

Tax Compliance Issues in India

What is the issue?

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- India has lesser per-capita tax revenue when compared with the leading democracies.

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- Addressing the issues with tax compliance will increase the per-capita tax revenues.

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What are the various taxes levied in India?

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- **Direct Taxes** -Direct taxes are the one that fall directly on individuals and corporations, Forexample, income tax, corporate tax etc.

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- **Income Tax**- It is imposed on an individual who falls under the different tax brackets based on their earning or revenue and they have to file an income tax return every year after which they will either need to pay the tax or be eligible for a tax refund.

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- **Estate Tax**- Also known as Inheritance tax, it is raised on an estate or the total value of money and property that an individual has left behind after their death.

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- **Wealth Tax**- Wealth tax is imposed on the value of the property that a person possesses.

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- **Corporate Tax** - This is the tax paid by corporations on the incomes they earn.

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- **Minimum Alternative Tax (MAT)** - The Minimum Alternative Tax is a minimum tax that a company must pay,even if it is under zero tax limits.

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- **Indirect Taxes** -Indirect taxes are imposed on goods and services, they are paid by consumers when they buy goods and services.
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- These include GST, excise duty, customs duty etc.
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What is the status of tax collection in India?

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- Between 2000-01 and 2017-18, while India's GDP rose 7.7 times, central tax revenues rose 10.3 times, as a result of which tax-to-GDP rose from 8.7% to 11.6% and, this is expected to rise to 12.1% in FY19.
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- During this period, personal income taxes, as a ratio to GDP, are up from 1.5% to 2.6% and are projected to rise to 2.8%.
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- With rising per capita incomes, the tax-to-GDP levels are rising quite well due to increasing formalisation of the economy.
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- Corporate taxation levels (as a share of GDP), have been falling for several years, in keeping with the slowing of corporate profitability.
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Why per capita tax compliance is less in India?

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- Most of the Indian population lives in rural parts and they do agriculture as their occupation, and India does not tax income from agriculture.
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- Over 60% of the population is out of the ambit of the tax system or the various other exemptions given for senior citizens.
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- Apart from rural workers many wealthy landowners are out of tax ambit since they claim their income as earned from agriculture.
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- By this facts nearly 85 percent of the economy is outside the tax net.
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Source: Financial Express

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