

EXAMINATION OF INDIA'S TAX STRUCTURE ALONG WITH ITS INFLUENCE ON ECONOMIC DEVELOPMENT

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ABSTRACT:

The government body's main purpose is to enhance a country's wider growth and improvement. Taxes are the main route to earn funds in the governing body. These taxes are a continuous money-gaining approach. Both direct as well as indirect taxing are gathered in various manners. Direct taxes are scheduled alongside income tax. The flourishing of a nation's economic growth is heavily dependent on the tax framework it has accumulated. Hence, they are the main income for bodies. A nation's growth in funds happens if the tax system stimulates coordination and minimizes possibilities for tax misconduct. Hence, this paper focuses on the Indian taxing system and its impact on economic development. The paper also explains about the taxing framework, factors, arrangement of taxes, few provisions in Indian tax and reforms of Indian tax, its structure benefits on economic growth, and GST impact on generating revenue are covered in this research. It also shows the relationship between tax and economic development factors.

KEYWORDS: Direct tax, Indirect tax, GST, Indian Government, Economy

INTRODUCTION:

India has turned towards an economy based on open markets since gaining liberation in 1947. The manner of expansion and decreased obstacles on outer swap and initiative began in the first few years of the 1990s. It has sparked national development, which is predicted to rise to 7.5% during the 2015-16 fiscal period. During currency modifications, India's tax code has undergone an enormous shift in accordance with the country's liberal terms and regulations. The highlights of the alterations consist of the following changes legitimization of the tax system, a dynamic drop in higher prices for customs responsibilities, a decline in the rate of taxation for corporations, proper alignment of customs obligations with ASEAN phases, the creation of worth added tax, a widening of the scope of taxation, and a restructuring of tax regulations to guarantee better uniformity. Further, tax legislation ought to play an advantageous part in attaining commercial reliability, proportional earnings, and the ideal resource capture in nations that develop in addition to encouraging economic growth. It needs to be borne in awareness that although the key goals of the tax code were to grow collection with increasing revenues and to create governmental financing for successful capital agreements, it should additionally make a

conscious decision to fulfil a few desirable goals for the economy and society. Yet, the government's mindset concerning tax collections and administration witnessed an important transformation one time the nation had obtained its freedom. When contrasted with the British framework, especially the primary objective of pricing was to generate cash for the running of the government, current legislation has two purposes; initially, to raise funds for the authority in question, and secondly, to assist with supporting that is considered as a significant social cause. There ought not to be any discrimination in the tax code regarding any one group of payers. The inability of the fluctuating variable taxing does not constitute known. The second concept is the fact that the taxation system needs to have proper financial effects as well as not undermine the drive to hustle hard, accumulate money, and commit to chances.

IMPORTANCE OF TAXES:

DIRECT TAX:

Among the main forms of funding for government organizations comes from direct taxing. Managing consumer spending all over the world additionally has an influence on the rate of inflation, popularity, and availability within the national economy. The taxes imposed have to strike an acceptable compromise amongst offering managerial sales, regulating prices, and permitting sufficient free cash to promote expenditure since expensive goods and amenities are most severely driven by this law. Subsidies on specific goods, like insurance coverage or different kinds of advances, are going to encourage both individuals and companies to get involved in the economy of the country as well as create advantageous funds. As an outcome, the global economy shall become healthier and shareholders will enjoy greater stability in their finances, The nation's profits will increase as additional cash reaches its financial system.

INDIRECT TAX:

Considering less spending on essential supplies would result in a lower margin wasted on taxes, taxes that are indirect are being put into effect to make sure that funds are being utilized properly by people as well as companies. Lower production expenses are going to increase income while stimulating positive competition across rival companies, which will assist in helping the overall economy grow. Furthermore, this provides clients an increased selection of options modified to their necessities, encouraging developments in standards of living due to most sellers, producers, and service companies will attempt to reimburse taxation on first-time costs in the cost of selling their own, the financial burden of revenue inevitably lies upon the head of the end user. Consequently, the worth associated with these charges depends on the way that they stimulate enterprises to conduct themselves with as much effectiveness as necessary.

OVERVIEW OF THE TAXING FRAMEWORK IN INDIA:

The taxing process in the Indian government is a complex structure, it comprises various federal, local as well and state taxation. These taxes are essential for authorities in order to pay for infrastructure and public facilities. The outline of the tax framework is mentioned below.

India's taxation structure has been intelligently created According to the Indian Constitution's provisions, thus each of the three tiers of administration possesses the power to levy taxes as well as duties. Indirect taxes have been demonstrated to be utilized more frequently for tax gathering than straight taxes. Direct

taxes and indirect taxes are typically the two distinct divisions into which taxes across the nation are classified. Direct taxes refer to those the fact that are paid to the taxable body directly from an individual or business. They come from earnings and income. Indirect duties refer to taxes that are not submitted straight to the authority that taxes by the person or corporation. In comparison to taxation on incomes and gains, they have to be paid on services and goods.

LITERATURE REVIEW:

*An Investigation on Products and Services Tax in the nation of India by Neha Kanojia. This paper discusses the positive aspects of the Goods and Services along with how it currently impacts India. The present taxation system is insufficient to establish tax evasion and diversion. It additionally illustrates whether GST is preferable to VAT as well as Service Tax.

* "Mrs. Miriam George, Dr. Geetanjali, GST: A Revolution in Indian Taxation", The work discusses the positive aspects of GST along with the way it currently impacts India. The present-day indirect tax framework makes it difficult to demonstrate fraud in taxes and unfairness. Furthermore, it indicates whether GST is greater than VAT as well as service tax.

* Pratap Singh, Income Tax in India: Patterns and Challenges, Statistics from 1980 to 2017, Movements from 1980 to 2017, Trends throughout 1980 to 2017. The essay assists its writer in arriving at a resolution while providing powerful recommendations for this study's document.

* The study, which was conducted by Nishant Ghuge, depends solely on supplementary information from his book Indian Tax Organisation: An Analysis Viewpoint. Multiple data points have been gathered from the Indian nation's different web pages. It is apparent that the nation has lots of taxes along with different tax-collecting agents.

Furthermore, it shows that indirect taxes have a greater dependence relied on compared to direct taxes for revenue collection. Direct taxes as well as indirect taxes both have positive and negative aspects.

* The recognized economist Arvind Subramanian has composed substantially regarding the economy of India. the paper he wrote, "India's Tax Revenue Challenges and Reform Options," addresses the obstacles that the tax system in the nation suffers along with prospective reform measures.

OBJECTIVES:

- * To understand the importance of taxes.
- *Analyze constitutional provisions of tax.
- *Allocation of tax and authorities based on taxing.
- * Taxing structure impact on the Indian economy.
- * Implication of GST on the development of the economy

RESEARCH METHODOLOGY:

The information in the research is obtained by means of secondary information, which includes literature, papers, reports, journals, and web pages. The sources are going to be reviewed for the purpose of analysis and to know the objections to the approach used in this research summary.

INDIAN-CONSTITUTIONAL PROVISIONS ON TAX:

Every rule that India enacts has its basis in its founding documents, and hence it is important to critically understand the constitution in order to totally comprehend other kinds of laws. The provisions that are mentioned below for taxing are further subcategorized into subunits.

The sole way of collecting taxes is through the support of legislation. - Article 265).

Assessment of charge on tax along with partition of revenues between the federal authorities and state governments -Articles 268, 269, as well as 270).

Restrictions on states' capacity to impose taxes -Article 286.

The transfer of ownership or purchasing of goods manufactured outside the state.

Purchases and sales of items which occur between the import or export of goods.

Taxes collected by state governments or for state objectives -Chapters 276 and 277)

Taxes are collected by a state or for the betterment of the country together (sections 271, 279, and 284).

Grants-Aid is encompassed by Articles 273, 275, 274, along with 282.

TAXING ARRANGEMENT:

India possesses a designed effective taxation system with well-defined authority among the national and state governments and local groups. Apart from taxation on agriculture earnings, which different State Governments are able to collect, the national government charges taxes on income, customs fees, the central tax on goods and services, as well as the Combined Items and Service Taxes (IGST). The ability to tax properties and conveniences like water distribution, water drainage, and furthermore it is provided to neighbourhood authorities. States and territories Authorities implement the State Goods as well as Services Tax, taxes on stamps, state excise, taxation on land, and specialty tax. The newly enacted Good and Service Tax, this became implemented in July 2017, takes in all the different hidden taxes. The Indian tax code witnessed substantial modifications in 2017.

The Indian tax code witnessed substantial changes in 2017. The recently implemented Good as well as Services Tax, which officially came into force in July 2017, has taken on all of the different additional taxes. Approximately 17 distinct categories of indirect taxation have been completely removed with the enactment of GST, enabling the management of secondary taxes substantially easier and simpler. The GST, the largest tax overhaul in independent India since its inception, was put into effect by the Indian legislature in 2017. Authorities are utilized to assess various federal and state charges when employing different facilities or acquiring multiple goods. A few people had the ability to dodge taxes because of structural breakout provisions, since the tax system was complex and the laws were nullified. In a similar way, tax rates are being strengthened and tax rules have been recently reorganized, which

has brought improved uniformity, simplified paying tax, and improved clearance. In India, the method of permitting tax bodies is proceeding further.

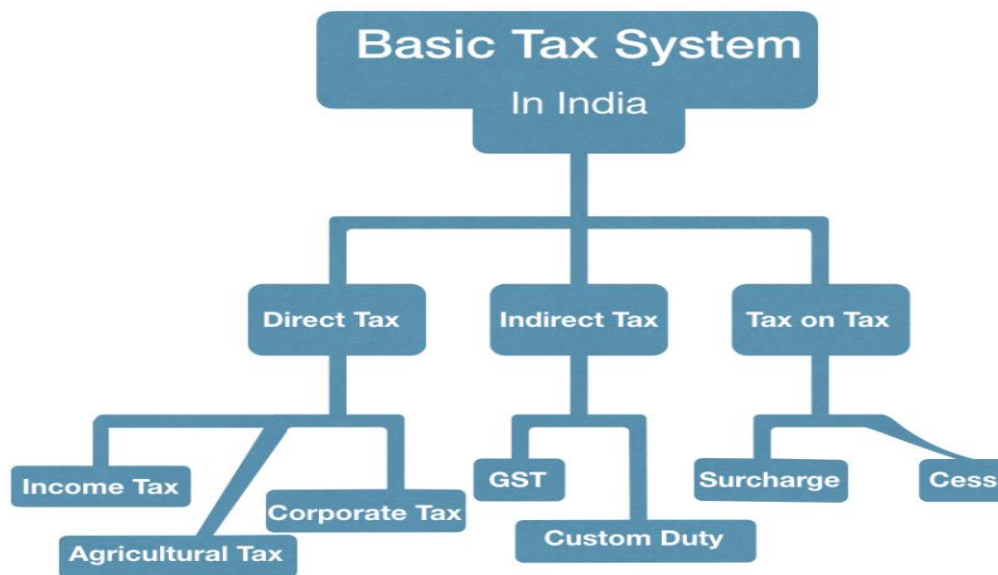


FIGURE: Basic Tax System in India

Source: Bank2home.com

AUTHORITIES RELATED TO TAX :

In accordance with the appropriate Acts, the government of the Union as well as the State administrations maintain the ability to impose taxes. In spite of indirect taxes notably duty, excise charges, and centralized taxes on sales, the Union Administration additionally levies direct charges like income taxes on corporations and individuals. The States are required to implement local charges like the entrance tax, as well as state-level sales tax. Based on the appropriate Acts, the central government as well as the various state authorities in India separately have a specific amount of the capacity for imposing taxes.

The States possess the right to establish regional fees which means the octroi along with entry tax in addition to the state's sales taxation. Indian tax overhauls have generally maintained a native company when compared to most emerging economies, which have been guided in their taxation adjustments by international bodies like the International Monetary Fund Furthermore, it supports the corporation's collection of the direct taxes within the Income Tax department. Consequently, although the truth is that the federal government received support from international economic foundations, the proposals put forward by those groups did not automatically transform into an agenda for reforming the tax system. Considering this, the revenue system enhancements were entirely in line with global standards, guidance offered during master discussions, and directions sent ahead by the global community at large Certain recent changes consist of the decreasing of taxes on excise complying with the world's financial as well as economic meltdown, the establishment of custom taxes that correspond to the rates of the ASEAN nations, and the implementation of service taxes in 1994 to 1995 instead of the Constitution- 115th Amendment, Billing.

There are three types of federal revenue collection in India. This group is composed of federal and state heads and municipal metropolitan organizations. No fee will be gathered or enforced until permitted by regulations, in accordance with Article 256 within the legislation. From that point onward, every single tax which is gathered ought to be accompanied by a law. Surprisingly India's tax code may be connected

through ancient texts like the Artha Shastra. James Wilson developed a proposal for India's modern revenue system on the backbone of these functions. Contrary to the information these genuine copies indicate landowners and craftspeople in that period were paying levies for goods from agriculture, gold, or silver. There are institutions focused on guaranteeing the efficient functioning within the Indian tax code. Sometimes referred to by the name the revenue experts.

CBEC-The Central Board of Excise and Customs supervises the formulation of policy related to the charging and gathering of import taxes, central taxation of goods, and management tax. It emerged upon the passage of the GST and substituted the CBEC.

CBIC: The main duty of CBIC is to support government officials in creating regulations involving GST. The Department of Finance's income authority contains the National Board of Direct Taxation It has two folding patterns.

CBDT-Central Board of Direct Taxation: The Department of Finance's income office encompasses the CBDT. It's got two folding lines.

One is the fact that it's contributing considerably to the preparation of indirect and direct taxation practices in India. Furthermore, it assists in the corporation's collection of direct taxes to support the income-tax unit.

| Income Tax Slabs & Rates : FY 2021-2022 (AY 2022-23) | | | | ReLakhs.com |
|--|---|---|---|-------------|
| Income Slabs | General Category (non-senior citizens) | Senior Citizens (60 & above years of age, but below 80 years) | Very Senior Citizens (80 years & above of age) | |
| | Income Tax Rates | | | |
| Upto Rs. 2,50,000 | Nil | Nil | Nil | |
| Rs. 2,50,001 to Rs. 3,00,000 | 5% | Nil | Nil | |
| Rs. 3,00,001 to Rs. 5,00,000 | 5% | 5% | Nil | |
| Rs. 5,00,001 to Rs. 10,00,000 | 20% | 20% | 20% | |
| Above Rs. 10,00,000 | 30% | 30% | 30% | |

FIGURE:INCOME TAX SLABS

Source: Home business.blogspot

As per the above classification up to 2.5 lakh, income tax isn't charged, and it's nil. When it increases that limit 5% is charged for senior citizens and the rest are nil. Followed by from 3 lakh the tax imposed by the government is 5% and nil for 80 years above individuals. In the next slab from 5 to 10 lakhs, it is 20% constant for all the categories. At least above 10lakhs, it's constantly 30% tax.

TAX STRUCTURE IMPACTS ON THE GROWTH OF THE ECONOMY:

In the last few years, an exact writing framework has been established for analysing the implications of the straight-to-indirect tax proportion on business activity. The findings of empirical studies differ and can sometimes be misleading. Whereas deeper investigations are going to reveal a revenue, subsequent

studies will generally discover major implications of the direct as well as indirect tax composition on outcomes that vary. These distinctions in outcomes had to depend on the technique employed and the duration of the examination's time. Effect of labour costs of labour, availability, and outcome: In an earlier investigation in this series of articles, Atkinson with Stern (1980) explores the outcomes of a systematic immediate spending model using information obtained from the United Kingdom Household Expense Study. on the workforce and well-being decline in taxation on earnings and a boost within VAT.

With the revenue tax minimizing expanding hours while the VAT modification reduces them, they discover individuals having the greatest wages have a net rise in the supply of labour. The evaluation of improvements to welfare indicates that individuals with bigger pay checks would see the greatest from the transition of taxation on income to VAT. Concerning changing growth endogenous applications the most persuasive proof so far demonstrating that direct against indirect tax choice matters revolves around the evidence that transforming the tax interaction towards taxing income and regarding usage taxation has major economic impacts or rapid efficiency benefits. We evaluate one aspect of this research study, and it was predominantly conducted using information gathered from OECD nations, in the paragraphs below.

Notably and generally looked at, although inevitably disputable, the outcome of tax regimes' substantial dependence on direct taxation over indirect ones is their unfavourable impacts on economic development. We are aware from the summary of the works above that numerous ongoing research efforts offer experimental proof—though this evidence is not consistently reliable—of the unfavourable future economic repercussions of direct duties, especially taxes on corporate profits and variable taxes on personal earnings. In this section, we would like to clearly analyse the conceivable influence of the direct transition to indirect tax balance on economic development. Calculating from most of the contemporary correct written form, we ought to predict that, everything else being comparable, less fortunate percentages of economic expansion would come from deeper direct tax to taxing indirect proportions. The expansion of the economy for experimentation is vast and perpetually improving.

THE IMPLICATIONS OF GST ON THE COUNTRY'S ECONOMY:

***ONE COUNTRY, ONE TAXING** is an arrangement of identical tax. Prior to the implementation of the GST, the rates of taxation applicable to different goods and services fluctuated based on the geographic area of the entire nation. With the enactment of the GST, folks used to fly to Delhi as well as acquire devices over there, because Delhi possessed a smaller amount for digital taxation compared to other Indian states. Currently, taxation are standardized throughout the entire nation.

***Doing operations is clear:** Following the passage of GST, secondary tax problems have gotten better. The process of registering of import immigration, VAT, working with tax authorities, etc. created multiple obstacles to previous enterprises. The perks of the GST are making things simpler for companies to run their daily business.

***GST increases simultaneously the central administration's and state authorities' income from taxes.** Although it is highly unlikely to dodge taxes, each business needs to pay taxation (GST). Because of the necessity for client and vendor invoicing, the chances of a counterfeit complaint are quite limited.

***Online Procedure:** Each stage of the GST system in place, through enrolment to posting refunds, is performed online. Although it requires just one refund for GST to be submitted in contrast to the former tax, which necessitated numerous filings to different taxing agencies, the GST system is quicker compared with the earlier tax.

***Item Competitiveness:** The GST integrates India's system of taxes alongside worldwide tax regulations. Since there is not as much of an escalating effect in the paying framework, the manufacturing cost will decline post the GST. Indian changes to taxes solely have a regional significance, following up with global trends as well as customs, contrasting with several emerging economies whereby tax revisions have been spearheaded through international bodies such as the International Monetary Fund, and so forth finished taxes on the manufacturing, distribution, and usage of items and services are commonly referred to as a Goods and servicing tax (GST). The tax required to be charged is on the value-added products or services, that benefit an ongoing hierarchy of recipients from the manufacturer or supplier, by means of the vendor and eventually to the client.

Different nations possess different GST frameworks, although India has multiple GST, as shown in Figure 1

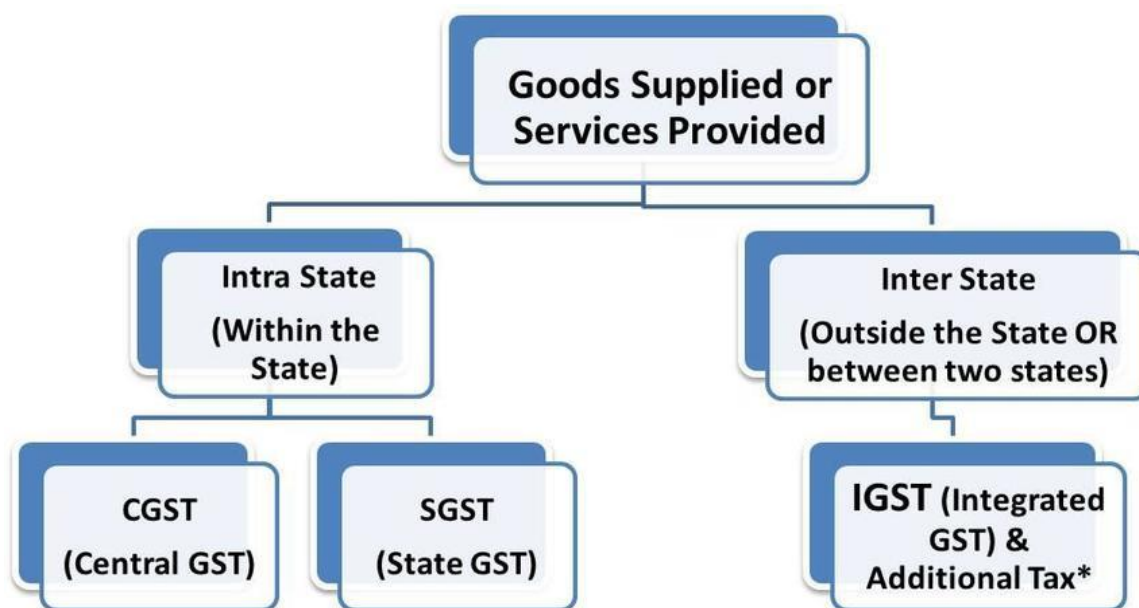


FIGURE -GST FRAMEWORK, Source: Wikipedia

Services: Based on the India Economic Survey, the services market keeps on going to function as the primary driving force of India's economic expansion, with a percentage of 55.2% throughout Gross Value Added. It produced across 72.5% GVA increase during 2021–22. The service-based industry in India encompasses businesses like tourism and consuming food, logistics, communication, financing, and insurance.

Automobile: India's automobile field, which excludes motorcycles is the fourth largest in the entire globe, with exports expanding 9.5% yearly to reach 4.02 million units in 2022. 7.1 percent of the GDP comes directly from the motoring industry. Before to tax changes, automotive products had been covered by several kinds of indirect costs, which involved the central government's Excise Department Duty, Automotive Cess, Facilities Cess, Essential Sales Tax

Banking: Having a 7.7% impact on GDP, the financial services industry represents one of India's biggest sectors of the economy as well as a major provider of fresh employment opportunities for the whole country. The business in question has stringent rules that exclude for any space for inaccuracy. Even

before now, this Service Tax legislation established a single central registration system to accommodate every lender and their various branches.

KEY AREAS:

The Centralised Goods along with Service Tax (CGST) comprised an assortment of taxes from both the federal and state level, which includes the Centralised Excise Duty, the Service Charge Tax, the Added Customs Duty, the Recreation Tax, Luxury Tax, the Octroi, Lotteries Taxes, the Electrical Duty, the State Additional fees pertaining to the sale of Goods along with Services, alongside the Buying Tax at the Government Level. The central government and other necessary constituent businesses, including the GST authority, GSTN, so on ., have been working around every minute to find remedies to any difficulties that could arise during the first few weeks of the introduction with the objective make sure a seamless transition. The bulk of national and state indirect charges would be included as part of the GST, removing the downstream implications of a multitude of taxation.

CONCLUSION:

Consequently, the selection of the tax system, including the percentage of direct to indirect taxation proportions, can be predicted to have possibly major implications on flows of FDI(Foreign direct investment). Dynamic taxes on personal income tend to decrease personal earnings related to expansion in the marketplace and less so relative to a downturn in the overall economy. Likewise, to taxes on personal income, income taxes on businesses create larger sums when revenues are solid throughout the growth stage of the cycle of economics but considerably diminish throughout the period of the recession phase. GST is undeniably an improvement in the Indian economy since it is predicted to improve India's indirect tax structure as well as have a major impact on enterprises, potentially throughout each industry.

It might not be correct to describe it as "probably one tax, one nation" since India keeps on levying direct charges such as income tax, gift tax, tax on property, and tradition or export duties. Then we analysed the average deviation of the increase in GDP throughout every sub-sample time frame, on the initial to indirect taxes ratio, and a lot of other logical causes, shows the effect of the tax framework in terms of the direct to indirect taxation piece on the stability of the macroeconomic system.

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