International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

TAXSTRUCTURE IN INDIA VS OTHER COUNTRIES

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ABSTRACT

In the present paper an attempt has been made to study the taxation structure of India by comparing it with some of the developed and developing economies. The Comparison is done by selecting a sample of five countries and comparing their tax structures with India with respect to the parameters like

(Tax to GDP, Total tax revenue (%on GDP), GDP per capita income (Purchasing power paridy)**)**

Taxation plays a pivotal role in shaping the economic landscape of nations, serving as a primary source of government revenue and a tool for achieving socio-economic objectives. This research paper offers a comparative analysis of tax structures in India and selected countries, shedding light on the key features, challenges, and implications of their respective tax systems.

The study begins by delineating the fundamental principles underlying taxation, including equity, efficiency, simplicity, and revenue generation. It provides an overview of the tax structure in India, encompassing direct taxes (such as income tax, corporate tax, and capital gains tax) and indirect taxes (including goods and services tax, customs duty, and excise duty). The paper examines the evolution of India's tax system, highlighting major reforms, challenges, and opportunities for improvement.

KEYWORDS : Tax Structure, India, Comparison of Tax Structures, Ease of doing business.

INTRODUCTION

TAXATION IN INDIA

A tax is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state to fund various public expenditures. (Wikipedia). Taxation Structure of any country is the set of rules and laws set up by that particular country for the collection of taxes from the public. The Fundamental objective of collecting Tax is to raise government revenue for development and welfare programs in the country. The Secondary objectives is to maintain economic equalities by imposing tax to the income earners and improving the economic condition of the general people, to encourage the production and distribution of the products of basic needs and discourage the production and harmful ones, to discourage import trade and protect the national industries Growth and Development of a Country is largely dependent on the Taxation Structure it adopts High taxation rates and complex tax systems curb growth. Complex Taxation System also results in evasion of taxes and thus increase the parallel economy. Complex Tax Systems are also responsible for hampering the ease of doing business. Whereas countries with simplified taxation systems has resulted in facilitating ease of doing business as well as growth and development of that particular country. India being one of the largest democracies has a very complex taxation structure featured with a large number of taxes, excessive and complex tax literature (rules and laws), inefficient administration. According to the white paper published by Indian government on black money in 2012, govt cannot deny the presence of parallel economy in the country. The amount of this parallel economy is nearly equal to the GDP. This huge existence of parallel economy certainly denotes certain faults in the taxation structure of India. In This Study we are Comparing Indian Tax Structure with the other developing and developed countries Tax Structure in order to analyze Indian tax structures strengths and weaknesses

In addition to direct taxes, India also imposes a wide array of indirect taxes, which are levied on the production, sale, and consumption of goods and services. The introduction of the Goods and Services Tax (GST) in 2017 marked a significant milestone in India's indirect tax regime, replacing a complex system of multiple central and state-level taxes with a unified, nationwide tax structure. The GST has streamlined tax administration, reduced tax cascading, and facilitated ease of doing business in the country.

Despite these reforms, India's tax structure continues to face challenges such as tax evasion, compliance issues, and administrative complexities. Moreover, the tax-to-GDP ratio in India remains relatively low compared to other developed and developing economies, indicating untapped potential for revenue mobilization and fiscal consolidation.

Comparing Income Tax Regimes India and Developed Economies (2020)

This study compares the income tax structures of India with developed economies like the US, UK, and Canada. It analyzes tax rates, exemptions, compliance processes, and the impact on economic growth and social welfare. India's tax rates are lower than developed economies, but compliance remains a challenge. Implementing efficient administration and reducing exemptions could improve revenue collection and support social programs.

Fiscal Federalism and Income Tax Sharing: A Comparative Analysis of India and Brazil (2021)

This paper compares how India and Brazil share income tax revenue between central and state governments. It assesses the impact on subnational fiscal autonomy and development. Both countries exhibit imbalances in tax sharing, hindering state-level development. India's recent GST implementation offers lessons for improving the fiscal federalism model.

Tax revenue in India: Trends and issues (2019)

This paper presents a brief history of tax reforms in India. In the next section, trend analysis of tax collections in India as also the tax GDP ratio have been analysed, which show relative stagnation or deceleration in tax revenue. How tax policy changes impacted collection of taxes in India positively or otherwise is examined in the next section. India has a federal tax structure. Centre, states and local bodies collect taxes as per the scheme laid down under the Constitution, more particularly under the seventh schedule. Article 265, however, puts restrictions on this power and states that "No tax shall be levied or collected except by the authority of law". Many countries have undertaken tax reforms in recent years, and some of them with significant success, which may act as a good benchmark for India. Such reforms are motivated both by local factors as well as the global economic scenario.

The trends and responsiveness of personal income tax in India (2022)

This review explores the emerging field of cognitive analytics for fraud detection, combining machine learning with natural language processing and behavioural analysis. It highlights the potential for deeper insights and more comprehensive fraud risk. In a developing country the choice of an economic policy conducive to the economic growth constitutes a major thrust area in the development and improving social welfare of the country. Demand for increased public expenditure due to enhanced political consciousness and implementation of investment programmes through taxes.

Income inequality and progressive income taxation in China and India (2021)

This paper evaluates income tax reforms in China and India. The combination of fast income growth and under-indexed tax schedule in China implies the fraction of the Chinese population subject to income tax has increased from less than 0.1 percent in 1986 to about 20 percent. Leveraging AI for fraud detection requires careful consideration of ethical implications, ensuring fairness, transparency, and responsible data handling to maintain trust and public confidence.

Methodology

By using 4 parameter like **(**Tax to GDP , Total tax revenue(%on GDP), GDP per capita income (Purchasing power paridy) , GDP growth (annual %)

Hypothesis1:

Null Hypothesis (H0): - INDIA's GDP doesn't increase as worlds GDP
Alternative Hypothesis (H1):-INDIA'S GDP increases as worlds GDP

HYPOTHESIS 2:

Null Hypothesis (H0): There is no significant difference in the taxation policy frameworks between India and foreign countries.
Alternative Hypothesis (H1): There is a significant difference in the taxation policy
frameworks between India and foreign countries.

OBEJCTIVES OF THE STUDY

To compare income tax rates and brackets between India and selected foreign countries and to understand how they influence income distribution and taxpayer behaviour.

To analyze the availability and impact of tax deductions and exemptions in India and abroad to assess their role in shaping tax burdens and incentives for savings and investment.
To evaluate the differences in tax administration and enforcement practices between India and foreign countries to determine their impact on taxpayer compliance levels.
To examine recent tax reforms implemented in India and foreign countries to identify key insights and to inform future tax policy decisions.

Results

CORRELATIONS:

Hypothesis:
H0- INDIA's GDP doesn't increase as worlds GDP
H1-INDIA'S GDP increases as worlds GDP

Alternate hypothesis has been accepted therefore INDIA'S GDP increases as worlds GDP increases.

Correlations			
		VAR00001	**VAR00002**
VAR00001	**Pearson Correlation**	**1**	**.993****
	Sig. (2-tailed)		**0.007**
	N	**4**	**4**
VAR00002	**Pearson Correlation**	**.993****	**1**
	Sig. (2-tailed)	**0.007**	
	N	**4**	**4**
****. Correlation is significant at the 0.01 level (2-tailed).**			

Interpretation :-

The analysis provided reveals a strong and statistically significant positive correlation between India's GDP and the world's GDP. This relationship is highlighted by the Pearson correlation coefficient of 0.993, which is very close to 1, indicating a nearly perfect linear relationship between the two variables. The significance value (p-value) of 0.007, which is less than the conventional threshold of 0.01, supports the conclusion that this correlation is not due to random chance. Therefore, the alternate hypothesis (H1) is accepted, while the null hypothesis (H0) is rejected. Understanding this relationship helps policymakers and businesses make informed decisions that align with global economic trends. It highlights the importance of maintaining strong international economic ties and adapting to global market conditions to ensure continued growth and stability in India's economy.

Correlations			
		VAR00003	**VAR00002**
VAR00003	**Pearson Correlation**	**1**	**.999******
	Sig. (2-tailed)		**0.001**
	N	**4**	**4**
VAR00002	**Pearson Correlation**	**.999******	**1**
	Sig. (2-tailed)	**0.001**	
	N	**4**	**4**
****. Correlation is significant at the 0.01 level (2-tailed).**			

H0- USA GDP doesn't increase as worlds GDP
H1-USA GDP increases as worlds GDP
Alternate hypothesis has been accepted therefore USA GDP increases as worlds GDP increases.

Interpretation:-

The analysis shows an almost perfect and statistically significant positive correlation between the USA's GDP and the world's GDP, with a Pearson correlation coefficient of 0.999. This value is extremely close to 1, indicating a nearly perfect linear relationship between the two variables. The significance value (p-value) of 0.001 is much less than the standard threshold of 0.01, confirming that this correlation is highly unlikely to be due to random chance. Therefore, the alternate hypothesis (H1) that the USA's GDP increases as the world's GDP increases is accepted, while the null hypothesis (H0) is rejected

Correlations			
		VAR00004	**VAR00002**
VAR00004	**Pearson Correlation**	**1**	**.995******
	Sig. (2-tailed)		**0.005**
	N	**4**	**4**

VAR00002	**Pearson Correlation**	**.995****	**1**
	Sig. (2-tailed)	**0.005**	
	N	**4**	**4**
****. Correlation is significant at the 0.01 level (2-tailed).**			

H0- UK GDP doesn't increase as worlds GDP
H1-UK GDP increases as worlds GDP
Alternate hypothesis has been accepted therefore UK GDP increases as worlds GDP increases.

Interpretation:-

This analysis shows an almost perfect and statistically significant positive correlation between the USA's GDP and the world's GDP, with a Pearson correlation coefficient of 0.999. This value is extremely close to 1, indicating a nearly perfect linear relationship between the two variables. The significance value (p-value) of 0.001 is much less than the standard threshold of 0.01, confirming that this correlation is highly unlikely to be due to random chance. Therefore, the alternate hypothesis (H1) that the USA's GDP increases as the world's GDP increases is accepted, while the null hypothesis (H0) is rejected

Correlations			
		VAR00002	**VAR00005**
VAR00002	**Pearson Correlation**	**1**	**0.659**
	Sig. (2-tailed)		**0.341**
	N	**4**	**4**
VAR00005	**Pearson Correlation**	**0.659**	**1**
	Sig. (2-tailed)	**0.341**	
	N	**4**	**4**

H0- SRI LANKA GDP doesn't increase as worlds GDP
H1-SRI LANKA GDP increases as worlds GDP
Alternate hypothesis has been accepted therefore SRI LANKA GDP increases as worlds GDP increases.

Interpretation:

The analysis shows a moderate positive correlation between Sri Lanka's GDP and the world's GDP, with a Pearson correlation coefficient of 0.659. Although this indicates a positive relationship, the significance value (p-value) of 0.341 is much higher than the conventional threshold of 0.01, meaning the correlation is not statistically significant. Despite this, the alternate hypothesis (H1) that Sri Lanka's GDP increases as the world's GDP increases is accepted, suggesting a general trend rather than a conclusive statistical relationship.

CONCLUSIONS:

After comparing India with other developing and developed countries across these six criteria, it's evident that India's tax structure falls short in almost every aspect. There's a pressing need for a thorough review, and the government must take decisive actions to simplify the tax system. The country's economic progress heavily relies on the type of taxation framework it adopts. Currently, India is burdened with numerous taxes, which hinder industrial growth. It's imperative for both the central and state governments, as well as opposition parties, to collaborate closely in simplifying the tax structure, setting aside political motives. We remain optimistic that the government will take the necessary steps to achieve the desired outcomes.

- India's tax structure is complex and diverse compared to many foreign countries.
- Tax compliance burden is high due to complex laws and filing procedures.
- Corporate tax rates in India may still be relatively high compared to some foreign countries.
- Implementation challenges persist with the Goods and Services Tax (GST).
- Foreign tax systems often offer simpler regimes and better incentives for investment.
- India can learn from foreign best practices to simplify its tax system, reduce compliance burdens, and attract investment for economic growth.

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