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A STUDY ON TAXATION AS A MAJOR SOURCE OF FUNDING TO THE GOVERNMENT OF INDIA- A CONCEPTUAL ANALYSES

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ABSTRACT

This paper deals with the tax reform and the main sources of tax to the government and to also find the important sources of tax to the government to run the state. For an economic balance to be maintained, government must find ways of financing her activities. One of the sources of such finance is the contribution made by private sectors to the government coffers in form of fees, levies or taxes and tax he said to the primary source of government revenue. Paper also goes into certain famous definitions from the authors and some data regarding the major sources of government revenue of taxation. Also to deal with the Income tax Act and many other projects by the government and other major sources for the government tax.The recommendation is on how to maintain and improve a sustainable tax administration in the State is also included. The role of service sector is major in the development of economy as it contributes more than 50% towards the growth of GDP. It has converted the economy’s position from developing to developed nation. This is the reason it is assumed as lion’s share to government revenue

Paper also links the goods and service tax implementations effect before and after on the society. The classifications of revenue receipts and to generate the liability on each individuals. This paper also deals with the reports of certain committees and the recommendations of the revenue collection.

Keywords:- Tax, sources, government, reform, administration, implementation

INTRODUCTION:-

In every country or State, the responsibility of every government is the provision of essential goods and services to her citizens such as provision of quality education facilities, health care facilities, pipe borne water etc which is geared towards actualization of sustainable economic growth and development, increase in standard and decrease in cost of living, reduction in rate of unemployment, security of lives and property as well as increase in per-capital intensive in nature. For an economic balance to be maintained, government must find ways of financing her activities. One of the sources of such finance is the contribution made by private sectors to the government coffers in form of fees, levies or taxes and tax he said to the primary source of government revenue .

According to Adebayo (1999:11) tax is defined as a compulsory levy imposed by the government on individuals are business organization. In his book, Anya Nwaokoro (2004:80) defined tax as "a compulsory payment imposed by the government on individuals and corporate bodies in the government areas for which no direct goods and services are given in exchange of the payment made".

According to Amaechina (2009:1); tax is a levy which a government imposes on the income of the citizens of a State for which the government makes no direct benefit to the taxpayer (i.e. no quid pro quo).

Furthermore, tax as a major source of government revenue includes personal income tax, company income tax, petroleum profit tax, capital gain tax, value added tax, withholding tax, education tax, pay as you earn (PAYE), export duty, import duty, excise duty, etc.

According to Okwo (2006:3) other sources of government revenue apart from taxes include the followings:

1. Federal allocation
2. Income from sale of crude oil
3. Mining and royalties
4. Renting of government properties
5. Grants
6. Aids
7. Profit from government investments
8. Fines
9. Fees and specific charges, etc.

This paper Aims to study the main sources of income to the government and to Examine the other sources of tax revenue.

HYPOTHESIS:-

Null hypothesis:-

1. There is no Significant change brought by the income tax Act,1961 and GST on the society.

Alternative hypothesis:-

2. There is Significant change brought by the income tax Act,1961 and GST on the society.

METHODOLOGY:-

This paper uses descriptive methodology to deal with the tax and revenue collection of the government. This paper uses the secondary sources of data like : books, articles, journals, etc.

THE INCOME -TAX ACT, 1961:-

This ACT was submitted to the Lok Sabha on the 24th April, 1961 was the outcome of above recommendations. On 1st may, 1961, it was referred to a Select Committee and its report was presented to the Lok Sabha on 10th August, 1961.After passing through both the House of Parliament, the Bill received the assent of the President on 13th Sep 1961 and the Act came in to force with effect from 1st April, 1962 by replacing the Indian Income Tax Act, 1922 which had remained in operation for 40 years. The present law of income tax is governed by the Income Tax Act, 1961, which has 298 sections and 4 schedulesand is applicable to whole of India including the state of Jammu and Kashmir.[1]

The search for an effective tax system answering the developing needs of the nation has led to the appointment of various committees and commissions which have led to many changes in the Act, 1961. Changes have been brought in by almost every Finance Act, Amending Acts and Ordinances. About 70 laws have been passed between 1962 to 1989 to amend the Income-tax Act, 1961.

Some of these amendments were made in pursuance of the recommendations made by

[1] (Aruna choudhary 2013)

(i) Bhootalingham's Report on Rationalization and Simplification of Tax Structure submitted in two parts, one dated 5th April, 1967 and the other dated 26 December.
(ii) the Report of the Working Group of Administrative Reforms Commission on Central Direct Taxes Administration, headed by Shri Mahavir Tyagi (1969)
(iii) the Report of the Direct Taxes Enquiry Committee (1971), under the chairmanship of Justice K.N.Wanchoo, regarding unearthing black money, preventing evasion and avoidance of taxes, and reducing areas.
(iv) the Committee on Taxation of Agricultural Wealth and Income (1972)
(v) the Interim Report (1977) and final Report (1978) of the Direct Tax Laws Committee headed by Shri C.C Chokshi.
(vi) the Report of the Enquiry Committee under the Chairmanship of Shri Bhoothalingam regarding changes in the concepts of the financial year and the previous year.
(vii) Economic Administration Reforms Commission, called L.K.Jha Commission (1981), which submitted its report in 1983.
(viii) a long term fiscal policy, announced by the government and laid before the Parliament on 19th Dec, 1985.
(ix) a White paper enunciating government's policy published in 1986.
(x) Direct Tax Laws (Amendment) Act, 1987 and
1989. A study on black money was published in March 1985 by the National Institute of Public Finance and Policy in India, with contributions by Dr. RJ.Chelliah. An expert Committee was also constituted in 1989 on revision of tax reforms, which submitted the interim report in 1990. The Tax Reforms Committee was also appointed in 1991 under the Chairmanship of Sh. Raja J.Chelliah which submitted its Final Report Part-I in Aug, 1992, and final Report Part- II in January 1993.[2]

Some of the recommendations of the Tax Reforms committee have already been implemented in subsequent budgets. This Committee is basically concerned with the question of administrative reforms with respect to both direct and indirect taxes.
The Committee also presents detailed and specific recommendations for important changes in India's tax structure. The essence of these changes is to lower nominal rates and to broaden tax-base. This Committee is also in favour of progressive income taxes. Therefore, even the Income-tax Act of 1961, which was then considered to be very comprehensive, had to be amended from time to time.

[2] (Govinda rao 2011)

The 1961, Act has enlarged the number of categories of assessable entities to seven as against six of the 1922 Act, including ‘every .artificial juridical person’, who has not been included in the six categories, i.e. residuary class3. A scheme of self-assessment was introduced which, in course of time, displaced the scheme of provisional assessment. Provisions regarding advance tax, interest and penalty were made more rigorous.

Regarding reopening of back assessment for escaped income, the Act retained the limit of eight years where the assessee has failed to make a return or failed to disclose all material facts.[3] The procedures for assessment were completely recast in April 1989, assessment year 1989-90. Income-tax revenue originates mainly from two taxpaying entities Viz ‘Companies And ‘Individuals - Hindu Undivided family, Registered firms and others contribute very little. Since this study is concerned with ‘Individuals’ - which account for more than 99 % of the 'Salaried- Class’/'Companies’ are not taken in to account.

SERVICE TAX AS THE MAJOR SOURCE:-

Is the most talked about thing in the ecosystem right now. Just after the Swachh Bharat Cess, tax payers were further burdened with the Krishi Kalyan Cess. All considered, today Service Tax constitutes the biggest portion of the Government's revenue. This is a humongous transition when we think about the fact that Service Tax started off at mere 5% in 1994. Today we have tried to gauge the journey of service tax and how Service Tax became the major source of Government's Revenue. It is an indirect tax charged by service provider and collected from the recipient of service.

The service provider collects it on the behalf of government of India. The government earns revenue from direct as well as indirect taxes charged from people. Earlier Excise duty on manufactured goods & custom duty on imported goods were the only sources of revenue for government in the form of indirect taxes. But these revenue receipts were not sufficient enough to match with the growth of economy.[4]

This gave birth to service tax because services were largely consumed by rich people and with the introduction of service tax government revenue could be increased.The concept of Service tax was introduced in 1994-95 by Dr. Manmohan Singh who was the Union Finance Minister at that time. He did not find any valid logic behind exempting the services rendered

[3] (Kavita rao 2004)
[4] (Helen poirson 2006)

by service provider. Thus, he introduced this concept and imposed service tax on few services such as telephone, insurance etc.

Since the introduction of this act, it has been a sunrise area for government as it has contributed a lot towards revenue. The role of service sector is major in the development of economy as it contributes more than 50% towards the growth of GDP. It has converted the economy's position from developing to developed nation. This is the reason it is assumed as lion's share to government revenue. When service tax act was introduced, it was levied 5% only. But it's tremendous growth over the years has resulted into major source of government revenue.

It has become need of the economy and this concept is much needed to ensure continuous growth of the economy.[5] The ultimate motive behind imposing service tax is to earn sufficient revenue by reducing the burden on manufacturing and trade sector. The government is not required to compromise anywhere related to revenue. But its contribution is not enough if we consider the tax basket applicable to whole India. Hence there is a greater need to implement GST in future years.

[5] (Agarwal 1991)

1994	5.00%
2003	8.00%
2004	10.20%
2006	12.24%
2007	12.36%
2009	10.30%
2012	12.36%
2015	14.00%
2015	14.5%
2016	15.00%

No growth in exemption to Small Service Provider :-
The growth in rates of Service Tax has been steep over the years. Interestingly, the exemptions provided to small service providers (SSP) have not exactly been in line.[6] The transition of the exemption can be routed below:

Applicable from	Threshold Turnover	Notification
2003	4 lakhs	6/2005 dated 1/3/2005
2004	8 lakhs	4/2007 dated 1/3/2007
2006	10 lakhs	8/2008 dated 1/3/2008
2007	10 lakhs	33/2012 dated 20/6/2012

[6] (K. singh 2012)

Hence, we see that the exemption allowed to Small Service Providers has been pretty much steady at Rs. 10 lakhs since as long as 2006. The current Govt is promoting startups and businesses in almost every sector. Considering this, now might be just the right time to spare the exemptions a thought as well.

COMMITTEE REPORT IN REVENUE COLLECTIONS :-

The Standing Committee on Tax and Revenue is delegated under Standing Order 215. It was named on 13 September 2016.

The Committee may ask into and write about any issue alluded to it by either the House or a Minister, including any pre-enactment proposition, charge, movement, request, vote or consumption, other money related issue, report or archive.

Named under Standing Order 215, the Committee comprises of eight individuals: five government Members and three non-government Members. There is a vast number of taxes in India and different collecting authorities causing multiplicity of taxes in India ,There is a huge dependence on indirect taxes for revenue generation. The amount collected from indirect taxes is nearly twice the amount collected from direct taxes, Both direct taxes and Indirect taxes have their own advantages and disadvantages. Under direct taxes, the major components of taxes are corporation tax and taxes on income and Under indirect taxes, the major components are customs, excise duty and service taxes. The amount expended on collection of taxes is increasing year on years.

Each House advisory group may have its participation supplemented by up to four individuals for a specific request, with a most extreme of two additional administration and two additional resistance or uncommitted Members. Supplementary individuals should have an indistinguishable participatory rights from different individuals, yet may not vote.

Completed inquiries and reports

|44th Parliament|

Report Name	Date Tabled
2015-16 Annual Report of the Australian Taxation Office Parliamentary Paper: 98/2017 Government Response: Tabled 25 October 2017	30 March 2017
External scrutiny of the Australian Taxation Office Parliamentary Paper: 128/2016	5 May 2016
2015 Annual Report of the Australian Taxation Office - First Report Parliamentary Paper: 129/2016 Government Response: Tabled 25 October 2017	5 May 2016
The Tax Expenditures Statement Parliamentary Paper: 456/2015 Government Response: Tabled 29 November 2016	3 December 2015
2014 Annual report of the Australian Taxation Office – Second report Parliamentary Paper: 439/2015	23 November 2015
2014 Annual report of the Australian Taxation Office – First report Parliamentary Paper: 151/2015	1 June 2015
Tax disputes Parliamentary Paper: 97/2015 Government Response: Tabled 4 December 2015	26 March 2015
2013 Annual Report of the Australian Taxation Office – Second report Parliamentary Paper: 340/2014	24 November 2014
2013 Annual Report of the Australian Taxation Office – First report Parliamentary Paper: 63/2014	27 March 2014

RECOMMENDATIONS :-

The most imperative suggestions made by the Committee were:

(i) Lowering rate and narrowing spread:

Keeping in mind the end goal to make the immediate assessment framework more ef-fective, it is important to diminish the expense rate so that there is less tax avoidance and evasion. There is additionally the need to limit the spread between the most reduced rate and greatest mar-ginal rate (the rate of the most noteworthy chunk). Government should focus more on structural reforms than policy reforms. GST should be implemented soon to reduce the number of indirect taxes and facilitate ease of doing business in India. There should be effective implementation of Anti Tax evasion Bill Innovative Tax Systems like Banking Transaction Tax system Suggested by Arthakranti Pratishthan Should be givens Serious thought upon as they can be future alternatives Administrative expenses incurred on Tax Collection needs to be brought down by making reduction in the number of taxes and tax collection authorities. To neu-tralise the fall in income because of bringing down of the rates of tax assessment it will be important to pull back a portion of the duty motivating forces. As it were, there is have to give least duty motivating forces.

(ii) Avoiding two fold tax collection:

At display, there is twofold tax assessment of organization firms. Such firms pay partnership assess. The accomplices likewise pay individual pay impose. Thus, next to no surplus is left for corporate capital development. This must be kept away from to lift the mechanical division out of stagnation (the proxi-mate reason for which is by all accounts over the top tax collection at the corporate and individual levels).

(iii) Reducing corporate duty rate contrasts amongst household and outside organizations:

It had been proposed that the most extreme mar-ginal rate of duty on local organizations ought not surpass 40 p.c. (counting extra charge). Al-ternatively, the most elevated rate of expense on compa-nies ought to be settled at 40 p.c. what's more, the sur-charge completely canceled. To support the stream of remote capital, it is likewise important to decrease impose rates of outside organizations. On the off chance that this isn't conceivable, an ideal option is decrease the differential between the expense rates on local and outside organizations to 7.5 rate focuses. This ought not, regardless, surpass 10 rate focuses.

(iv) Rationalizing capital additions impose:

The Committee opined that the arrangement of long haul capital increases needed level headedness. The rea-son is anything but difficult to discover the reasonings permitted in registering capital additions isn't identified with the timeframe for which the advantages have been held. The then framework neglected to take in impacts of value swelling over the period amid which assessable pick up has happened. This issue could be handled by presenting a type of indexa-tion as was suggested by the Committee.

(v) Rationalization of riches assess:
For levy-ing riches charge, it is important to bring into fo-cus the qualification amongst gainful and useless riches. For resuscitating the cash and capital markets, it is important to encour-age interest in budgetary resources like offers, securities, securities, as likewise in bank stores. Along these lines, it is important to excluded such beneficial as-sets from riches charge.

CONCLUSION:-

Assessment is the real wellspring of income for the legislature, the headway of any country's economy by and large depends upon the obligation structure it has gotten. A Taxation Structure which supports straightforward of cooperating and having no chance to get for charge evasion passes on progress to a country's economy. On the other hand charge appraisal structure which has courses of action for assess shirking and the one which does not support effortlessness of cooperating backs off the advancement of country's economy. In this way as assessment accumulation structure accept a basic part in country's progression. India has an overall made force structure. The capacity to force costs and commitments is scattered among the three levels of Government, according to the game plans of the Indian Constitution. Indian duty gathering structure has encountered various changes and still it is uncommonly far ahead from being an immaculate expense evaluation structure. Various issues like Tax Evasion, Reliance on circumlocutory appraisals, Black money, nearness of parallel economy show that Indian expense evaluation structure requires some genuine changes later on ahead to address this issues.
Usage of GST will create different questions and disarray among the general population. To beat this a few recommendations were recorded here:
1. Little retailers ought to get mindfulness classes in regards to the advantages of GST.
2. They ought to be prepared and enrolled in GSTN.
3. Instructive foundation should make course of action to direct classes in GST.
4. Duty gathering officers ought to be prepared and tried to know whether they are proficient taking care of new circumstances.
5. Government ought to mastermind on the web/telephonic help work areas or assistance for country territory.

Merchandise and Service Tax is another real change towards tax collection framework in India. Subsequent to executing GST costs of items will descend in the meantime income from the duty will increment. In any case, now likewise there are some perplexity about a few parts of its choices and achievement of usage.[7]

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[7] (T s adams 1980)

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