УДК 336.22(540)

Patel Diya Sunilkumar , student of the International Medical Institute, Kursk State Medical University, Kursk, Russia.

Email: diyapatel1844@gmail.com

THE MAIN CHARACTERISTICS OF TAX SYSTEM IN INDIA

Abstract: India’s tax structure significantly impacts how prosperous its economy. The majority of the government's revenue comes from taxes. Even though India's tax system has undergone numerous changes, it is still far from ideal. Numerous problems, including tax evasion, reliance on indirect taxes, black money, and the emergence of a parallel economy, suggest that the Indian tax system will need to undergo significant changes in the future in order to solve all of these problems.
Keywords: Indian tax system, direct tax, indirect tax

Патель Дия Сунилкумар, студентка Международного медицинского института, Курского государственного медицинского университета, Курск, Россия.

Электронная почта: diyapatel1844@gmail.com

ОСНОВНЫЕ ХАРАКТЕРИСТИКИ НАЛОГОВОЙ СИСТЕМЫ В ИНДИИ

Аннотация: налоговая структура Индии существенно влияет на уровень процветания ее экономики. Большая часть государственных доходов поступает от налогов. Несмотря на то, что налоговая система Индии претерпела многочисленные изменения, она все еще далека от идеала. Многочисленные проблемы, в том числе уклонение от уплаты налогов, зависимость от косвенных налогов, "черные деньги" и появление параллельной экономики, свидетельствуют о том, что в будущем налоговая система Индии должна претерпеть значительные изменения, чтобы решить все эти проблемы. Ключевые слова: налоговая система Индии, прямой налог, косвенный налог

Introduction

India's tax structure has experienced numerous changes since declaring independence. Inquiries on the necessary modifications to the current tax system were being conducted by a record number of committees. One cannot assert that the Indian tax system is perfect or that everything is currently well-systematized. Since the dawn of time, there has been the concept of taxation. The ancient Indian hooks "Manu Smriti" and "Arthasastra" contain in-depth debates on taxation. James Wilson established the current tax structure in 1860 while the country of India was ruled by the British. In 1922, new codification laws were passed [1,3]. A new attempt was made in 1961 with the approval and implementation of the Income Tax Act of 1961, which is still in place today with a few minor modifications made by the government. The Indian Constitution gives the government the legal power to collect taxes. In addition, the Finance Bill, a law approved annually by the Parliament or the State Legislature, must be attached to any tax imposed within the boundaries of India. The Board was established by the Central Board of Revenue Act of 1924 as a governmental body entrusted with handling income tax administration. There have been numerous amendments since then. Later, professional bodies were established to offer recommendations, such as the Indian Taxation Enquiry Committee and the Taxation Enquiry Commission.

The tax system in India has undergone numerous changes, yet it is still far from ideal. In order to address a number of issues, including as tax evasion, reliance on indirect taxes, the development of a parallel economy, and the usage of black money, like multiplicity of taxes, dominance of indirect taxes, bias in incidence of taxes, complexity and corruption, imbalance in tax system, lack of coordination, lack of built-in-elasticity, squandering away of resources it is likely that the Indian tax system may need to be considerably altered in the future [2,4].

The Indian tax structure is a well-organized three-tier tax structure consisting of the central government, state government, and local municipal bodies. It divides the tax structure into mainly two types, 1) direct tax and 2) indirect tax. Direct taxes are applied to your income and indirect taxes are applied to the expenditure.

Direct taxes are applied to individuals and corporate entities. For example, for an individual taxpayer, the most important direct tax is the income tax that we pay [3]. It is mandatory to pay income tax to all citizens if that person’s income is above a certain limit. In the taxation of India, direct tax contributes almost 50%. Other taxes under the direct tax in our Indian tax structure are,

a) Capital gain tax applies to sales from capital assets only. Capital gain is the factor on which the rate of tax depends. Capital gains are also of two types, short-term capital gains tax, and long-term capital gains tax.

b) Corporate tax applies to the businesses that file their return as a company. This also depends on the annual income or turnover of the firm or business.

Indirect tax in the Indian tax structure is the most consistent and largest source of revenue for the government. The type of indirect taxes service tax, Indian excise duty, value-added tax, customs daily, stamp duty, and entertainment tax.

Difference between Direct Tax and Indirect Taxes in India

1. The taxpayer experiences the effects of direct taxation immediately. Indirect taxes were initially assessed on producers or dealers, but eventually they were also assessed against consumers of goods or services.

2. Taxes negatively affect taxpayers' ability to save and invest. Indirect taxes may lead to greater savings and investment if you buy fewer non-essential products and services,

3. Indirect taxes have lower administrative costs due to convenient and reliable collections, whereas direct taxes often have greater administrative costs because of the numerous exemptions, procedures, and conditions that may require the assistance of professional accountants and auditors.

4. Taxes, which are solely levied against those who fall under specific tax brackets, indirect taxes have a wider scope because they are levied against every member of society through the sale of products and services [1].

5. Shifting the burden in the case of direct taxes is challenging because the taxpayer is responsible for paying the tax. There is a chance that the indirect tax will he transferred to others.

6. While indirect taxes are regressive and increase inequality, direct taxes are progressive and reduce it.

The first feature of the Indian tax structure is the multiplicity of tax structure-the main feature of the Indian tax structure is the existence of a multiplicity of taxes. Union government taxes and state government taxes, both exist, and the tax structure includes both direct and indirect taxes [4].

The second feature of the Indian tax structure is that the indirect taxes hold a large share in our Indian tax structure. Indirect taxes dominate over direct taxes. According to research, because of the undeveloped economy and major inequality in income, the percentage of direct taxes is limited.

The third feature is the insufficient tax revenue. Although there is a rise in trend in tax revenue still the total tax revenue is still small compared to the developed countries. The GDP ratio is 8 to 9 per cent in India whereas in developed countries like the UK, and the USA the share has a range between 30 to 40 percent.

The fourth feature is the incidence of taxation. In the Indian tax structure, the incidence of taxation is much higher in urban areas than compared in rural areas because of the predominance of agriculture as an occupation in rural areas and less income in rural households.

The fifth feature of the Indian tax structure is its progressiveness of the tax structure. The Indian tax structure is framed to make sure that all indices of ability to pay are taxed. Depending on the type of commodity and consumer class excise duties are levied and collected discriminately.

The sixth feature is that the tax base is very narrow in India in both direct and indirect tax systems. The research shows that only one per cent of the working population of India comes under the preview of direct tax.

The seventh feature of the Indian tax structure is the complexity of Indian laws. With the intention of a broad-based tax system, a lot of changes have been introduced to the tax structure. There are many loopholes in the direction as well as indirect tax structure which provides a lot of loopholes to people to avoid tax.

In this article, we went through the definitions and understanding of the Indian tax structure, why it is necessary, what are its types, and what is a direct and indirect tax. We also looked at the features of the Indian tax structure which told us what problems are affecting the taxation in India. We also looked at the types of taxes based on the source of the taxpayer’s income and expenditure.

References

1. NehaKanojia, A Study on Goods and services Tax in India, TIJ’s Research Journal of Social Science & Management – RJSSM (2014)

2. Pratap Singh, Tax Revenue in India, Trends & Issues, ISBN 978-81-940398-4-6 (2019)

3. DrGeetanjali Sharma, Mrs.Miriam George, GST- A game changer in Indian Taxation System, IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 19 (2017)

4. NishantGhuge, Indian Tax Structure: An Analytical Perspective, International Journal in Management and Social Science, Vol.03 Issue-09 ISSN: 2321-1784 (2015)