUGGESTIONS**

The study has highlighted some important conclusions which can be of great value for improving the Indian Income Tax System. In the light of these findings, some suggestions are given as under:

### **IMPROVEMENT IN TAX ADMINISTRATION**

- Tax avoidance and defilement are broadly overall in the Indian tax system, which are the greatest squares in the method for proper execution of law. In this manner, there is a need to handle tax avoidance and debasement for improving tax consistence. Government ought to decrease number of taxes, rationalize tax rates, use TDS broadly, improve tax laws, extend Annual Information Return network, increment exposure, make mindfulness among general open in regards to tax profound quality, limit optional forces accessible with income tax specialists and teach a feeling of respectability among tax authorities for accomplishing this goal. Income Tax Department ought to use information accessible under the Annual Information Return properly to recognize tax dodgers.
- Convenient transfer of evaluations guarantees auspicious raising of tax requests and brisk discounts to assesseees. Hence, there is a need to spur assesseees for E-filing of profits and increment in number of surveying officers for auspicious finishing of evaluations. Further, Government should begin more centers for central handling of evaluations.



- Mix-ups in evaluations result in income misfortune to the Government just as badgering to the taxpayers. Subsequently, inside review ought to be fortified to limit botches in appraisals.
- It has been discovered that the arrear of tax request expanded in the event of personal income tax just as if there should be an occurrence of corporate tax amid the study period. Further, recovery of affirmed request stayed not exactly add up to guarantee request due for recovery all through a similar period. Along these lines, exacting carefulness is required to guarantee that the requests are gathered inside time and current interest does not fall financially past due. The working of Tax Recovery Units should be improved and working quality of Tax recovery officers (TROs) ought to be expanded.
- Deferral in discounts causes more intrigue load and makes disappointment among the taxpayers. Along these lines, the Government should fix singular obligation, responsibility of surveying officer in the event of deferral in discounts, present discount broker plan at a vast scale and rationalize TDS rates. Also, Income Tax Department should process discount cases of nearly extensive sum on need reason for decreasing interest trouble.
- Discouragement measures gave under the Act assume a vital job in guaranteeing right and opportune consistence of tax arrangements. Yet, it was discovered that a very low percentage of arranged cases brought about punishment burden and irrelevant number of cases brought about indictment. Therefore, Assessing Officers should start these procedures truly where assessee has truly disguised his income. Further, when the procedures are begun, these must be continued seriously and blameworthy ought to be rebuffed in time as per the offense. It would make prevention in the brains of tax dodgers.
- Countless are pending with CITs, ITAT, High courts and the Supreme Court. There is a need to discard the pending interests at the most punctual to win the certainty of taxpayers and gather the tax income remained because of pending interests. The Government should expand the quantity of CITs, seats of ITAT and all the empty posts in the office ought to be topped off. In addition, National Tax Court for which the Act was passed by the Parliament ought to be set up at the soonest.
- Labor is overburdened in Income Tax Department. Along these lines, division should utilize more labor and improve the productivity of existing labor by giving better preparing and infrastructure offices.

### **5.3 SUGGESTIONS FOR FUTURE RESEARCHERS**

The present study attempted to complete a broad analysis of various parts of Income Tax System in India. Yet, still there is a scope for further research in the following fields:

- A near study of various parts of Income Taxation in India might be attempted as for different nations.
- A concentrated study might be led to inspect one of the different parts of Income Tax System in India.
- The present study looks at the perception of tax experts concerning Income Tax System in India. Additionally perception of Income Tax authorities and taxpayers might be contemplated.

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