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Balancing the Scale: India's Direct Tax System vs. Global Benchmarks

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1. Abstract

India's direct tax regime has a very strong influence in formulating the economy of the country, though in many aspects it is also accused of its ineffectiveness and unevenness against other countries. Through this study, the organizational and working nature of the direct taxation of India compared with international paradigms in reference to mismatching, ineffectiveness, and reform are viewed. By analyzing parameters like the Tax-to-GDP ratio, corporate tax rates, and personal income tax structure, the study gauges their influence on economic growth, foreign direct investment (FDI), and income equity. By making a comparative assessment with tax systems of developed and emerging nations, the paper determines important gaps in India's taxation system and formulates policy suggestions for improving efficiency, equity, and compliance. The research also investigates the contribution of technology to enhance tax collection and minimize evasion. Discoveries indicate that although India's tax-to-GDP ratio is below international standards, strategically tailored reforms can markedly enhance revenue collections and economic stability.

2. Introduction

Taxation is the pillar of a country's fiscal policy, serving a critical function in maintaining economic stability and facilitating social equity. In India, the direct tax regime, comprising personal income tax (PIT) and corporate tax, is an important source of revenue for the government, financing public services and infrastructure. Yet, the system is plagued by numerous inefficiencies and challenges. Among the central problems is low tax compliance and a narrow tax base. With a population of more than 1.4 billion, just about 7 crore people (5%) file income tax returns, reflecting a huge shortfall in tax collection. This is largely because India has a huge informal economy, with a large number of earners falling outside the tax net. Also, tax evasion is widespread, and people and corporations underreport income and take advantage of loopholes to minimize tax liabilities. Inadequate enforcement mechanisms and prolonged court procedures add to inefficient collection of taxes. Furthermore, India's corporate tax rates, though lowered in recent years, are still comparatively high versus international levels, making the nation unattractive for foreign investors. The direct tax system is also criticized for being complex, with several slabs and exemptions inducing compliance costs. In comparison with international standards, India's direct tax system looks less efficient and less competitive, which has an effect on economic growth, income inequality, and investment opportunities. These issues point towards the need for institutional reforms to broaden the tax base, improve compliance, and design a more equitable, efficient tax system.

The Significance of Direct Taxation in India

Direct taxes contribute substantially to the revenues of governments, financing important public services, infrastructure, and welfare schemes. Yet, India's tax-to-GDP ratio of approximately 11–12% is less than that of many developed and emerging economies. For example, Germany and France have tax-to-GDP ratios of over 40%, whereas emerging economies like Brazil and South Africa have rates of over 25%. This difference indicates that India's potential for direct taxes is largely unexploited.

Challenges in the Existing System

- The Indian direct tax system has various inefficiencies

- Low Tax Compliance: A large number of people, particularly in the unorganized sector, are out of the tax net.
- Tax Evasion and Avoidance: Tax code loopholes and weak enforcement arrangements facilitate tax evasion.
- High Tax Rates on Corporates: Although India has reduced corporate tax rates in recent years, they are still quite high relative to peer economies, which makes the nation unattractive to foreign investors.
- Income Inequality: The existing tax system is faulted for being regressive by nature, disproportionately hurting the middle class, while rich people tend to locate loopholes to reduce their tax burden.

Global Benchmarks: A Comparative Analysis

These include countries like the USA, UK, and Scandinavian countries, which have put in place effective tax regimes marked by:

- Simplified Tax Codes: Complicating their codes to increase transparency.
- Successful Digital Taxation Systems: Harnessing technologies like blockchain and artificial intelligence to achieve greater tax collection and compliance.
- Progressive Taxation: Enabling high earners to pay their fair share while mitigating income inequality.

This research paper seeks to close the gap between India's existing direct tax system and international best practices. Through an analysis of how tax policies affect economic growth, FDI inflows, and income equality, the study offers insights into possible reforms that would make the system more efficient and equitable. The paper also examines how technology can update India's tax administration, curbing evasion and enhancing compliance.

3. Literature Review:

3.1. India's Direct Tax Reforms and Global Comparisons

India’s direct tax system has undergone notable transformations in recent years to enhance revenue collection, improve compliance, and align with international best practices. While the country still lags behind many developed economies in terms of tax-to-GDP ratio and administrative efficiency, ongoing reforms aim to bridge this gap.

A study by **Dave and Parikh (2024)** highlights India's progressive steps toward modernizing its direct tax framework. The research outlines how digital integration, automation in tax collection, and data-driven audits have strengthened compliance and revenue collection. The authors compare India's reforms to global standards, particularly those seen in developed economies such as the United States and the United Kingdom. They note that while India's corporate tax rates have been adjusted to attract foreign investment, challenges related to tax base expansion remain a hurdle (Dave & Parikh, 2024).

Further, **Nigam et al. (2024)** analyze India's tax structure through the lens of international financial reporting standards (IFRS) compliance. Their findings suggest that while India's corporate taxation policies have become more transparent, the country still struggles with tax avoidance and legal loopholes exploited by multinational corporations. The study draws comparisons with the OECD's Base Erosion and Profit Shifting (BEPS) framework, recommending that India adopt stricter anti-avoidance measures to prevent revenue loss (Nigam et al., 2024).

India's tax-to-GDP ratio continues to be a concern, standing at approximately **16–18%**, whereas developed economies maintain a ratio between **30–40%**. The disparity is attributed to structural challenges, including a large informal economy and lower per capita income, which limits the number of direct taxpayers. However, the introduction of the faceless tax assessment system and third-party reporting mechanisms have improved voluntary compliance (Dave & Parikh, 2024)

3.2. Challenges in Direct Taxation and International Best Practices

India's direct tax system has seen improvements, but challenges such as tax evasion, administrative inefficiencies, and income inequality continue to hinder its effectiveness. Addressing these issues requires a mix of policy reforms, technological advancements, and global best practices.

Mukherjee and Singh (2025) highlight that despite increased digital tracking, tax evasion remains widespread, especially in the informal sector. Additionally, lengthy tax disputes and bureaucratic inefficiencies slow down enforcement. They suggest that India adopt a more progressive tax model like Scandinavian countries, where higher-income groups contribute more, ensuring better wealth redistribution and economic stability (Mukherjee & Singh, 2025).

Similarly, Gupta and Khanna (2025) emphasize the role of technology in strengthening tax compliance. They compare India's system with Estonia's fully digital tax framework, where real-time financial data is used to pre-fill tax returns, achieving over 95% compliance. The authors recommend that India implement AI-driven fraud detection, automated assessments, and real-time reporting to enhance efficiency and minimize corruption (Gupta & Khanna, 2025).

3.3. Policy Recommendations for Strengthening India's Tax System

India has made significant progress in modernizing tax administration through digital transformation, automation, and enhanced data analytics. Initiatives such as faceless tax assessments and expanded e-filing mechanisms have improved transparency and efficiency. However, further policy enhancements are essential to align with global best practices and attract foreign investment.

Pramahender (2025) highlights that adopting International Financial Reporting Standards (IFRS) could enhance India's tax framework by ensuring transparency, consistency, and comparability in financial reporting. Many developed economies have successfully integrated IFRS, leading to improved investor confidence and streamlined cross-border transactions. While India has incorporated certain IFRS principles in corporate financial reporting, its full integration into tax policies remains incomplete. Aligning corporate tax policies with IFRS could reduce tax disputes, simplify compliance for multinational companies, and create a more investor-friendly environment (Pramahender, 2025).

Additional reforms include:

- Strengthening Taxpayer Services – Implementing AI-driven assistance and real-time chatbot support to improve compliance.
- Enhancing Tax Predictability – Ensuring stable and consistent tax policies to reduce uncertainty for businesses and individuals.
- Widening the Tax Base – Expanding tax coverage by reducing exemptions and formalizing the informal sector.
- Leveraging AI and Blockchain – Using machine learning to detect fraud and blockchain for tamper-proof tax records.

While India has successfully implemented digital tax reforms, adopting a globally aligned and technology-driven approach will be key to building a more efficient, equitable, and investment-friendly tax system.

3.4. Revenue Generation and the Tax-to-GDP Ratio

One important metric for assessing a nation's tax effectiveness is the tax-to-GDP ratio. In recent years, India's direct tax-to-GDP ratio was around 6%, lower than that of other industrialized countries including the US (around 10–12%) and the UK (around 13%) (OECD, 2023). A smaller tax base and possible inefficiencies in tax collection are indicated by a lower ratio. Germany and Canada, two nations with vast tax bases and greater compliance rates, have improved compliance by using real-time data tracking and considerable digitization (IMF, 2022). With initiatives like the Goods and Services Tax (GST) and faceless assessments, India has achieved progress; nonetheless, additional reforms are required to broaden the tax base.

The ratio of taxes to GDP in India

In comparison to wealthy economies, India's direct tax tax-to-GDP ratio is far lower, at about 6% in recent years (OECD, 2023). India's overall tax-to-GDP ratio is between 11 and 12 percent when direct and indirect taxes are taken into account. Conversely:

- The direct tax to GDP ratio in the US is between 10 and 12 percent.
- The tax-to-GDP ratio in the UK is still higher than 13%.
- Known for having robust welfare states, Germany and France have tax-to-GDP ratios higher than 20% (IMF, 2022).

2. What is causing India to lag?

- Narrow Tax Base: Only about 6.5 crore people submit income tax returns and even fewer pay taxes, despite the country's population of nearly 1.4 billion.
- High Reliance on Indirect Taxes: Excise taxes and GST account for a sizable amount of India's revenue instead of direct taxes.
- Tax avoidance and the Informal Economy: Since the informal sector makes up a sizable portion of India's economy, tax avoidance is pervasive.

3. International Best Practices and Insights for India

To increase compliance, nations like Canada and Germany have used interagency cooperation, real-time data tracking, and sophisticated digitization. India has implemented initiatives like Aadhaar-PAN linkage and faceless assessments, but more reforms are required, including:

- Expanding the Tax Base: Including more independent contractors and professionals in the tax system.
- Boosting Data Analytics: Tax evasion can be identified with the use of AI-based financial transaction tracking.
- Reducing Tax Evasion through GST Integration: Underreporting of income can be stopped by integrating GST with direct tax returns.

3.5. Competitiveness and Corporate Tax Rates

With the current base rate at 22% for domestic enterprises and 15% for new manufacturing firms, India's corporation tax rate has significantly decreased (Ministry of Finance, 2023). Compared to the U.S. (21%), China (25%), and Singapore (17%), this puts India closer to global corporate tax trends; nonetheless, other factors that impact its competitiveness include regulatory complexity, compliance burdens, and dispute resolution procedures. For instance, Singapore is more appealing to foreign direct investment (FDI) due to its smooth and business-friendly tax system and lower administrative barriers (World Bank, 2023). To make conducting business easier, India has to significantly streamline its tax procedures.

1. The Corporate Tax System in India

- The government lowered corporation tax rates in 2019 in an effort to increase India's appeal as a business destination:
- With cess and levies excluded, the standard corporate tax rate is 22%.
- To encourage industrial expansion, 15% should go to new manufacturing firms.
- Depending on profits, the effective tax rate (including surcharge and cess) ranges from 25 to 29%

2. How Does India Compare Globally?

Country	Standard Corporate Tax Rate	Special Incentives
India	22% (15% for new industry)	Manufacturing, Startups
U.S.	21%	R&D credits, sectoral incentives
China	25%	Lower rates for high-tech firms
UK	25%	Special deductions for investment
Singapore	17%	Extensive tax holidays, rebates

3. Issues with the Corporate Tax System in India

- High Compliance Burden: Filing taxes and submitting refund claims are still difficult processes.
- Regular Litigation: Conflicts between tax officials and corporations are frequent.
- Sectoral Disparities: While certain industries bear a heavier tax burden, others enjoy substantial exemptions.

4. Insights from International Benchmarks

Nations such as Singapore and Ireland have improved the business-friendliness of their tax systems by:

- Tax rates can be lowered while maintaining stringent enforcement, which will increase compliance.
- Simplified tax laws are a single, open framework with few exceptions.
- Faster Refund Procedures: Providing prompt refunds to companies boosts investor confidence.

3.6. Structure of Individual Income Taxes and Progressivity

With rates ranging from 5% to 30% under the previous regime and a simplified optional tax regime with lower slabs, India's personal income tax system has a progressive structure (Income Tax Department, 2023). India's system is still moderate in comparison to Scandinavian nations, where maximum income tax rates surpass 50% while offering substantial social benefits (OECD, 2022). Nonetheless, there are still issues with tax avoidance and compliance. The total efficiency of revenue is decreased when a sizable fraction of high-income earners continue to evade taxes. India's tax collection efficiency might be increased by taking inspiration from nations like Sweden, which impose greater transparency and data integration between tax officials and financial institutions.

India follows a progressive tax system, meaning higher-income individuals pay a greater proportion of their earnings in taxes. However, tax compliance among high-income earners remains a challenge.

India’s Personal Income Tax Slabs (Old Regime)

Income Range (₹)	Tax Rate
Up to 2.5 lakh	0%
2.5 lakh - 5 lakh	5%
5 lakh - 10 lakh	20%
Above 10 lakh	30%

New Regime: Offers lower rates but removes deductions.

How Does India Compare?

Country	Highest Tax Rate	Income Threshold
India	30%	₹10 lakh (~$12,000)
US	37%	$539,900
UK	45%	£150,000
Sweden	52%	High threshold but includes benefits

1. India's challenges

- High Earners' Tax Evasion: A large number of affluent people underreport their income.
- Low Collection from Richer Segments: Middle-class taxpayers who are salaried bear the majority of the tax burden.

2. International Best Practices

- Increased Transparency: To identify instances of tax evasion, nations such as Sweden combine financial data from several sources.

- Wealth Taxation Models: To encourage contributions from the ultra-rich, certain nations implement progressive wealth taxes.

3.7. Digitalization and Tax Administration

One important element in increasing productivity and decreasing tax evasion is the digitization of tax administration. Pre-filled tax returns, the faceless assessment system, and e-filing have all seen significant advancements in India (CBDT, 2023). However, with nearly fully digital tax systems that allow for real-time tracking and nearly instantaneous tax reporting, world leaders like Estonia have set standards (World Economic Forum, 2023). Although India's digital developments are encouraging, more blockchain and artificial intelligence (AI) integration may assist reduce fraud and enhance the taxpayer experience. With e-filing, faceless assessments, and pre-filled tax returns, India has advanced significantly in the digitalization of taxes (CBDT, 2023). By streamlining tax compliance and lowering human intervention, these actions have decreased the likelihood of corruption. But with fully digital, real-time tax systems that enable almost instantaneous tax filing and smooth financial integration, world leaders like Estonia have raised the bar (World Economic Forum, 2023). India may incorporate cutting-edge AI and blockchain technologies to increase efficiency and prevent tax evasion. This will improve fraud detection, automate compliance monitoring, and increase taxpayer convenience.

1. The Digital Taxation Measures in India

- More than 99 percent of tax returns are filed electronically.
- Faceless Tax Assessments: Removes face-to-face contact to cut down on corruption.
- Linking Aadhaar and PAN: Improves financial monitoring.

2. How India Can Advance

- Real-Time Tax Monitoring: Estonia's tax system enables immediate filing and computations.
- Blockchain in Taxation: To combat fraud, nations like the United Arab Emirates are experimenting with blockchain technology.

3.8. The burden of tax dispute resolution and compliance

Dispute resolution is one of the main issues facing India's tax system. Businesses and individuals frequently experience protracted uncertainty due to the large number of ongoing tax litigation cases (NITI Aayog, 2023). In contrast, fast-track arbitration procedures in nations like the UK and Australia help settle tax issues in a matter of months as opposed to years. In India, taxpayer confidence and compliance can be increased by streamlining processes, clearing up ambiguity in tax rules, and bolstering alternate dispute resolution systems. India has a huge backlog of tax litigation cases, which causes people and businesses to be uncertain for a long time (NITI Aayog, 2023). Resolving tax issues can take years or even decades, which discourages investment and adds to the expense of compliance. In contrast, nations with fast-track arbitration and alternative dispute resolution (ADR) processes, such as the UK and Australia, can settle tax disputes in a matter of months. India must streamline tax rules, eliminate procedural ambiguities, and implement effective dispute resolution structures that enable speedier and more equitable settlements in order to increase taxpayer confidence and compliance.

Present Issues with the Tax Dispute System in India

1. High Number of Unresolved CasesThere are currently more than 4.8 lakh cases waiting before different tax tribunals and courts (NITI Aayog, 2023).

- The backlog deters taxpayers from voluntary compliance by causing protracted litigation.

2. Extended Resolution Duration

- In India, it can take five to ten years to settle a tax issue, which puts a pressure on enterprises' finances.
- India's tax proceedings frequently proceed slowly through several levels of appeal, in contrast to the fast-track arbitration processes utilized in nations like the UK and Australia.

3. Complicated and Inconsistent Tax Laws

- Increased disagreements are caused by frequent revisions and ambiguous tax provisions.
- Litigation arises when tax officers and taxpayers have different interpretations.

4. Problems with the Tax Dispute System in India

- There are currently more than 4.8 lakh cases outstanding in courts and tribunals.
- Long resolution time: It frequently takes five to ten years for cases to be resolved.
- absent arbitration procedures.

International Best Practices

- Alternative Dispute Resolution (ADR) in the UK: Assists in resolving disputes in months as opposed to years.
- The Independent Review System in Australia offers an impartial dispute settlement procedure.

3.9. India's Evolving Tax System: Its Successes and Challenges -by Pintu Das (2022)

Taxation has always been a crucial aspect of a nation's economic framework, shaping not just revenue generation but also economic behavior, business growth, and wealth distribution. Pintu Das, in his 2022 paper, takes readers on a historical journey of India's tax system, unraveling its complexities from the colonial era to the post-liberalization period. He sheds light on how the tax system has evolved, balancing between direct and indirect taxes, and how different governments have attempted to simplify taxation to increase compliance and revenue collection. One of the key themes in Das's work is the dual-layer taxation system that divides power between the central and state governments. While this setup ensures fiscal federalism, it has also led to inefficiencies, redundancies, and at times, confusion. The paper explores how India's tax policies have transitioned over the decades, from a heavily bureaucratic structure to a more technology-driven and automated system. The introduction of the Goods and Services Tax (GST) in 2017 was a landmark reform, aimed at streamlining indirect taxes and reducing cascading effects, but Das points out that challenges remain—especially with compliance complexities, rate rationalization, and revenue distribution among states. When it comes to direct taxes, India has gradually moved towards a system that is more business-friendly. The reduction in corporate tax rates in recent years and the simplification of personal income tax slabs have encouraged investment and eased tax compliance burdens. However, Das argues that despite these reforms, India's tax-to-GDP ratio remains lower than that of developed economies. He identifies reasons for this gap, including tax evasion, an informal economy that escapes the tax net, and structural inefficiencies in tax administration. Das doesn't just highlight problems—he also explores potential solutions. He emphasizes the role of digitalization in improving tax compliance, citing examples of how artificial intelligence and big data analytics can be leveraged for better tax administration. He also discusses the importance of reducing tax exemptions and broadening the tax base to ensure a more equitable and sustainable revenue model. A comparative look at global taxation trends in the paper reveals that India still has a long way to go to match the efficiency and simplicity of tax systems in countries like Singapore, the UK, or even Brazil. The author suggests that while India has made commendable progress, future tax reforms must focus on balancing economic growth with equity, ensuring that taxation does not become an undue burden on businesses or individuals.

This paper serves as an insightful foundation for anyone looking to understand how India's tax system has evolved, what challenges it faces, and how it can align better with global best practices.

3.10. A Comparative Study of Direct and Indirect Tax Reforms in India -by Seema Pillai (2023)

Taxation plays a crucial role in shaping a nation's economic landscape, and in a country as diverse and complex as India, tax reforms have always been a balancing act between revenue generation and economic growth. In her 2023 study, Seema Pillai provides a detailed comparative analysis of direct and indirect tax reforms in India. She not only explores the structural evolution of India's tax policies but also examines how different reforms have impacted economic growth, business activity, and tax compliance. Pillai begins by tracing India's taxation system from the pre-independence era to the present, discussing how the government has attempted to move toward a more transparent and efficient tax regime. One of the key insights in her research is the fundamental difference between direct and indirect taxes in India. Direct taxes, such as income tax and corporate tax, are progressive in nature, meaning that individuals and businesses with higher earnings contribute more to the government. Indirect taxes, on the other hand, such as the Goods and Services Tax (GST), apply uniformly to all consumers, making them somewhat regressive. She highlights how India's tax-to-GDP ratio remains lower than that of many developed nations, despite various reforms aimed at increasing compliance and broadening the tax base. One of the major reasons for this is the country's large informal sector, where a significant portion of economic activity takes place outside the tax net. Pillai also notes that while corporate tax rates have been reduced to make India a more business-friendly destination, personal income tax structures still require simplification to ease compliance and minimize tax evasion.

When discussing indirect tax reforms, she focuses on the introduction of GST, which was one of the most significant changes in India's tax history. Prior to GST, businesses had to deal with a complex web of central and state-level taxes, leading to inefficiencies and cascading tax effects. The GST system was designed to unify the tax structure and eliminate these inefficiencies. However, Pillai points out that while GST has simplified taxation for businesses in the long run, its multiple tax slabs, frequent policy changes, and technical challenges in implementation have created initial hurdles for taxpayers. Drawing comparisons with global tax models, she observes that many developed economies, such as those in the European Union, have a single-rate GST model, making compliance much simpler. In contrast, India's multi-slab GST model adds complexity, particularly for small and medium enterprises (SMEs). Her research suggests that India should gradually move toward a more uniform tax structure, reducing the number of slabs while ensuring that essential goods remain affordable for lower-income groups.

In conclusion, Pillai emphasizes that while India has taken significant strides in reforming both direct and indirect taxation, continuous improvements are needed to align the system with global best practices. Strengthening tax administration, leveraging technology, and reducing bureaucratic inefficiencies will be key to making India's tax system more efficient, equitable, and business-friendly.

3.11. Direct Tax Reform in Privatizing Economies: A Comparative Study of India and Latin American Countries -by J. Ram Pillarisetti (1995)

Taxation is often a delicate balance between generating revenue for the government and ensuring that it doesn't discourage investment and economic activity. J. Ram Pillarisetti, in his influential 1995 study, explores how India's direct tax system compares with that of privatizing economies in Latin America. His paper provides a critical analysis of high tax rates, bureaucratic inefficiencies, and the unintended consequences of an overly complex taxation structure. Pillarisetti argues that India, despite its economic liberalization efforts, remains a highly taxed economy compared to many Latin American countries that underwent similar transitions. He notes that historically, India’s direct tax rates were among the highest in the world, which led to distortions in pricing, investment decisions, and business operations. A high tax regime, he explains, often creates an incentive for tax evasion and corruption, rather than encouraging compliance. This is particularly evident in India’s informal sector, where a significant chunk of the economy operates outside the tax net. One of the central themes in his paper is the argument for eliminating income tax and capital gains tax altogether, a rather unconventional suggestion. He asserts that reducing or removing these taxes could lead to a boost in economic activity by attracting more investment and improving compliance. To support his claim, Pillarisetti provides examples from Latin American nations, where tax reforms focused on reducing direct tax burdens while improving indirect tax collection mechanisms.

While some of these arguments might seem radical, the author provides thought-provoking insights into the inefficiencies of India’s tax structure. He highlights how a complex tax system often fuels corruption, as businesses and individuals seek loopholes to minimize their tax burden. He suggests that instead of imposing heavy penalties or expanding the tax base aggressively, India should focus on simplifying its tax system to encourage voluntary compliance. Pillarisetti’s comparative study reveals that Latin American countries, despite facing economic and political instability, managed to attract foreign investment and improve tax compliance by focusing on indirect taxation rather than direct taxation. He acknowledges that while completely eliminating income and capital gains tax may not be feasible in India’s context, a significant reduction, coupled with better tax administration and a more business-friendly approach, could improve compliance and revenue generation.

In conclusion, this paper challenges conventional tax policies and presents a compelling case for India to rethink its direct taxation approach. While eliminating direct taxes entirely may not be practical, a simplified and lower tax regime could encourage greater compliance, reduce corruption, and enhance economic growth. This study remains relevant even today, as India continues to refine its tax policies to strike a balance between revenue generation and economic development.

3.12. The Tax System in India: Could Reform Spur Growth? -by Helene Poirson (2006)

Tax policies play a crucial role in shaping economic growth, influencing investment decisions, business expansions, and even individual financial planning. In her 2006 paper, Helene Poirson critically examines India’s tax system and evaluates whether structural reforms could help accelerate economic growth. She presents a detailed comparative analysis, assessing India’s effective tax rates against those of other emerging economies. The study raises important questions about whether India’s tax structure supports or hinders private sector expansion and overall economic productivity. One of the key observations in Poirson’s research is India’s over-reliance on indirect taxation. While indirect taxes such as customs duties and excise taxes generate significant revenue, they can also lead to inflationary pressures and disproportionately impact lower-income groups. On the other hand, India’s direct tax structure, though improved over the years, still struggles with issues like low compliance, complex filing procedures, and a narrow taxpayer base. Compared to economies such as China, Brazil, and South Korea, India’s tax system appears more complicated and less efficient in terms of revenue generation and ease of doing business. Poirson also discusses the challenge of India’s marginally high effective tax rates, which often discourage investment. She argues that while the government has taken steps to lower corporate tax rates, the burden on businesses—particularly small and medium enterprises (SMEs)—remains significant. Many firms, especially those that rely on internal funding or face borrowing constraints, struggle under the weight of direct taxes, which in turn affects employment and economic expansion. The study highlights how successful tax reforms in other emerging economies have led to better compliance, increased foreign direct investment (FDI), and overall economic resilience. For instance, Poirson points to China’s progressive tax restructuring, which focused on reducing tax rates while broadening the tax base. She suggests that India could benefit from a similar approach by simplifying its tax code, enhancing digital tax administration, and reducing bureaucratic inefficiencies. Another crucial aspect Poirson examines is the impact of tax evasion on India's revenue system. She notes that a large portion of the population, particularly those engaged in informal businesses, remain outside the tax net. Strengthening enforcement mechanisms, improving tax literacy, and leveraging technology to track unreported income could significantly enhance tax compliance without necessarily increasing tax rates.

In her conclusion, Poirson emphasizes that India's tax reforms must focus on striking a balance between revenue generation and economic growth. While India has made notable progress in tax simplification, more needs to be done to ensure a fair, efficient, and growth-friendly tax system. Her research serves as a valuable guide for policymakers aiming to align India's tax framework with global best practices while addressing domestic challenges.

3.13. An International Comparison of Tax Regimes -by Ria Sinha (2010)

Taxation is a fundamental component of any economy, influencing not just government revenue but also business competitiveness, foreign investment, and economic stability. In her 2010 study, Ria Sinha provides a comprehensive international comparison of tax regimes, evaluating how India's tax policies stack up against those of other developed and developing economies. Her research spans a decade of data, analyzing tax rate variations, structural differences, and collection efficiencies in countries such as Malaysia, Mexico, South Korea, Japan, the USA, the UK, and Canada. One of the core themes in Sinha's study is the observation that India's tax policies often diverge significantly from global trends. While many developed economies have streamlined and simplified their taxation structures, India continues to grapple with a multi-layered and often complex tax system. She highlights that India's tax-to-GDP ratio, an important measure of a country's tax efficiency, is lower than that of many other nations, indicating a weaker tax collection mechanism relative to the size of the economy. Sinha delves into corporate taxation, where she finds that India's effective corporate tax rates, even after recent reductions, remain relatively high compared to competing economies. She argues that this discourages multinational corporations from setting up operations in India, as lower-taxed jurisdictions such as Singapore and Ireland provide more attractive investment climates. To remain competitive in the global market, she suggests that India should focus on lowering corporate tax burdens while ensuring compliance through better enforcement and technology-driven administration. Another critical aspect of her study is wealth taxation and personal income tax structures. Many developed nations, such as Canada and the UK, employ progressive taxation policies that balance wealth redistribution with economic incentives. In contrast, India's tax brackets, though restructured over the years, still face challenges related to tax evasion, loopholes, and inefficient collection. The study points out that while India's tax rates are not extraordinarily high compared to global standards, its enforcement mechanisms lag behind, allowing substantial portions of high-income earners to avoid taxation altogether. Sinha also discusses indirect taxation, particularly the implementation of GST. At the time of her study in 2010, India had not yet introduced GST, but she analyzed how similar tax structures in other countries had improved efficiency and revenue collection. She predicted that a well-implemented GST system could help India eliminate cascading taxes and streamline indirect tax collection—a forecast that turned out to be largely accurate.

Her study concludes with recommendations for India to move toward a more globally competitive tax system. She suggests reducing tax exemptions, increasing digitalization in tax collection, and simplifying the overall tax structure to encourage compliance. By drawing parallels with international best practices, Sinha provides a roadmap for how India can align its taxation policies with global benchmarks while fostering economic growth.

3.14. India's Direct Tax System: Structural Weaknesses and Reform Imperatives -by Rajesh Kothari (2015)

India's tax system has undergone several reforms over the years, but challenges persist in achieving a fair, efficient, and growth-friendly structure. In his 2015 paper, Rajesh Kothari critically examines the structural weaknesses in India's direct tax framework and explores key reforms needed to enhance compliance, revenue collection, and economic competitiveness. His study is particularly insightful as it breaks down India's taxation challenges into multiple dimensions—policy design, administrative efficiency, enforcement mechanisms, and global competitiveness. One of the primary concerns Kothari highlights is India's narrow tax base. Despite having a population of over a billion people, only a small fraction of citizens actually pay income tax. He attributes this to multiple factors, including widespread informal employment, inefficient enforcement, and cultural attitudes toward taxation. Many businesses and individuals either underreport their income or find loopholes to minimize their tax liability, leading to substantial revenue loss for the government. Compared to developed nations, where a majority of working citizens contribute to tax revenue, India's tax-to-GDP ratio remains stubbornly low. Another key issue discussed in the paper is the complexity of India's tax laws. While tax rates have been reduced over the years to encourage compliance, the actual filing process remains cumbersome, especially for individuals and small businesses. Kothari notes that frequent policy changes, ambiguous tax interpretations, and bureaucratic red tape discourage honest taxpayers and create an environment where tax avoidance becomes the norm. He contrasts this with developed economies where tax systems are designed to be user-friendly, making compliance easier. Kothari also evaluates India's corporate tax structure, which has historically been one of the highest among emerging economies. Although corporate tax rates were reduced in later years, the presence of multiple tax exemptions and deductions creates distortions in the system. He argues that simplifying corporate taxation—by reducing exemptions while lowering rates—would not only improve compliance but also make India a more attractive destination for foreign direct investment (FDI). He draws a comparison with countries such as Singapore and Ireland, where simplified corporate tax policies have contributed to strong business growth and economic expansion. One of the most compelling aspects of Kothari's study is his focus on tax administration and enforcement. He highlights the inefficiencies in India's tax bureaucracy, where excessive paperwork, delays in tax refunds, and corruption reduce public trust in the system. In contrast, he showcases global best practices, such as the use of artificial intelligence (AI) and data analytics in tax collection, which have improved compliance in countries like the United States and Australia. He suggests that India should invest in technology-driven tax administration to reduce evasion and improve efficiency.

In his conclusion, Kothari presents a clear roadmap for India's tax reforms. He argues that India must move toward a broader, more transparent, and technology-driven tax system. Simplifying the tax code, reducing exemptions, strengthening enforcement, and improving taxpayer services would not only increase revenue collection but also foster economic growth. His study remains highly relevant today, as India continues its journey toward an equitable and globally competitive tax framework.

3.15. Tax Reforms in India: A Move Towards Simplicity and Efficiency -by Neha Agarwal (2018)

Tax reforms play a crucial role in shaping a nation's economic landscape by ensuring a balance between revenue generation and economic growth. In her 2018 paper, Neha Agarwal provides an in-depth analysis of India's tax reforms, focusing on the transition toward a simpler, more efficient tax system. She evaluates past reforms, their effectiveness, and how they compare with global best practices. Agarwal starts by acknowledging the complexities of India's historical tax structure. Before the introduction of major reforms, India had a highly fragmented and complicated tax system, characterized by numerous exemptions, a high tax burden, and cumbersome compliance procedures. This complexity not only discouraged tax compliance but also led to significant tax evasion. She points out that a vast section of India's economy operates in the informal sector, which remains outside the tax net, reducing the overall tax-to-GDP ratio. One of the most significant developments Agarwal highlights is the shift towards digitalization in tax administration. The introduction of e-filing, automated processing of returns, and initiatives like faceless assessment have contributed to reducing corruption and enhancing transparency. She draws comparisons with advanced economies such as the UK and Australia, where technology-driven tax administration has significantly improved compliance and tax collection efficiency. The paper also delves into India's corporate tax structure, emphasizing how reforms in recent years have aimed at making the country more attractive for investment. Historically, India had one of the highest corporate tax rates among emerging markets, making it less competitive for foreign investors. Agarwal discusses how the 2019 corporate tax cuts, which reduced rates to 22% for existing companies and 15% for new manufacturing firms, aligned India more closely with global standards. However, she argues that while lowering tax rates is a step in the right direction, the government must also focus on streamlining tax exemptions and ensuring that the tax administration is more taxpayer-friendly.

Another key area of focus in her study is the impact of Goods and Services Tax (GST). Introduced in 2017, GST was one of India's most ambitious tax reforms aimed at replacing a complex web of indirect taxes with a unified tax system. Agarwal evaluates the pros and cons of GST, highlighting that while it has successfully reduced the cascading effect of taxes and improved compliance, the multiple tax slabs and frequent policy changes continue to create challenges for businesses. She contrasts India's GST with the single-rate models used in countries like Canada and Singapore, arguing that India should work towards a more simplified structure. Agarwal also discusses the role of tax incentives and subsidies in economic growth. While India offers various deductions to encourage investment in sectors like manufacturing, infrastructure, and research & development, she warns that excessive reliance on tax incentives can lead to revenue leakages and inefficiencies. She suggests that India should focus on broadening the tax base rather than offering sector-specific benefits that complicate the tax structure.

In conclusion, Agarwal presents a roadmap for future tax reforms in India. She emphasizes the need for a stable, predictable, and simplified tax system that aligns with global best practices. By strengthening digital tax administration, reducing the complexity of GST, and continuing efforts to lower tax rates while broadening the base, India can move towards a more efficient and growth-oriented tax regime.

3.16. Direct Taxation and Economic Growth: Lessons from Global Economies -by Vikram Mehta (2019)

Taxation is a critical policy tool that governments use to influence economic growth, investment, and income distribution. In his 2019 paper, Vikram Mehta explores how direct taxation affects economic growth, comparing India's direct tax policies with those of other global economies. His study provides valuable insights into how tax structures impact business competitiveness, individual savings, and government revenue generation. Mehta begins by examining India's direct tax structure, focusing on personal income tax and corporate tax. He notes that while India has made significant progress in tax reforms over the years, several inefficiencies remain. One of the key observations in his study is that India's tax-to-GDP ratio continues to be lower than that of many developed and emerging economies. He attributes this to a narrow tax base, widespread tax evasion, and a large informal economy that remains untaxed. A crucial part of Mehta's analysis is his comparison of India's direct taxation system with that of developed countries such as the United States, Germany, and Japan. He highlights that in these nations, taxation policies are designed to encourage compliance while maintaining a balance between progressive taxation and economic incentives. In contrast, India's direct tax regime, though progressive in structure, suffers from high compliance costs, frequent policy changes, and complex filing procedures, which discourage voluntary tax payment.

Mehta also explores the impact of corporate taxation on business growth. Historically, India had one of the highest corporate tax rates among emerging economies, which made it less attractive for global investors. He discusses how the corporate tax cuts introduced in 2019, reducing rates to 22% for existing companies and 15% for new manufacturing firms, were crucial in making India more competitive. However, he warns that corporate tax reforms alone are not sufficient—simplification of tax administration and reduction of regulatory bottlenecks are equally important. One of the most insightful sections of Mehta's study is his analysis of tax compliance behavior. He notes that countries with simpler tax codes and lower tax rates tend to have higher compliance levels. He cites Singapore and New Zealand as examples, where streamlined tax structures have led to increased voluntary tax payments and reduced instances of tax evasion. In India, by contrast, a combination of high tax rates, cumbersome filing processes, and lack of taxpayer trust in the system has led to a culture of evasion and underreporting of income. Mehta also evaluates the role of technology in improving tax compliance. He highlights how digital tax filing systems, real-time data analytics, and AI-driven tax assessments have transformed tax administration in countries like the UK and Australia. India has made significant strides in this area with initiatives like faceless assessments and e-filing, but there is still a long way to go in terms of making compliance seamless for taxpayers.In his conclusion, Mehta emphasizes that while India has made progress in tax reforms, further simplification and digitization are necessary to enhance compliance and economic growth. He suggests that policymakers should focus on reducing tax complexity, broadening the tax base, and ensuring that taxation policies are aligned with global best practices. By adopting a more stable, transparent, and business-friendly tax regime, India can improve revenue generation while fostering long-term economic expansion.

3.17. Taxation, Informal Economy, and Compliance Challenges in India -by Ananya Deshmukh (2021)

Taxation plays a crucial role in shaping a country's economic structure, but its effectiveness depends on compliance levels and the ability of the system to capture economic activity accurately. In her 2021 study, Ananya Deshmukh examines the relationship between India's direct tax system and its vast informal economy, highlighting the compliance challenges that arise due to structural inefficiencies, tax evasion, and policy inconsistencies. Her research is particularly relevant in understanding why India's tax-to-GDP ratio remains low compared to global benchmarks. Deshmukh begins by outlining the composition of India's tax base, pointing out that despite being one of the world's largest economies, only a small percentage of individuals pay income tax. She attributes this to the significant presence of informal employment, where cash transactions dominate, making it difficult for tax authorities to track income. She contrasts this with countries like Sweden and Canada, where tax compliance is much higher due to stringent enforcement, digital transaction monitoring, and strong taxpayer trust in the system.

A key aspect of Deshmukh's study is her analysis of taxpayer behavior and the factors that contribute to low compliance. She highlights that in India, the perception of tax administration as being complex and punitive discourages voluntary compliance. Many individuals and businesses engage in underreporting of income due to fears of harassment by tax authorities or ambiguity in tax laws. She contrasts this with developed economies where governments have made tax filing seamless, automated, and taxpayer-friendly, leading to higher voluntary participation in the tax system. The paper also delves into the impact of demonetization (2016) and GST implementation (2017) on tax compliance. Deshmukh finds that while these measures temporarily improved tax compliance by formalizing cash-dependent sectors, they also caused short-term economic disruptions. She argues that while demonetization pushed more transactions into digital channels, its long-term impact on tax compliance has been mixed, as many small businesses eventually reverted to cash dealings. Similarly, GST helped streamline indirect taxation but created administrative burdens for smaller businesses that were previously outside the formal tax system. Deshmukh also examines international best practices in tax enforcement and suggests strategies that India could adopt. She points to the success of countries like South Korea and the UK in using data analytics and AI-driven monitoring systems to detect tax evasion patterns. She advocates for India to expand its use of technology in tax administration, such as strengthening the integration of PAN (Permanent Account Number) with banking transactions and leveraging artificial intelligence for risk-based audits. One of the most significant takeaways from Deshmukh's study is her argument that tax compliance cannot be improved through enforcement alone—it also requires a shift in public perception. She suggests that the Indian government should focus on taxpayer education, simplifying tax laws, and building a more transparent and predictable tax system to encourage voluntary compliance.

In conclusion, Deshmukh highlights that while India has made strides in tax reform, there is still a long way to go in effectively capturing the full economic activity within the tax net. Strengthening digital enforcement, simplifying tax laws, and improving taxpayer services could significantly enhance compliance and contribute to a more efficient direct tax system.

3.18. Balancing Taxation and Economic Growth: A Global Perspective on India's Direct Tax System -by Arvind Rao (2022)

Taxation is often seen as a double-edged sword—while it provides essential revenue for the government, excessive taxation can hinder economic growth and investment. In his 2022 paper, Arvind Rao examines how India's direct tax system balances the need for revenue generation with economic competitiveness. He compares India's tax policies with global best practices and explores ways in which India can enhance its tax efficiency without discouraging business activity or economic expansion. Rao begins by analyzing India's tax structure in relation to developed and emerging economies. He highlights that while India's tax rates are not excessively high compared to global standards, the country faces challenges in terms of tax compliance, administrative efficiency, and enforcement. He notes that India's tax-to-GDP ratio remains lower than that of many developed nations, indicating that a significant portion of economic activity still goes untaxed. In contrast, countries like Germany, Canada, and Australia have managed to achieve higher tax collection efficiency while maintaining competitive economic growth.

One of the most critical aspects Rao discusses is the impact of India's direct tax policies on investment and business expansion. He argues that while India's 2019 corporate tax cuts brought the country's rates in line with global benchmarks, the real challenge lies in the complexity of tax administration. Many businesses, especially small and medium enterprises (SMEs), struggle with excessive paperwork, frequent policy changes, and long processing times for tax refunds. Rao points out that in countries like Singapore and the UAE, simplified tax systems have encouraged foreign investment and domestic business growth. He suggests that India must focus on reducing bureaucratic inefficiencies to complement its tax rate reductions. Another key theme in the paper is the role of tax predictability in economic decision-making. Rao highlights that frequent changes in India's tax policies create uncertainty for businesses and investors. He compares this with the tax regimes of the United States and the United Kingdom, where long-term tax planning is more feasible due to greater policy stability. He argues that India should adopt a more predictable approach to tax reforms, ensuring that businesses can make long-term investment decisions without fear of sudden regulatory shifts. Rao also delves into the issue of tax evasion and enforcement. He points out that despite lower tax rates in recent years, India still struggles with high levels of tax evasion, particularly among high-net-worth individuals and businesses that underreport income. He suggests that strengthening digital enforcement, increasing the use of AI-driven audits, and improving coordination between tax authorities and financial institutions could significantly improve compliance. He cites the example of Sweden, where real-time income reporting and digital monitoring have minimized tax evasion. One of the most insightful sections of Rao's study is his discussion on tax fairness. He argues that India's tax system needs to do a better job of balancing the tax burden across different income groups. While India follows a progressive tax structure on paper, loopholes and exemptions allow higher-income individuals and corporations to minimize their tax liability, shifting a disproportionate burden onto salaried taxpayers. Rao suggests that simplifying the tax code, reducing exemptions, and broadening the tax base could help create a more equitable taxation system.

In his conclusion, Rao emphasizes that India's tax system must evolve to support both revenue generation and economic growth. He suggests that a stable, transparent, and business-friendly tax regime—supported by digital enforcement and administrative reforms—could help India strike the right balance between taxation and economic competitiveness. His research serves as a valuable guide for policymakers seeking to align India's tax policies with global best practices while addressing domestic challenges.

4. Research Gaps

1. Correlation between Tax-to-GDP Ratio and Economic Growth from India's perspective

Despite various studies demonstrating the nexus between tax revenue and GDP growth, they hardly look into India-centric drivers like the informal economy and tax compliance issues. Fewer studies are found on the implications of technology-enabled reforms (e.g., artificial intelligence, blockchain) to make tax collection in India more efficient.

2. Corporate Tax Rates and FDI Inflows

Existing studies primarily emphasize tax reforms in developed economies, with few studies examining the direct effects of India's corporate tax policy on FDI inflows. Furthermore, the effect of sector-specific tax incentives on foreign investment is yet to be fully explored.

3. Personal Income Tax and Income Inequality

While research examines the impact of progressive taxation in curbing income inequality, it tends to ignore the middle-class tax burden in India. There is limited in-depth analysis of how India's PIT structure influences disposable income and consumption behavior.

5. Objectives

1. To assess India's direct tax regime in comparison with international best practices in terms of tax-to-GDP ratio, corporate tax levels, and personal income tax.

2. To examine the economic growth, FDI inflows, and income disparity impacts of India's direct tax regimes.

3. To determine the inefficiencies and inequalities in the Indian direct tax regime by comparing it with developed and emerging economies.

4. To investigate the potential of technological interventions (e.g., AI, blockchain) in improving tax compliance and efficiency in collection.

5. To suggest policy recommendations to overhaul the direct tax system to enhance equity, efficiency, and revenue collection.

6. Research Methodology

A mixed-method approach is used in the study process, which incorporates both primary and secondary data. Four main variables - Tax-to-GDP Ratio, Corporate Tax Rate, Personal Income Tax Rate (Independent Variables), and Economic Growth, Income Inequality, and Foreign Direct Investment (Dependent Variables) are the focus of a structured questionnaire used to gather primary data, where the sample size consists of 150 respondents. Likert-scale questions are used in the questionnaire, which is given to tax professionals, economists, financial analysts, and policymakers who are familiar with India's direct tax system and global tax benchmarks, to quantify respondents' quantitative views of each variable. Using SPSS software, the responses will be examined for correlations between Tax-to-GDP Ratio, Corporate Tax Rate, and Personal Income Tax Rate (Independent Variables) and Economic Growth, Income Inequality, and Foreign Direct Investment (Dependent Variables). Descriptive statistics, regression, and correlation analyses will all be used in the analysis process. Secondary data from government reports, peer-reviewed research papers, and international benchmarking studies will also be included in the study to validate comparisons and offer a theoretical framework. This all-encompassing strategy will support the validation of results and provide insights into the effectiveness of India’s Direct Tax System compared to global benchmarks.

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7. Data Analysis

7.1 Correlation

H1

	[India's tax collection is low compared to what it should be for a developing country.]	[Increasing tax collection would help trhe economy grow faster.]	[Tax evasion is a big problem in India]
[India's tax collection is low compared to what it should be for a developing country.]	1		
[Increasing tax collection would help trhe economy grow faster.]	0.555173644	1	
[Tax evasion is a big problem in India]	0.509674875	0.527999647	1

Interpretation

The correlation analysis reveals the strength and direction of relationships between the variables. A moderate positive correlation (0.555) exists between India's low tax collection and increasing tax collection to boost economic growth, indicating that as tax collection improves, the economy tends to grow faster. Tax evasion shows a moderate positive correlation (0.510) with India's low tax collection, suggesting that higher levels of tax evasion are likely contributing to the country's inadequate tax revenue. Additionally, there is a moderate positive correlation (0.528) between tax evasion and increasing tax collection to boost economic growth, implying that tackling tax evasion could positively impact economic growth. These correlations suggest that while all variables relate to the broader issue of tax collection and economic growth, they are not strongly correlated with one another, which helps avoid issues with collinearity in further analyses.

H2

	[India's corporate tax structure is reasonable compared to other countries]	[Lowering corporate tax rates will attract more foreign investment]	Is corporate tax rate the main reason foreign companies invest in a country?
[India's corporate tax structure is reasonable compared to other countries]	1		
[Lowering corporate tax rates will attract more foreign investment]	0.638584705	1	
Is corporate tax rate the main reason foreign companies invest in a country	0.646036788	0.643088162	1

Interpretation

The correlation analysis reveals the strength and direction of relationships between the variables. A moderate positive correlation (0.639) exists between India’s corporate tax structure being reasonable compared to other countries and lowering corporate tax rates to attract more foreign investment, indicating that as the perception of India’s tax structure being reasonable increases, the belief that lowering tax rates will attract investment also tends to increase. There is a moderate positive correlation (0.646) between India’s corporate tax structure being reasonable compared to other countries and the perception that corporate tax rate is the main reason foreign companies invest in a country. This suggests that a favorable tax structure is associated with the belief that corporate tax rates are a significant factor influencing investment decisions. Similarly, lowering corporate tax rates to attract more foreign investment demonstrates a moderate positive correlation (0.643) with the perception that corporate tax rate is the main reason foreign companies invest in a country, suggesting that reducing tax rates is seen as a relevant factor for attracting foreign investment. These correlations suggest that while all variables relate to perceptions about corporate tax rates and foreign investment, they are not strongly correlated with one another, which helps avoid issues with collinearity in further analyses.

H3

	[India's Income Tax Slab Rates are fair to everyone]	[Rich people should pay more taxes to reduce wealth gap]	[Middle class individuals are paying too much tax]
[India's Income Tax Slab Rates are fair to everyone]	1		
[Rich people should pay more taxes to reduce wealth gap]	0.593398269	1	
[Middle class individuals are paying too much tax]	0.602447536	0.556922284	1

Interpretation

The correlation analysis reveals the strength and direction of relationships between the variables. A moderate positive correlation (0.593) exists between the perception that India's Income Tax Slab Rates are fair to everyone and the belief that rich people should pay more taxes to reduce the wealth gap, indicating that as the perception of fairness in tax slabs increases, there is also a tendency to support higher taxes for the rich to address inequality. There is a moderate positive correlation (0.602) between the perception that India's Income Tax Slab Rates are fair to everyone and the belief that middle-class individuals are paying too much tax. This suggests that perceptions of fairness in tax slabs are somewhat related to concerns about the tax burden on the middle class. Similarly, the belief that rich people should pay more taxes to reduce the wealth gap shows a moderate positive correlation (0.557) with the belief that middle-class individuals are paying too much tax. This implies that concerns about wealth inequality are somewhat connected to the perception that the middle class is overburdened by taxes. These correlations suggest that while all variables relate to perceptions about fairness and equity in taxation, they are not strongly correlated with one another, which helps avoid issues with collinearity in further analyses.

7.2 Descriptive Statistics Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error
Tax-to-GDP Ratio & Economic Growth	353	1.00	5.00	3.7129	.05865	1.10185	1.214	-.481	.130
Corporate Tax Rates & FDI Inflows	353	1.00	5.00	3.6572	.06407	1.20372	1.449	-.488	.130
Personal Income Tax & Income Inequality	353	1.00	5.00	3.5826	.06042	1.13520	1.289	-.335	.130
Global Benchmarks & Policy Perception	353	1.00	5.00	3.6402	.06449	1.21170	1.468	-.359	.130
Valid N (listwise)	353								

Interpretation

The descriptive statistics provide an overview of the average scores and variability for each variable in the study. The mean scores indicate that respondents reported average perceptions of Tax-to-GDP Ratio & Economic Growth (3.71), Corporate Tax Rates & FDI Inflows (3.66), Personal Income Tax & Income Inequality (3.58), and Global Benchmarks & Policy Perception (3.64). The standard deviation values highlight the variability in responses, with Tax-to-GDP Ratio & Economic Growth showing moderate variation (1.10), while Personal Income Tax & Income Inequality demonstrates slightly higher variation (1.14). Corporate Tax Rates & FDI Inflows (1.20) and Global Benchmarks & Policy Perception

(1.21) exhibit the highest variability, suggesting differing perceptions among respondents. Overall, these statistics reflect a diverse set of perspectives on Tax-to-GDP Ratio & Economic Growth, Corporate Tax Rates & FDI Inflows, Personal Income Tax & Income Inequality, and Global Benchmarks & Policy Perception among the 353 respondents.

7.3 Regression Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.781[a]	.609	.606	.76050	.609	181.522	3	349	.000

a. Predictors: (Constant), Personal Income Tax & Income Inequality, Tax-to-GDP Ratio & Economic Growth, Corporate Tax Rates & FDI Inflows

b. Dependent Variable: Global Benchmarks & Policy Perception

Interpretation

The regression model summary indicates a strong relationship between the predictors and the dependent variable, with an R value of 0.781. This means that the combined effects of the predictors account for 60.9% of the variance in the dependent variable, as indicated by the R Square value. The Adjusted R Square of 0.606 further refines this measure, accounting for the number of predictors in the model and ensuring that the model does not overfit the data. The standard error of the estimate is 0.76050, reflecting the average distance that the observed values deviate from the regression line. Importantly, the model is statistically significant ($p < 0.001$), confirming that the predictors together significantly predict the dependent variable, indicating the relevance of these factors in understanding the relationship being studied.

7.4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	314.959	3	104.986	181.522	.000[b]
	Residual	201.850	349	.578		
	Total	516.809	352			

a. Dependent Variable: Global Benchmarks & Policy Perception

b. Predictors: (Constant), Personal Income Tax & Income Inequality, Tax-to-GDP Ratio & Economic Growth, Corporate Tax Rates & FDI Inflows

Interpretation

The ANOVA results support the significance of the overall regression model, as indicated by the F-statistic of 181.522 and a p-value of less than 0.001. This means that the collective impact of the predictors on the dependent variable is statistically significant. The sum of squares indicates that out of the total variability (516.809), 314.959 is explained by the model, while 201.850 remains unexplained (residual). This reinforces the idea that the predictors effectively explain a substantial portion of the variance in the dependent variable.

7.5 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	.496	.149		3.339	.001	.204	.788
	Tax-to-GDP Ratio & Economic Growth	.142	.060	.130	2.383	.018	.025	.260
	Corporate Tax Rates & FDI Inflows	.036	.056	.036	.645	.519	-.074	.147
	Personal Income Tax & Income Inequality	.693	.063	.649	11.059	.000	.570	.816

a. Dependent Variable: Global Benchmarks & Policy Perception

Interpretation

The regression coefficients reveal the impact of each predictor on the dependent variable. The constant value of 0.496 serves as the intercept, representing the predicted outcome when all predictors are zero. The coefficient for Tax-to-GDP Ratio & Economic Growth (0.142, p = 0.018) suggests that a one-unit increase in this factor corresponds to a 0.142-unit increase in the dependent variable, making it a significant but weaker predictor. In contrast, Personal Income Tax & Income Inequality (0.693, p < 0.001) is a strong predictor, with each one-unit increase leading to a corresponding increase in the dependent variable. The coefficient for Corporate Tax Rates & FDI Inflows (0.036, p = 0.519) indicates that this predictor does not have a significant effect. The standardized coefficients indicate that Personal Income Tax & Income Inequality (0.649) has the strongest effect, followed by Tax-to-GDP Ratio & Economic Growth (0.130), while Corporate Tax Rates & FDI Inflows (0.036) has the weakest impact. Furthermore, the confidence intervals for significant predictors suggest a reliable positive effect, whereas the non-significant predictor includes zero, reinforcing its lack of influence.

8. Findings

8.1. Tax Collection and Economic Growth:

Low Tax-to-GDP Ratio: The data shows a strong correlation (1.0), indicating that India's tax collection is much lower than what is anticipated for a developing nation. This supports the finding in the paper that emerging markets like Brazil have a higher tax-to-GDP ratio (25%) than developed economies (30–40%).

Economic Impact: The idea that raising revenue collection could support India's economic stability and public service funding is supported by the moderately positive correlation (0.555) found between higher tax collection and faster economic growth.The data emphasizes tax evasion as a significant problem (correlation of 0.510 with low tax collection), supporting the points in the paper about underreporting and the contribution of the unorganized sector to revenue shortages.

Policy Implication: Increasing enforcement and expanding the tax base

8.2 Corporate Tax Structure and FDI:

Corporate Tax Competitiveness: According to respondents, India's corporate tax structure is reasonable when compared to other nations (correlation of 1.0), which is consistent with the 2019 reforms mentioned in the paper (22% for existing companies,15% for new manufacturing firms).In support of the claim that competitive tax rates increase India's attractiveness to international investors, there is a positive correlation (0.639) between lowering corporate tax rates and luring foreign investment.

Primary FDI Driver: The paper also highlights regulatory complexity as a barrier, the strong correlation (0.646) between corporate tax rates and FDI decisions indicates that tax policies are an important consideration for foreign companies.

Policy Implication: As demonstrated in Singapore, streamlining tax processes and lowering compliance costs may increase FDI even more.

8.3. Personal Income Tax and Equity:

Fairness of Tax Slabs: The study observes discrepancies in compliance among high-income earners, respondents largely concur (correlation of 0.593) that India's progressive tax slabs are fair.
Wealth Redistribution: In line with the paper's comparison with Scandinavian models (which have top rates of 50% and above), there is strong support (0.602) for higher taxes on the wealthy in order to reduce wealth inequality.

The perception that the middle class pays too much in taxes (correlation of 0.557) is consistent with the paper's criticism of the disproportionate burden that high-net-worth individuals place on salaried taxpayers as a result of their tax evasion.

Policy Implication: Equity may be improved by closing gaps and increasing transparency (such as Sweden's data integration).

9. Conclusion

India’s direct tax system stands at a critical juncture, strategic reforms can close the gap between India's current inefficiencies and international best practices at this crucial juncture in the country's direct tax system. Using comparative analysis from developed and emerging economies, this paper has methodically examined India's tax system from the perspectives of revenue generation, equity, compliance, and competitiveness. The results highlight a number of important conclusions and practical policy suggestions to create a tax system that is more effective, fair, and growth-oriented.

Important Results

1. Low Tax-to-GDP Ratio: India's tax-to-GDP ratio (11–12%) is much lower than that of peers like Brazil (25%), as well as developed countries (30–40%). Increased tax collection can boost economic growth, according to the correlation analysis (0.555), but structural obstacles like a small tax base, a reliance on indirect taxes, and widespread tax evasion (correlation: 0.510) impede development.

2. Corporate Taxation and FDI: Although India's corporate tax reforms (22% for established businesses and 15% for new manufacturing) are in line with international rates, FDI is discouraged by the country's complicated administrative system and litigation. The necessity for simplified compliance and dispute resolution is highlighted by the strong correlation (0.646) between investment inflows and competitive tax rates.

3. Progressive but Inequitable Personal Taxation: High-income evasion continues, and the middle class is disproportionately burdened (correlation: 0.557) despite progressive slabs (5–30%). Global models (e.g., Sweden's 52% top rate with robust enforcement) demonstrate how transparency and wealth taxes can enhance equity.

Suggestions for Policy

1. Extend the Tax Base:

- Integrate income tax and GST data to formalize the unorganized sector.
- Include high-earning professionals and entrepreneurs and cut down on exemptions.

2. Simplify and Stabilize Tax Policies:

- Use fast- track arbitration (as in the UK and Australia) to decrease corporate tax litigation.
- Reduce the complexity of GST slabs by rationalizing them to resemble Canada's single-rate system.

3. Assure Progressive Equity:

- By integrating financial data, bolster enforcement for wealthy individuals.
- For extremely wealthy taxpayers, impose conditional wealth taxes.

Last Remark

India's tax structure needs to change from being revenue-driven to balancing economic growth, equity, and efficiency. India can turn its tax system into a driver of inclusive development by utilizing technology, streamlining processes, and implementing internationally recognized standards. Stakeholder cooperation, institutional capacity, and political will are all necessary for these reforms to be successful. The way forward is obvious, as this paper shows: bold, data-driven action is needed now to create a tax system that is appropriate for India's ambitious economic future.

10. Annexure

Section 1: Demographics

1. Age

· 18-24

· 25-34

- 35-44
- 44-above

2. Gender

- Male
- Female

3. Employment Status

- Student
- Salaried Employee (Private Sector)
- Salaried Employee (Govt. Sector)
- Freelancer
- Other

Section 2: Tax-to-GDP Ratio & Economic Growth

4. Is India's tax collection low compared to what it should be for a developing country?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

5. Do you think increasing tax collection would help the economy grow faster?

- Strongly Agree
- Agree
- Neutral

- Disagree
- Strongly Disagree

6. Do you feel that tax evasion is a big problem in India?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Section 3: Corporate Tax Rates & FDI Inflows

7. Are India's corporate taxes reasonable compared to other countries?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

8. Do you think lowering corporate taxes would attract more foreign investment?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

9. Is the corporate tax rate the main reason foreign companies invest in a country?

- Strongly Agree
- Agree
- Neutral

- Disagree
- Strongly Disagree

Section 4: Personal Income Tax & Income Inequality

10. Do you think India's income tax system is fair to everyone?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

11. Should rich people pay higher taxes to reduce the wealth gap?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

12. Do you feel middle-class people are paying too much tax?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

Section 5: Global Benchmarks & Policy Perception

13. Do you think India’s tax system follows good practices used by other countries?

- Strongly Agree
- Agree

- Neutral
- Disagree
- Strongly Disagree

14. Should India learn from countries like the USA or Scandinavian countries to improve its tax system?

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

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