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Analysis of India's Tax Structure

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Abstract:. *Taxation is an important source of revenue for the government, and the economic success of any country largely depends on the tax structure it creates. A tax system that makes business easier and eliminates the possibility of tax evasion benefits the country's economy. On the other hand, on the one hand, there is a tax framework that allows tax avoidance, and on the other hand, there is a tax structure that does not allow easy tax evasion. The cost of doing business is hindering the country's economy. India's tax system has gone through many reforms but it is still far from being the best tax system. Tax evasion, dependence on indirect taxes, black money, economic development and many other problems indicate that the Indian tax system will need major changes in the future. First of all, all these problems need to be solved. The authors of the following research paper have attempted to analyze the evolution of taxation in India. The research paper highlights the importance of the Goods and Services Tax (GST) newly introduced into the tax system in India and how people can benefit from more direct taxes than direct taxes.*

Keywords: Indian tax structure, tax evolution Indian tax structure, direct tax, evolving Indian tax structure, direct tax, evolving indirect tax, goods and services tax

I. INTRODUCTION

Evolution of Indian Tax Structure

The tax structure in India has constantly changed since independence. We have records of the committee investigating n ecessary changes to the current tax structure. Even today we cannot claim that everything is perfect, that India's tax and labor structure is flawless. Taxation is an old concept that dates back to the beginning of humanity. The ancient Indian b ooks Manu Smriti and Arthasastra contain many discussions about taxation. Manu Smriti believes that the king should a rrange the payment of taxes in such a way that taxpayers do not feel the heavy burden of taxes. During British rule in In dia, James Wilson developed a modern tax system in 1860. More laws were passed in 1922. This process continued and a new test was created in 1961. The Income Tax Law of 1961 was enacted and entered into force. The taxing power of the Government of India is determined by the Constitution of India and is apportioned between the Central Government and the States as per the principles laid down in the Seventh Act. Article 265 limits the state's taxing power and provid es that no tax can be levied without the consent of the legislature. Additionally, all income taxes in India are governed b y a law called the Income Tax Bill, which is passed by Parliament or state legislatures every year. The Board of Trustee s created the Board in 1924 to make the government responsible for revenue management. It has been updated several ti mes. As the tax expanded, expert committees such as the Indian Commission of Inquiry (1924-25) and the Excise Tax Inquiry Commission (1955-
34) were set up to make recommendations. The sole purpose of this group is as follows:

- Simplifying the tax code.
- Improve the tax base.
- Restructure the Income Tax Department to increase efficiency and productivity.

Research Problem

Indian tax system has undergone many reforms but is still far from ideal taxation. Tax evasion, dependence on indirect t axes, black money, development of balanced trade etc. Various issues such as show that the Indian tax system will need many reforms in the future. First of all, solve these problems need to be solved.

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Research questions
Do current regulations have the necessary guarantees to improve outcomes and provide minimum revenue for the gover nment?

Hypothesis
No, this study describes the reasons behind this problem in more detail.

II. LITERATURE REVIEW

Neha Kanojia, "Survey of Goods and Services Tax in India" This article discusses the benefits of GST and its current i mpact in India. Direct tax money can no longer deal with tax evasion and distorted taxation. This also shows that GST i s an improvement over VAT and Consumption Tax.
Pratap Singh, "Taxation, Systems and Issues in India" This article discusses a brief history of the Indian tax system and its various aspects between 1980 and 2017. This article helps the author write the conclusions and recommendations for this research paper.
Dr. Geetanjali Sharma, Ms. Miriam George, Goods and Services Tax -
A Change in the Indian Taxation System, This article discusses the benefits of Goods and Services Tax and its current i mpact in India. Direct tax money can no longer deal with tax evasion and distorted taxation. This also shows that GST i s an improvement over VAT and Consumption Tax.
Nishant Ghuge, "Tax Structure in India: An Empirical Analysis" This study is based on fundamentals. Many images are taken from various websites of the Indian government.
As you can see, there are many tax laws and different tax laws in India. It also appears that taxation and administration are based on indirect taxes rather than direct taxes. Direct and indirect taxes have their own advantages and disadvantag es.

Scope and Objectives
• Examine the tax structure in India
• Analyze the different taxes paid
• Determine the amount of tax payable
• Determine the income in different types of taxes
• Find Problems in the tax structure

Methodology
The methodology used in this article is theoretical in nature and data is collected from other sources such as journals, ar ticles, news reports, books, law tables and many websites. After reviewing this research article, secondary data will be u sed to analyze and understand the criticisms.

INDIA'S TAX SYSTEM INDIA
Currently has a threetier federal tax framework with clearly defined powers of the central government, state governmen ts and local authorities. The central government levies income tax (except agricultural income collected by the state gov ernment), customs duty, central excise and service tax (CGST) and integrated goods and services tax (IGST). The state government levies taxes such as state goods and services tax (SGST), stamp duty, state excise tax, land revenue and em ployment tax. The local government has the right to collect taxes on real estate, housing and water, water and other utili ties. Under Indian tax law, the government collects taxes from residents to generate revenue from public sector projects and improve the country's economic footprint.
Section 2(24) of the Income Tax Act 1931 defines "Income" as "the total income received by a person or business from a series of income available during a specified period". It means that a person receives money as Business money from t he work he does, and the money he receives from the workplace for a particular job is essential among his income. Like

wise, for a company, the income from the main business is considered as the company's income. In layman's terms, inco me is the amount a person receives at a particular time.

Difference between indirect tax and indirect tax in India

1) Taxpayers may feel:
Indirect taxes are initially collected from traders or manufacturers, but are eventually paid to buyers of goods or service s.
2) In the case of direct taxes, it is difficult to transfer the burden elsewhere because taxpayers have to pay taxes. Indirect taxes will be transferred to others.
3) In the case of direct taxes, there is a high probability of tax evasion due to account fraud and other methods.
4) Revenue Protection In indirect taxes, the possibility of tax evasion is limited as the tax is included in the purchase of goods or services.
5) Inflation can be reduced by direct taxes, but increased by indirect taxes.
6) Direct taxes have a negative impact on taxpayers' ability to save and invest. In indirect taxes, savings and investment will increase while goods and services are determined to be reduced.
7) Direct taxes are progressive taxes and reduce inequality, but indirect taxes are regressive taxes and increase inequalit y.
8) Regarding indirect taxation, the government can direct people's purchasing power towards valuable goods by paying heavy taxes on dangerous substances such as tobacco and alcohol, thus creating a positive impact.
9) Direct taxes are often complex, involve many exemptions, procedures and regulations, and require the assistance of e xperts and auditors, leading to administrative costs. collection.
10) Direct taxes are more meaningful because they are paid to all members of society through the sale of goods and ser vices; Direct taxes are paid only to those who fall within the scope of special taxes.

GST as an indirect tax

GST, a tax imposed on goods and services, has brought many positive developments to the Indian economy. Various ta xes that were previously banned will no longer apply. GST ensures that the concept of "One Country, One Tax, One Jo b" in our country becomes a reality rather than a pipe dream. The effect of taxation is when the ultimate consumer of an y good or service bears the tax rate as well as the calculation of tax, resulting in an increase or rise in price. Many indire ct taxes levied by state and federal governments have been included in the Goods and Services Tax (GST) effective Jul y 1, 2017. Goods and Services Tax (GST) replaces many taxes, including sales tax, central excise, entertainment tax, O ctroi and excise duty. Service tax, purchase tax etc. An important advantage is the ease of tax collection by the Indian g overnment.

The following taxes are collected at the central level:
1) Additional Excise Duty
2) Service Tax
3) Central Excise Duty
4) Additional Customs Duty commonly known as countervailing duty and
5) Special Additional Duty on Custom

The following taxes are collected at the state level:
1) State VAT/Sales tax included
2) Entertainment tax
3) Octroi and entry tax
4) Purchase tax
5) Luxury tax and
6) Lottery, betting and gambling tax

Goods and Services Tax (GST) can increase India's GDP. With the adoption of GST, taxpayers will be able to breathe a sigh of relief as they will not have to submit multiple compliance certificates for various states. The GST system requir es only one registration form and one document. It also strengthens the Indian government's "Make in India" program b

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y attracting new foreign investments and reducing production costs by reducing compliance costs and taxes.

INCOME TAX LAW

1. Income Tax Act, 1961

India has enacted the Income Tax Act, 1961. This law is a law whose main purpose is to regulate the taxation of the cou ntry through various laws and rules. The Act governs how the Indian government administers, collects, recovers and col lects income tax in India. The Act has 23 sections and 298 Section 1 to solve many income tax issues in India. All impo rtant provisions regarding income tax in India are covered. Income is included in the total income of a person in a finan cial year. Under the Income Tax Act, a person is defined as an individual, a Hindu undivided family, a company, a com pany, an association of individuals or a body of individuals. Assessee is the taxpayer who pays tax or other payments un der the Income Tax Act. Section 2(7) of the Income Tax Act, 1961 defines the term “assessee”. In addition, interest, pe nalties, fines and other taxes must also be included in the scope of "other income". Section 2(9) of the Income Tax Act 1961 defines “assessment year” as the twelve-
month period commencing on 1 April and ending on 31 March of the following year. For laypeople, the tax year is the year in which the previous year's income is taxable.

2. The Minister of Finance presents the budget to the Parliament of India every year. The Income Tax Law regulates all changes in income tax tariffs and tax rates every year. The Budget Draft becomes the Budget Draft after it is passed by t he Turkish Grand National Assembly and approved by the President. Most of the time, some sections of the Law are no t clearly explained in terms of their meaning, and the provisions of that section need to be clarified in order to interpret t heir meaning. CBDT2 regularly publishes circulars and notices to fill gaps in the provisions of the Act, which helps in b etter understanding the meaning of the provisions.

Role of Income Tax in Indian Economy

The contribution of direct tax or income tax in Indian economy is less than direct tax. The reason for the decrease in inc ome from income or direct taxes in the Indian economy is that the income is separated from the income of the people an d there is a net income. If income exceeds the limit, income tax is payable only on the income; However, in India most people whose income is below the limit are exempt from income tax. Income tax is levied only on a small portion of In dia's population whose income exceeds the limit. India has a progressive income tax, which means the rich are paid hig her prices and the poor are paid lower prices. Among the small segment of the population whose income exceeds the li mit, the minority is the wealthy group who are taxed on high incomes, so a direct tax or income tax is co-
opted for those living on very low incomes. . The Indian economy generates little revenue from direct taxes or revenues . On the other hand, direct taxes benefit the Indian economy more because direct taxes are paid on goods and services ra ther than income. Person's Income In indirect taxes, the tax is included in the prices of goods and services and the price is fixed. The fact that the price of goods and services is the same for everyone means that there is no difference between rich and poor. So, because the rich and the poor pay the same price for goods and services, both groups collect the sam e amount of taxes, which ultimately leads to direct tax revenue. Direct tax is the main source of taxes in India and plays a role. Important role in paying taxes in India. in the Indian market. The percentage of taxable income is used to determi ne the importance of income in the Indian economy. Income tax accounts for 40.24% of India's direct tax revenue in the last six years.

Impact of Income on Personal Income

Tax has a huge impact on people's lives in many ways. For example, a tax on a person's income reduces that person's in come (the amount of money the person can spend as he wishes). When a person's disposable income decreases, he spen ds less on household expenses. For example, if a person cannot purchase basic equipment that will help develop his bus iness, his ability to work will be affected and he will not be able to earn more money, which will affect his savings and i nvestment plans. Taxation affects the poor more and the rich less because the income of the poor is already very low an d taxing them affects their income, but the income of the rich is higher and the taxes levied on them are lower. coup. aff ects their income. Taxation can negatively affect people's motivation to work because income tax is flat, meaning that a person has to pay taxes on his income continuously, rather than once a year. Paying taxes has a psychological effect on him because he feels that it is useless to work longer than he has to give part of his income. As a result, people's willing ness to work is affected and the overall profit of the country suffers as people's motivation to work decreases. Taxing pe ople in this way can be seen to affect people's motivation to do their best to get the job done. When people begin to beli eve that they can no longer work, the country's standard of living suffers. And the decision not to postpone work will no t only affect people's lifestyle, but also negatively affect their savings and investment plans, which will have a huge imp act on the country's income.

Reasons for the decrease in tax revenues in India

The decrease in revenue due to tax evasion will prevent the government from achieving its fiscal deficit targets. Tax eva sion occurs when a person uses illegal means, such as financial statements, receipts, sales and accounting, to hide incom e from taxes. Business control of these groups is facilitated by black money and tax evasion. Taxes are the government' s main source of revenue, and tax evasion affects the economic development of the country. While it is legal to use ded uctions and claim low income to avoid taxes, it is not legal to avoid taxes. The tax framework must be able to distinguis h between the two. The main reason for tax avoidance is high tax rates, which can be reduced by reducing tax rates. Ac counts of public institutions should be reviewed regularly. Tax-free agricultural income29 is an easy way to avoid taxes by purchasing farmland and reporting the income under that he ading. You can have unlimited farming income without paying a single penny of taxes. The fact that a trick is exempt fr om taxes shows that not only farmers benefit, but all people who want to hide their money can use this trick to avoid lia bility.

According to reports, approximately 60% of India's population is engaged in agriculture. land Farm income goes to all t he rich people and politicians. By introducing an exemption for agriculture, some of the black money is converted into white money. This has become a popular way to hide illicit money and avoid taxes. The government is aware that this t ax exemption is being abused. Tax exemptions can be removed if appropriate measures are taken to solve these proble ms.

III. CONCLUSIONS AND RECOMMENDATIONS

Although the tax company has achieved the technology, there may be a need for improvement in management and proc edures. The documents and information on which the authorities rely should be made public. Regulations should prohib it ministerial officials and supervisory authorities from using information obtained from unverified private information i n the international tax market. Since India is a country with high taxes, foreign businesses need to be careful before doi ng business in India. Choose the appropriate sales model, determine the type of site and nature of the business, and sele ct salespeople.

The government may also make efforts to provide some tax benefits to taxpayers to encourage them to earn more and re alize their potential by devoting more time to work. This not only helps economic growth, but is also essential for impro ving quality of life. Taxpayers' money also affects the country's economy. However, the government needs to try to incr ease employment in various sectors. Since only a small percentage of the majority of people pay taxes, even a small por tion have evaded their tax obligations by creating fake accounts and filing missing returns. To solve the problem of blac k money and tax evasion, all income, including agricultural income, needs to be accounted for. An appropriate strategy needs to be put in place to determine the actual amount of agricultural income exempt from tax.

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