



# Comparative Study of Direct and Indirect Tax Collection in India (from 2000-2001 to 2018-2019)

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## ABSTRACT:

Taxes are an important and largest source of income for the government. The government uses the money collected from taxes for various projects for the development of the nation. The Indian Tax System is well structured and has a three tier federal structure. The tax structure consists of the Central Government, State Government and Local Municipal bodies. When it comes to taxes, there are two types of taxes in India—Direct and Indirect tax. The direct tax includes Income tax, Gift tax, Wealth Tax etc. while Indirect taxes include VAT, service tax, custom duty and GST. In this study efforts are made to explore the answer of the quantum of direct and indirect tax collection and its contribution in total tax collection? And find the ratio of direct tax and indirect tax collection with GDP. After data interpretation and analysis it was found that Direct tax collection is showing increasing trend and in comparison to direct tax indirect tax collection is showing decreasing trend, Direct tax to GDP ratio is also showing increasing trend. Indirect tax to GDP ratio is not showing stationary trend but it was found that indirect tax contribution is continuously decreasing in trend total tax collection during the study period. Total tax collection to GDP ratio is also showing increasing trend.

**Keywords:** Direct tax, Indirect tax, GDP.

## Introduction:

Taxes are an important and largest source of income for the government. The government uses the money collected from taxes for various projects for the development of the nation. The Indian Tax System is well structured and has a three tier federal structure. The tax structure consists of the Central Government, State Government and Local Municipal bodies. When it comes to taxes, there are two types of taxes in India—Direct and Indirect tax. The direct tax includes Income tax, Gift tax, Wealth Tax etc. while Indirect taxes include VAT, service tax, custom duty and GST.

The Central Government of India imposes taxes such as Customs duty, Central Excise duty, Income Tax and Service Tax. Taxation in India is majorly divided into two categories 1. Direct Taxes and 2. Indirect Taxes, while direct taxes are levied on your earnings in India, Indirect taxes are levied on expenses. The responsibility to deposit the direct tax liability lies with the earning party, whether individual, HUF or company. Indirect taxes are collected

majorly by the Corporate and business providing services and products. Thus the responsibility to deposit indirect taxes lies with these enteritis.

### **Review of literature:**

Nishant Gauge and Katdare (2015), in the article “Indian Tax Structure – An Analytical Prospective” identified the amount of tax revenue collected from different types of taxes over the period of four years, amount of indirect tax collection was nearly twice the amount collected from direct taxes.

Pramod Kumar Pandey (2017), in their article titled “The Impact of Indian Taxation System on its Economic Growth” identified that there exist an impact of direct and indirect taxes on the economic growth of India.

### **Objects of the study:**

The objectives of this study are to explore the answer of following questions:

1. What is the quantum of direct and indirect tax collection and its contribution in total tax collection ?
2. What is the ratio of direct tax and indirect tax collection with GDP

### **Research Methodology:**

This research is exploratory in nature and is primarily based on the secondary data, which has been collected for the websites of taxation authorities, regulatory bodies, central board of direct taxes and various ministries of government of India. The secondary data has been retrieved, extracted, tabulated and presented in the form of tables for the purpose of research. MS office and MS excel tools has been extensively used and applied for the purpose of data presentation, analysis, interpretation and to arrive at pertinent and relevant conclusions.

### **Data Analysis and Interpretation:**

Table 1 indicates that from 2000-2001 to 2006-2007 indirect tax collection is more than direct tax collection, but after that from 2006-2007 onwards to 2018-2019 direct tax collection is more than indirect tax and share in total tax collection was more than 50 percent. It is also found that both Direct and Indirect collection showing increasing trend. in the year 2017-2018 and 2018-2019 direct tax collection is almost 16 times and indirect tax collection about 8 times in comparison to 2000-2001 year. The data shown for the year 2018-2019 is provisional not finalized by government.

**Table 1 : Showing Direct and Indirect Collection and Total tax collection from 2000-2001 to 2018-2019**

Financial year	Direct Tax collection		Indirect Tax collection		Total tax Collectio (Rs.crore)
	(Rs.Crore)	Percentage in total tax	(Rs. crore)	Percentage in total tax	
2000-2001	68,305	36.31	1,19,814	63.69	1,88,119
2001-2002	69,198	37.10	1,17,318	62.90	1,86,516
2002-2003	83,088	38.52	1,32,608	61.48	2,15,696
2003-2004	1,05,088	41.42	1,48,608	58.58	2,53,696
2004-2005	1,32,771	43.72	1,70,936	56.28	3,03,307
2005-2006	1,65,216	45.32	1,99,348	54.68	3,64,564
2006-2007	2,30,181	48.80	2,41,538	51.20	4,71,719
2007-2008	3,14,330	52.97	2,79,031	47.03	5,93,361
2008-2009	3,33,818	55.34	2,69,433	44.66	6,03,251
2009-2010	3,78,063	60.78	2,43,939	39.22	6,22,022
2010-2011	4,45,995	56.48	3,43,716	43.52	7,89,711
2011-2012	4,93,967	55.82	3,90,953	44.18	8,84,940
2012-2013	5,58,989	54.17	4,72,915	45.83	10,31,904
2013-2014	6,38,956	56.32	4,95,347	43.68	11,33,943
2014-2015	6,95,792	56.16	5,43,215	43.84	12,39,007
2015-2016	7,41,945	51.03	7,11,885	48.97	14,54,180
2016-2017	8,49,713	49.65	8,61,515	50.35	17,11,228
2017-2018	10,02,037	52.24	9,15,256	47.76	19,18,210
2018-2019*	11,37,685	54.78	9,39,018	45.22	20,76,703

\*Provisional

**Table 2: Showing Net Direct taxes collection and ratio of GDP with Direct Taxes (2000-2001 to 2018-2019)**

Financia l year	Net Collection of direct taxes (Rs.crore)	GDP Current market price (Rs.crore)	Direct tax GDP ratio	Financia l year	Net collection of direct tax (Rs.crore)	GDP Cuurent market price	Direct tax GDP ratio
2000-01	68,305	21,02,376	3.25	2010-11	4,45,995	76,74,148	5.81
2001-02	69,198	22,01,058	3.03	2011-12	4,93,967	90,09,722	5.48
2002-03	83,088	24,58,084	3.38	2012-13	5,58,989	1,01,13,281	5.53
2003-04	1,05,088	27,54,621	3.81	2013-14	6,38,596	1,13,55,073	5.62
2004-05	1,32,771	32,42,209	4.10	2014-15	6,95,792	1,25,41,208	5.55
2005-06	1,65,216	36,93,369	4.47	2015-16	7,41,945	1,35,67,192	5.47
2006-07	2,30,181	42,94,706	5.36	2016-17	8,49,713	1,53,62,386	5.53
2007-08	3,14,330	49,87,090	6.30	2017-18	10,02,037	1,70,95,005	5.86
2008-09	3,33,818	56,30,063	5.93	2018- 19*	11,37,685	1.90,10,164 @	5.98
2009-10	3,78,063	64,57,352	5.85				

\*Provisional

@Advance Estimates as per Press Release dated 31.05.2019 of MOSP

Table 2 indicates that GDP to Direct tax ratio was 3.03 lowest in 2000-01 and it was 6.80 highest in the year 2007-2008. It is also clearly stated that Direct Tax to GDP ratio is in the range of 5 to 6 from 2006-07 to 2018-19 and in 2000-01 to 2005-06 it was in the range of 3 to 4.50 percent. So it was slight stationary in the range of 6.30 to 5.47 from 2006-07 to 2018-19.

**Table 3: Showing indirect tax collection and ratio of GDP with indirect tax (2000-2001 to 2018-2019)**

Financia l Year	Collection of in direct taxes (Rs.crore)	GDP Current market price (Rs.crore)	Indiir ect tax GDP ratio	Financia l year	collection of in direct tax (Rs.crore)	GDP Cuurent market price	Indirec t tax GDP ratio
2000-01	1,19,814	21,02,376	5.70	2010-11	3,43,716	76,74,148	4.48
2001-02	1,17,318	22,01,058	5.14	2011-12	3,90,953	90,09,722	4.34
2002-03	1,32,608	24,58,084	5.39	2012-13	4,72,915	1,01,13,281	4.68

2003-04	1,48,608	27,54,621	5.39	2013-14	4,95,347	1,13,55,073	4.36
2004-05	1,70,936	32,42,209	5.27	2014-15	5,43,215	1,25,41,208	4.33
2005-06	1,99,348	36,93,369	5.40	2015-16	7,11,885	1,35,67,192	5.24
2006-07	2,41,538	42,94,706	5.62	2016-17	8,61,515	1,53,62,386	5.61
2007-08	2,79,031	49,87,090	5.60	2017-18	9,15,256	1,70,95,005	5.35
2008-09	2,69,433	56,30,063	4.79	2018-19*	9,39,018	1,90,10,164 @	4.94
2009-10	2,43,939	64,57,352	3.78				

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Table 3 indicates that the indirect tax to GDP ratio is showing decreasing trend. In the year 2000-01 it was 5.70 percent highest and 3.78 percent in the year 2009-10 was lowest. From 2000-01 it was in the range of 5.27 to 5.70 percent and then after it was in the range of 3.78 to 4.79 from 2008-09 to 2015-16 and then after it was again in the range of 4.94 to 5.61, it indicates up and down trend.

**Table 4: Showing GDP growth rates and Direct tax to GDP ratio and Indirect Tax to GDP ratio and total tax to GDP ratio (2000-2001 to 2018-2019)**

Financial year	GDP Current market price (Rs.crore)	GDP Growth rate (%)	Direct tax to GDP ratio (%)	Indirect tax to GDP ratio (%)	Total tax to GDP ratio (%)
2000-2001	21,02,376	7.70	3.25	5.70	8.95
2001-2002	22,81,058	8.50	3.03	5.14	8.17
2002-2003	24,58,084	7.76	3.38	5.39	8.77
2003-2004	27,54,621	12.06	3.81	5.39	9.20
2004-2005	32,42,209	17.70	4.10	5.27	9.37
2005-2006	36,93,369	13.92	4.47	5.40	9.87
2006-2007	42,94,706	16.28	5.36	5.62	10.98
2007-2008	49,87,090	16.12	6.30	5.60	11.90
2008-2009	56,30,063	12.89	5.93	4.79	10.72

2009-2010	64,57,352	14.69	5.85	3.78	9.63
2010-2011	76,74,148	18.84	5.81	4.48	10.29
2011-2012	90,09,722	17.40	5.48	4.34	9.82
2012-2013	1,01,13,281	12.25	5.53	4.68	10.21
2013-2014	1,13,55,073	12.28	5.62	4.36	9.98
2014-2015	1,25,41,208	10.45	5.55	4.33	9.88
2015-2016	1,35,67,192	8.25	5.47	5.24	10.71
2016-2017	1,53,62,386	13.23	5.53	5.61	11.14
2017-2018	1,70,95,005	11.28	5.86	5.35	11.21
2018-2019*	1,90,10,164	11.20	5.98	4.94	10.92

Table 4 indicates that GDP at current market price (in comparison to previous year) showing increasing trend and its growth rate was 7.07 percent in the year 2000-01 lowest and 18.84 percent was highest in the year 2010-11. Direct tax to GDP ratio is also showing increasing trend it was 3.03 percent lowest in the year 2001-02, 6.30 percent highest in the year 2007-08, but indirect tax to GDP ratio is showing decreasing trend and it was lowest 3.78 percent in the year 2009-10 and highest 5.70 percent in the year 2000-01. Total tax collection to GDP ratio is showing increasing trend and in comparison to GDP growth rate the total tax ratio is less after 2002-03 but it is continuously increasing and in comparison to indirect taxes direct tax contribution also increasing after some initial years.

### Conclusion:

Based on the data interpretation and analysis, following conclusion has been drawn:

1. In the period of study it was found that Direct tax collection is showing increasing trend.
2. In comparison to direct tax indirect tax collection is showing decreasing trend.
3. Direct tax to GDP ratio is also showing increasing trend.
4. Indirect tax to GDP ratio is not showing stationary trend but it was found that indirect tax contribution is continuously decreasing in trend total tax collection during the study period.
5. Total tax collection to GDP ratio is also showing increasing trend.

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