Technical Analysis of Tax Revenue and Non-Tax Revenue of India

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Abstract

Tax revenue is the income that is gained by Governments through taxation. Taxation is the primary source of income for a state. Revenue may be extracted from sources such as individuals, public enterprises, trade, and royalties on natural resources and/or foreign aid. Tax is an amount of money that you have to pay to the Government so that it can pay for public services. Tax Revenue forms part of the Receipt Budget, which in turn is a part of the Annual Financial Statement of the Union Budget. A business must pay a variety of taxes based on the company’s physical location, ownership structure and nature of the business. Business taxes can have a huge impact on the profitability of businesses and the amount of business investment. Taxation is a very important factor in the financial investment decision-making process because a lower tax burden allows the company to lower prices or generate higher revenue, which can then be paid out in wages, salaries and/or dividends.

Key Words: Tax revenue; Union Budget; Financial investment; Government; Financial investment.
1. Introduction

The purpose of this research paper is to analyze which state pays more tax to the Government of India and to find out which state pays less tax to the Government of India. Because of tax revenue and non-tax revenue what type of issues Indian Government faces. And to predict that tax will increase or decrease in the next upcoming years till 2020.

The following types of taxes revenue


Local Income Tax: A tax levied by a state or local Government on annual income. Not all states have implemented state level income taxes.

Payroll Tax. In most countries, including the United States, both state and federal authorities collect some form of payroll tax. In the United States, Medicare and Social Security, also called FICA, make up the payroll tax.

Unemployment Tax: A federal tax that is allocated to state unemployment agencies to fund unemployment assistance for laid-off workers.

Sales Tax: A tax imposed by the Government at the point of sale on retail goods and services. It is collected by the retailer and passed on to the state. Technically, consumers pay sales taxes, but effectively, business pay them since the tax increases consumers costs and causes them to buy less.

Foreign Tax: Income taxes paid to a foreign Government on income earned in that country.

Value-Added Tax: A national sales tax collected at each stage of production or consumption of a good. Depending on the political climate, the taxing authority often exempts certain necessary living items, such as food and medicine from the tax.

DESCRIPTIVE LABELS: Proportional, progressive, regressive, and lump-sum
The terms progressive, regressive, and proportional are used to describe the way the rate progresses from low to high, from high to low, or proportionally. A progressive tax is a tax imposed so that the effective tax rate increases as the amount to which the rate is applied increases.

Why we pay Income Tax?

Tax is the costs you must bear to compensate using the natural resources, air, water, and for causing inconvenience to the society while you breathe. You earn income. For earning this income, natural resources were spent somewhere somehow. Tax is the compensation you make for that
2. **Need for the Study**

A state's tax system often reflects its communal values and the values of those in current political power. To create a system of taxation, a state must make choices regarding the distribution of the tax burden who will pay taxes and how much they will pay and how the taxes collected will be spent. Governments use different kinds of taxes and vary the tax rates. They do this in order to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as the business sector, or to redistribute resources between individuals or classes in the population. In addition, taxes are applied to fund foreign aid and military ventures, to influence the macroeconomic performance of the economy (a Government's strategy for doing this is called its fiscal policy see also tax exemption), or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive.

3. **Objectives**

Comparing the different states in India which pays the tax to the Government of India. The following states are

**NORTHERN REGION:** Jammu & Kashmir, Himachal Pradesh, Uttar Pradesh, Uttarakhand

**EASTERN REGION:** West Bengal, Mizoram, Meghalaya, Assam

**SOUTHERN REGION:** Tamil Nadu, Andhra Pradesh, Karnataka, Kerala

**WESTERN REGION:** Rajasthan, Gujarat, Maharashtra, Madhya Pradesh

*Here are the top ten effects of high taxation:*

- INADEQUATE INCOMES
- LOW WAGES
- HIGH PRICES
- SHODDY PRODUCTS
- PRODUCT UNAVAILABILITY AND DISCONTINUATION
- LOST JOBS
- FORECLOSURES, EVICTIONS, AND HOMELESSNESS
- POVERTY AND HIGH CRIME
- CHRONIC RECESSION
- LOW REAL TAX REVENUES

The effects of reducing income tax rate

**Increased spending**

With lower income tax rates, they would keep more of their gross income, so effectively they have more money to spend.

**Higher economic growth**

With lower tax rates, we could expect to see a rise in consumer spending because workers are better off. Because consumers spending is a component of aggregate demand (AD) (roughly 60%), then a rise in consumer spending should cause a rise in AD, leading to higher economic growth.

**Government borrowing**

Though some economists believe income tax cuts can increase productivity, which offset this fall in revenue.

4. **Methodology**

A system of broad principles or rules from which specific methods or procedures may be derived to interpret or solve different problems within the scope of a particular discipline. Unlike an algorithm, a methodology is not a formula but a set of practices. The research design or type of analysis used was descriptive analytics to find which state is best that paid high tax to the Government.

5. **Sources of Data**

This data is taken from the RBI website. Reserve Bank of India is the central bank of India. It regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the Country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex
economy, to maintain price stability while keeping in mind the objective of growth.

**Tools Used**

**MS Excel**

Microsoft Excel is used widely in any financially-related activity. Excel is a useful tool for scientific and statistical analysis with large data sets. Excel's statistical formulas and graphing can help researchers perform variance analysis, chi-square testing, and chart complex data.

**Watson Analytics**

The Watson Analytics offering is intended to provide the benefits of advanced analytics without the complexity. The data discovery service, available via the cloud, guides data exploration, automates predictive analytics and enables dashboard and infographic creation.

- Automated predictive analytics
- One-click analysis
- Smart data discovery
- Simplified analysis
- Accessible advanced analytics
- Self-service dashboards

**6. Analysis**

**Trend Analysis**

A trend analysis is a method of analysis that allows traders to predict what will happen with a stock in the future. Trend analysis is based on historical data...
about the stock's performance given the overall trends of the market and particular indicators within the market

\[ Y = a + bx \]

**Tax Revenue**

<table>
<thead>
<tr>
<th>TREND FOR TAX REVENUE</th>
<th>PAST YEAR</th>
<th>PAST GRAND TOTAL</th>
<th>POST YEAR</th>
<th>PREDICTION</th>
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**Chart 1**

Interpretation: It was found that there was an increasing trend in TAX REVENUE from 2017 to 2020.

**Non - Tax Revenue**

<table>
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<th>TREND FOR NON-TAX REVENUE</th>
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<th>POST YEAR</th>
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<td>2016</td>
<td>1949.3</td>
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</table>
CHART 2 Interpretation: It was found that there was an increasing trend in NON-TAX REVENUE from 2017 to 2020.

Fig 1

Fig 2
Non-Tax Revenue

Fig 1

Fig 2
Fig 3

Fig 4

Fig 5
Trend analyzes chart 2 shows that there was an increasing trend in NON - TAX REVENUE from 2017 to 2020.

7. Findings

Tax revenue increases every year in India. Maharashtra is the state where high tax is being paid. In the northern region Uttar Pradesh pays highest tax to the Government and in the southern region Tamil Nadu is the state which pays highest tax. Then in the eastern region West Bengal pays high tax to the Government and in the western part of India Maharashtra pays highest tax to the Government.

8. Suggestions & Conclusion

Analyzing through the data of tax revenue and non-tax revenue, the last three years the state of Maharashtra which paid highest tax to the Government of India. GST Rates should be rationalized and reduced to make India competitive and in interest of compliance and economic growth. The highest rate should be kept at 18% and there should be only few items that fall in 28% slab. Daily use items such as soaps, movie tickets, and electrical goods should not be taxed at 28%. Through the data future trend is being used to predict the upcoming years of tax revenue and non-tax revenue. Tax revenue and non-tax revenue will increase each year. Government has to face issues the effects on tax revenue and non-tax revenue.

9. Conclusion

Through these analyses that India’s tax revenue has been increasing every year. Maharashtra is the state which pays highest tax of India to the Government. Tax is an amount of money that you have to pay to the Government so that it can pay for public services. Here as much the tax is paid, the Government will be able to use for the public. Special category states like Manipur, Mizoram,
Assam are paying very less amount of tax to the Government. By analyzing it can able to recognize that Mizoram is the state which pays least amount of tax. Southern part of India the Tamil Nadu pays highest tax comparing to Karnataka, Andhra Pradesh, and Kerala. Uttar Pradesh is the northern part of India which pays highest tax. West Bengal is the eastern part of India that pays high tax comparing nearby states like Assam, Manipur, etc. Maharashtra, Tamil Nadu, Uttar Pradesh are the first three states which paid highest tax of India for the past few years. States are compared with the year from 2000 to 2016. Here the tax revenue increases each year from 2017 to 2020.

Non-Tax Revenue is the recurring income earned by the Government from sources other than taxes like Rent, Investments, Fines, Penalties and Fee. Gift also comes under the non-tax revenue system. Highest non-tax paid Uttar Pradesh in India and last three years from 2014-15 to 2016-17 this state’s leads high. Non-tax revenue will be increasing in the future. The use of analyzing this data is to predict that which state will pay more tax and which state pays less tax. So that Government can be able to take steps to start their projects. Here the non-tax revenue increases each year from 2017 to 2020.

References
