iJRASET
International Journal For Research in
Applied Science and Engineering Technology

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 10 **Issue:** I **Month of publication:** January 2022

DOI: https://doi.org/10.22214/ijraset.2022.39791

International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 10 Issue I Jan 2022- Available at www.ijraset.com

Impact of Tax reforms in Government of Indias Indirect Tax Collections with Special Reference to Year 2000-2020

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Abstract: In this paper, an attempt has been made to analyse the implications of tax reforms after the economic liberalization in 1991 with respect to collection of indirect tax revenue of the Government of India during the last two decades (2000-20). The composition of indirect tax revenue of the Government has undergone a drastic change during the last two decades. Post implementation of the GST Act, the levy of Central Excise has been restricted to petroleum and tobacco products and GST has evolved as the major contributor to the indirect tax revenue collections followed by the Customs Duty. Comparative analysis of indirect tax collections of the Central Government with respect to its growth, share in gross tax revenue, percentage of GDP and composition has been done for the period from 2000-01 to 2019-20. The current study has revealed the growth rate of indirect taxes has not only been uneven but also declined during the year 2001-02, 2008-09 and 2009-10. The share of indirect tax in the gross tax revenue has also gradually declined from 63% in 2000-01 to 46% in 2019- 20%. The indirect tax-GDP ratio has remained stagnant in the range of 3.5 to 5.5 % during the last two decades.

I. INTRODUCTION

For a considerable number of nations across the globe, collections from taxes constitute as a major source of revenue for the Government. These tax revenues are diverted by the Government to finance various development expenditures and fulfill social and welfare needs of the society. The ability to collect taxes is central to a country's capacity to finance social services such as health and education, critical infrastructure such as electricity and roads, and other public goods. With the rise in expenditures for such developmental and welfare needs of the society, a concurrent rise in the tax revenues needs to be ensured. Proper administration of tax laws is expected to raise necessary and timely revenue for the government without influencing heavily the investment decisions or the economic activity. Tax policy reforms in tandem with revenue administration measures significantly improved the tax revenue collections in the long run in low income countries and emerging markets. However, developing an efficient taxation system in a developing economy is an uphill task where a majority of the population are still engaged in unorganized or informal sector and cash transactions dominate the economic activities. While raising revenue, the focus of tax policy and tax reforms should be to enhance long-run revenue productivity by lowering tax rates, broadening the tax bases with minimum exemptions and preferences and implementation of an effective administration and intelligence system to ensure compliance. A series of reforms in the nature of systemic improvements need to be introduced in administration of tax laws to enhance its long run productivity. In India, the much needed economic reforms in 1991 also demanded significant reforms in the administration of tax laws. The importance to enhance tax revenue productivity to finance large development plans could be understood from the setting up of Tax Reform Committee in 1991. After the economic liberalization, a series of significant tax reforms have been carried out with respect to indirect tax laws in India. The introduction of Service Tax in 1994, Value Added Tax (VAT) in 2005 and Goods and Service Tax (GST) in 2017 are a few of the noteworthy indirect tax reforms in India. The introduction of GST Act, 2017 has brought about significant reforms in indirect tax laws of the nation. It subsumed over a number of indirect taxes i.e. VAT, CST, Service Tax, Excise Duty, entertainment tax, entry tax, luxury tax, etc. into a unified indirect tax regime called GST. The tax reforms with respect to broadening of the size of the tax base, the levels of tax rates adopted within the tax system, administrative efficiency, and the compliance rate invariably influence the tax revenues of the Government. In view of the above discussion, an attempt has been made to analyse the implications of tax reforms after the economic liberalization in 1991 with respect to collection of indirect tax revenue of the Government of India.

II. REVIEW OF LITERATURE

Based on the existing literature relating to indirect tax reforms, tax-GDP ratio and collections of revenue from indirect taxes; a few studies that have either captured the inter-relationship between them or found relevant to the present study have been reviewed. M.G. Rao observed a significant influence of indirect tax reforms in the declining tax-GDP ratio. And opined that significant improvements in the tax ratio, therefore, have to come from improvement in the revenue productivity of domestic indirect taxes. S. Acharya observed that tax reforms in India has made enormous progress in the last 30 years. The tax structure today bears little resemblance to that prevailing in the mid-1970s.

Almost all the change has been for the better, judged by the usual standards of economic efficiency, equity, built-in revenue elasticity and transparency. But the work of tax reform is never finished. M. G. Rao, and R. K. Rao observed that tax reforms in India since 1991, particularly in tax administration, has resulted in improved tax-GDP ratio. They further opined that tax reform, including administrative reforms, is a continuous exercise for improving revenue productivity, minimizing distortions, and improving equity. They advocated for a number of tax reforms with respect to indirect taxes to enhance its revenue productivity. M. G. Rao, and S. Kumar outlined the reasons for the low revenue productivity and stagnancy in the tax ratio of the Indian tax system and emphasized the need for reforming both direct and indirect tax systems not only to increase the revenue productivity but also to improve the business climate in the country. B. Akitoby observed that tax policy reforms in tandem with revenue administration measures have significantly improved the tax revenue mobilisation in lowincome countries and emerging markets. According to Organisation for Economic Cooperation and Development (OECD), the total tax revenue as a percentage of GDP indicates the share of a country's output that is collected by the government through taxes. The tax-GDP ratio can be regarded as one measure of the degree to which the government controls the economy's resources. According to the International Monetary Fund, developing countries should have a tax-to-GDP ratio of at least 15%, to ensure they have the money necessary to invest in the future and achieve sustainable economic growth. From the above studies, it has been observed that the tax reforms carried out with respect to effective administration of tax laws, broadening the tax base, proper compliance etc. has invariably influences the tax revenue productivity. The tax-GDP ratio has been adopted as an important indicator to determine how effectively a nation’s government directs its economic resources via taxation.

III. RESEARCH GAP

Limited study has been conducted to assess the implications of tax reforms on revenue collections after the implementation of the GST Act. Further, the indirect taxGDP ratio has not been analysed standalone in an extensive manner. As such, studies pertaining to implication of tax reforms in indirect tax collections of the Government of India and the indirect tax-GDP ratio are expected to throw light on various issues regarding the effectiveness of tax reforms on revenue productivity of tax laws.

IV. NEED OF THE STUDY

Collections from taxes are an important sources of revenue for the Government. A steady rise in tax revenue collections is expected out of administration of any tax law. In India, both direct and indirect taxes contribute significantly towards tax revenue collections. The significant restructuring of the indirect tax law in India since 1991 along with a series of reforms with respect to effective administration of tax laws, broadening the tax base, proper compliance etc. is expected to influenced the tax revenue productivity. The amalgamation of multiple indirect taxes into a unified tax regime after implementation of the GST Act has made GST the highest indirect tax revenue earner of the Central Government. The GST being a recently introduced tax law systematic studies regarding the same with respect to collections in tax revenues are limited. Further, the comparative analysis of yearly indirect tax collections during the last two decades i.e. 2000-2020 is expected to provide an insight into the trends in collection of tax revenue from the various indirect taxes. In view of the above, an attempt has been made to study the same and address the research problem.

V. OBJECTIVES OF THE STUDY

1) To study the implications of tax reforms with respect to revenue collections from indirect taxes.
2) To analyse the indirect tax-GDP ratio of India during the period from 2000-01 to 2019-20.
3) To study the composition and share of various indirect taxes in total indirect tax collections of the central government.

VI. HYPOTHESIS OF THE STUDY

Following hypothesis has been set for the study.

H0: Tax reforms in indirect tax laws not been able to improve the indirect tax-GDP ratio.

H1: Tax reforms in indirect tax laws been able to improve the indirect tax-GDP ratio.

VII. METHODOLOGY OF THE STUDY

The study is descriptive as well as analytical in nature. It is based on secondary data. The data has been collected from GST Newsletter, Government of India’s latest publications, reports, budgets, etc. A Comparative analysis of indirect tax collections of the Central Government with respect to its growth, share in gross tax revenue, percentage of GDP and composition has been done for the period from 2000-01 to 2019-20. The analysis has been done on the basis of tables & percentage.

VIII. POST LIBERALIZATION REFORMS IN INDIRECT TAXATION REGIME

The indirect taxation in India has undergone several major reforms since economic liberalization in 1991. On the basis of the recommendations of the Tax Reform Committee lead by Raja J. Chelliah in 1991 and the Kelkar Committee on Tax Reforms in 2002, the Government implemented a few important measures to strengthen the administration of tax laws, broaden the tax base, ensure its proper compliance etc. and invariably improve the tax revenue productivity. Post implementation of the tax reforms recommended by both the committees, the tariff rates were progressively reduced over a period of years bringing it down from peak import duty of 150% in 1990-91 to 15% in 2005-06. The Central Excise Duties were progressively shifted from specific duty to ad valorem rates and input tax credit under MODVAT was extended to a larger number of commodities. In order to broaden the tax base under central excise, duty rates and exemptions were drastically reduced. The introduction of taxation on services in 1994 and VAT in 2005 marked an important reform in the history of indirect tax laws in India. And the recently introduced Goods and Service Tax (GST) brought about a paradigm shift in the structure of indirect tax laws in India. With the implementation of the GST Act since July 2017, a number of indirect taxes levied by the Central and the State Governments have been amalgamated into a single tax called Goods and Services Tax (GST). Post implementation of the GST Act, GST and Custom Duty have emerged as the major indirect taxes in India.

IX. ANALYSIS OF REVENUE COLLECTED FROM INDIRECT TAXES

Post economic reforms since 1991, there has been a considerable restructuring of indirect tax laws in India. Until the implementation of the GST Act in 2017, there were three major sources of indirect tax revenue of the Government of India. However, after its implementation, the Central Excise Duty (except on petroleum and tobacco products) and Service Tax have been subsumed over by GST. Further, components of Customs Duty i.e Countervailing Duty (CVD) and Special Additional Duty (SAD) have also been subsumed over by GST. The implication of those reforms on the collections from tax revenues of the Central Government during the last two decades is worth analysing. The Table 1 and Graph 1 presents the data with respect to collection of tax revenues from various indirect taxes levied in India during the period from 2000-01 to 2019-20.

Table 1: Year-Wise Indirect Tax Collections of the Central Government
(₹ in crores)

Financial Year	Central Excise (CE)	Service Tax (ST)	Custom Duty (CD)	GST	Total Indirect Taxes (IDT)
2000-01	68526	2613	47542	-	118681
2001-02	72555	3302	40268	-	116125
2002-03	82310	4122	44852	-	131284
2003-04	90774	7891	48629	-	147294
2004-05	99125	14200	57611	-	170936
2005-06	111226	23055	65067	-	199348
2006-07	117616	37598	86327	-	241541
2007-08	123611	51301	104119	-	279031
2008-09	108613	60941	99879	-	269433
2009-10	102991	58422	83324	-	244737
2010-11	137701	71016	135813	-	344530
2011-12	144901	97509	149328	-	391738
2012-13	175845	132601	165346	-	473792
2013-14	169455	154778	172085	-	496318
2014-15	188128	167969	188016	-	544113
2015-16	288073	211414	210338	-	709825
2016-17	381756	254499	225370	-	861625
2017-18	258834	81228	129030	442561	911653
2018-19	231045	6904	117813	581559	937321
2019-20	248012	1200	125000	612327	986539

Source: Compiled from Union Budget, Government of India. Period: 2000-01 to 2020-21

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The Table 1 reveals the contributionof various types of indirect taxes to the total tax revenue of the Central Government from 2000-01 to 2019-20. The total indirect tax revenue collections have shown an increasing trend except during the financial years 2001-02, 2008-09 and 2009-10. The reason behind the decline in tax revenues during 2000-01 was due to decrease in Customs Duty collections and that of 2008-09 and 2009-10 is linked to the Great Recession of 2008. After the implementation ofthe GST Act in 2017, a drastic change in the composition of the total indirect revenue is visualized. GST overtook Central Excise and Customs Duty as the highest indirect taxrevenue earner. The contribution of Service Tax in total tax revenue was steadily rising until it was subsumed over by GST in 2017. The tax revenue collections from each component of the indirect tax has been analysed further in the sub-sections below:

A. Central Excise

Central Excise duty was levied on manufacture or production of goods in India. Post liberalization in 1991, tax slabs under central excise were significantly reduced along with tax rates. The share of Central Excise in the indirect tax revenue was the highest during the last two decades until GST was introduced. Petroleum products contributed the highest share of excise duty followed by Tobacco products. After the implementation of GST Act in July 2017, the excise duty has been subsumed over by GST except in case of Petroleum crude; High speed diesel; Motor spirit (commonly known as petrol); Natural gas; Aviation turbine fuel; and Tobacco and tobacco products, on which excise duty is still levied by the Central Government. The Table 2 and Graph 2 presents the data with respect to collection of tax revenues from Central Excise duty levied in India during the period from 2000 to 2020.

Table 2: Year-Wise Data Of Growth In Central Excise, Its Share In Total Indirect Tax And GrossTax Revenue Collections Of The Central Government
(₹ in crores)

Financial Year	Central Excise (CE)	CE Growth %	Total Indirect Taxes (IDT)	CE % as total IDT	Gross Tax Revenue (GTR)	CE as % of GTR
2000-01	68526	Base Year	118681	58	188603	36
2001-02	72555	6	116125	62	187060	39
2002-03	82310	13	131284	63	216266	38
2003-04	90774	10	147294	62	254348	36
2004-05	99125	9	170936	58	304958	33
2005-06	111226	12	199348	56	366151	30
2006-07	117616	6	241541	49	473512	25
2007-08	123611	5	279031	44	593147	21
2008-09	108613	-12	269433	40	605299	18
2009-10	102991	-5	244737	42	624528	16
2010-11	137701	34	344530	40	793072	17
2011-12	144901	5	391738	37	889177	16
2012-13	175845	21	473792	37	1036235	17
2013-14	169455	-4	496318	34	1138733	15
2014-15	188128	11	544113	35	1244886	15
2015-16	288073	53	709825	41	1455648	20
2016-17	381756	33	861625	44	1715822	22
2017-18	258834	-32	911653	28	1919008	13
2018-19	231045	-11	937321	25	2080465	11
2019-20	248012	7	986539	25	2163423	11

Source: Compiled from Union Budget, Government of India. Period: 2000-01 to 2020-21

The Table 2 together highlights the pattern in collection of tax revenue from Central Excise during the period from 2000-01 to 2019-20. During the last two decades, the tax revenue from Central Excise has increased from 68,526 crores in 2000-01 to 3,81,756 in 2016-17. The growth in collections of central excise on a year to year basis until 2016-17 is not only uneven but it also declined during the financial year 2008-09, 2009-10 and 2013-14. Post GST implementation in 2017, the levy of Central Excise has been restricted only to petroleum and tobacco products, which resulted in a sharp decline in its tax revenue collections. Until the financial year 2016-17, the share of Central Excise in the total tax revenue from indirect taxes was the highest during the above specified period, even though its share was gradually declining since 2003-04. The reason behind the declining trend in its contribution to total indirect tax revenue was the increasing trend in share of tax revenue from Service Tax. Alike the decreasing share in total indirect tax revenue, the share of central excise in gross tax revenue has gradually declined from 39% in 2001-02 to 11% in 2019-20. Regarding the number of registered assesse under Central Excise, it gradually increased from ₹ 1,26,618 in 2002-03 to ₹ 5,39,725 in 2017-18. Post GST implementation, the registered assesses under Central Excise who became liable for taxes under GST, migrated to the same.

B. Service Tax

The service tax in India was introduced from 1July 1994 through the Finance Act, 1994. It had a humble beginning with tax rate of 5% on three services. During the last two decades, the number of taxable services were gradually increased to 119 services and since 2012-13 all services were brought under the its purview barring a negative list of a few services. In July 2017, the service tax got subsumed over by GST along with several other indirect taxes. The Table 3 and Graph 3 presents the data with respect to collection of tax revenues from Service Tax levied in India during the period from 2000 to 2020.

Table 3

Year-Wise Data Of Growth In Service Tax, Its Share In Total Indirect Tax And Gross Tax Revenue Collections Of The Central Government

(₹ in crores)

Financial Year	Service Tax (ST)	ST growth %	Total Indirect Taxes (IDT)	ST % as total IDT	Gross Tax Revenue (GTR)	ST as % of GTR	No of services
2001-02	3302	26	116125	3	187060	2	41
2002-03	4122	25	131284	3	216266	2	52
2003-04	7891	91	147294	5	254348	3	62
2004-05	14200	80	170936	8	304958	5	75
2005-06	23055	62	199348	12	366151	6	84
2006-07	37598	63	241541	16	473512	8	99
2007-08	51301	36	279031	18	593147	9	100
2008-09	60941	19	269433	23	605299	10	106
2009-10	58422	-4	244737	24	624528	9	109
2010-11	71016	22	344530	21	793072	9	117
2011-12	97509	37	391738	25	889177	11	119
2012-13	132601	36	473792	28	1036235	13	Negative List Regime
2013-14	154778	17	496318	31	1138733	14	
2014-15	167969	9	544113	31	1244886	13	
2015-16	211414	26	709825	30	1455648	15	
2016-17	254499	20	861625	30	1715822	15	
2017-18	81228	-68	911653	9	1919008	4	
2018-19	6904	-92	937321	1	2080465	0.33	
2019-20	1200	-83	986539	0	2163423	0.06	

Source: Compiled from Union Budget, Government of India. Period: 2000-01 to 2020-21

The Table 3 depict an increasing trend in service tax collections until 2016-17 except the decline in 2009-10. The negative list regime approach introduced since 2012-13 significantly improved the service tax collections and the share of service tax in total indirect taxes reached to a maximum percentage of 31%. Sinceservice tax was subsumed over by GST in 2017, a sharp decline in its collections could be observed after the financial year 2016-17.

C. Custom Duty

Customs duty is levied on import of goods into India and on export of certain goods out of India. The customs revenue base comprises of the Importers and Exporters issued with Importer Exporter Code (IEC) by the Director General of Foreign Trade (DGFT). Customs receipts before the introduction of Goods and Services Tax (GST) comprised of the basic customs duty (BCD), countervailing duty (CVD) and special additional duties of customs (SAD). After introduction of GST w.e.f. 1 July 2017, the CVD and SAD on import of all commodities, except petroleum products and spirits, have been subsumed and replaced by integrated tax (IGST) and only BCD is levied as per the Customs Tariff Act. Levy of education cess as well as anti-dumping duty and safeguard duty under Customs law remains unchanged. The Table 4 presents the data with respect to collection of tax revenues from Customs duty levied in India during the period from 2000 to 2020.

Table 4 : Year-Wise Data Of Growth In Customs Duty, Its Share In Total Indirect Tax And GrossTax Revenue Collections Of The Central Government
(₹ in crores)

Financial Year	Custom Duty (CD)	CD growth %	Total Indirect Taxes (IDT)	CD % as total IDT	Gross Tax Revenue (GTR)	CD as % of GTR
2000-01	47542	Base Year	118681	40	188603	25
2001-02	40268	-15	116125	35	187060	22
2002-03	44852	11	131284	34	216266	21
2003-04	48629	8	147294	33	254348	19
2004-05	57611	18	170936	34	304958	19
2005-06	65067	13	199348	33	366151	18
2006-07	86327	33	241541	36	473512	18
2007-08	104119	21	279031	37	593147	18
2008-09	99879	-4	269433	37	605299	17
2009-10	83324	-17	244737	34	624528	13
2010-11	135813	63	344530	39	793072	17
2011-12	149328	10	391738	38	889177	17
2012-13	165346	11	473792	35	1036235	16
2013-14	172085	4	496318	35	1138733	15
2014-15	188016	9	544113	35	1244886	15
2015-16	210338	12	709825	30	1455648	14
2016-17	225370	7	861625	26	1715822	13
2017-18	129030	-43	911653	14	1919008	7
2018-19	117813	-9	937321	13	2080465	6
2019-20	125000	6	986539	13	2163423	6

Source: Compiled from Union Budget, Government of India. Period: 2000-01 to 2020-21

The Table 4 reveal that despite the increase in collections of tax revenue through customs duty,its yearly growth is not uniform. Its highest yearly growth rate was recorded at 63% in the year 2010-11. The progressive reduction in tariffs over the years post economic liberalization in 1991 affected the tax revenue collections from customs duty despite a significant growth in imports. After the Great Depression of 2008, a steady rise in customs duty could be observed until 2016-17.

One of the reasons for decrease in the Customs receipts during FY18 may be attributed to the fact that Countervailing duty (CVD) and Special additional of Customs (SAD) levied under Customs Act have been subsumed over by GST. Hence, customs receipts since 2017-18 mainly comprised of Basic Customs Duty. The share of Customs Duty in indirect tax collections of the Government has declined significantly from 40% in 2000-01 to 13% in 2019-20. Accordingly, its contribution to gross tax revenue has declined from 25% in 2000-01 to 6% in 2019-20.

D. Goods and Service Tax (GST)

The Goods and Service Tax(GST) is a recently introduced tax on supply of goods, or services or both. The GST implemented in India is a dual GST with the Centre and the States simultaneously levying it on a common base. GST applies to all goods and services except Alcohol for human consumption. However, GST has not been levied on petroleum products till date unlike tobacco products where both GST and Central Excise have been levied. GST is a consumption based tax i.e. tax is payable in the state where goods or services or both are finally consumed.

The fact that GST subsumed over a number of indirect taxes, the collections of tax revenue from the same has turned out be an important area of concern for the Central Government. The tax revenue receipts of the Central Governments from GST during the last three years has been shown in Table 5.

Table 5 : Year-Wise Data Of Growth In Goods And Service Tax, Its Share In Total Indirect Tax And Gross Tax Revenue Collections Of The Central Government

(₹ in crores)

Financial Year	Goods & Service Tax (GST)	GST growth %	Total Indirect Taxes (IDT)	GST % as total IDT	Gross Tax Revenue (GTR)	GST as % of GTR
2017-18	442561	Base Year	911653	49	1919008	23
2018-19	581559	31	937321	62	2080465	28
2019-20	612327	5	986539	62	2163423	28

Source: Compiled from Union Budget, Government of India. Period: 2000-01 to 2020-21

The Table 5 has shown an increasing trend in tax receipts of the central government from GST. GST began with 49% share of the indirect tax revenue of the government in 2017-18 and increased to 62% in 2018- 19. However, a negative growth in GST revenue from during the 4^{th} quarter of 2019-20 restricted the yearly growth during that year to 5%. The GST contributed around 28% of the gross tax receipts of the Central Government during 2018-19 and 2019-20.

E. Analysis Of Trend In Indirect Tax Collections

Both direct and indirect taxes contribute significantly towards tax revenue collections of the Central Government. Around 46% of the gross tax revenue is collected from indirect taxes and the balance from direct taxes (Economic Survey, 2019). The Table 6 presents the data with respect to indirect tax collections of the Central Government during the period from 2000 to 2020.

TABLE 6 : Year-Wise Data Of Growth In Indirect Tax Collections, Its Share In Gross Tax Revenue and GDP

(₹ in crores)

Financial Year	Total Indirect Taxes (IDT)	IDT growth %	Gross Tax Revenue (GTR)	IDT as a % of GTR	Gross Domestic project (GDP)	IDT as a % of GDP
2000-01	118681	Base Year	188603	62.93	2177413	5.45
2001-02	116125	-2	187060	62.08	2355845	4.93
2002-03	131284	13	216266	60.7	2536327	5.18
2003-04	147294	12	254348	57.91	2841503	5.18
2004-05	170936	16	304958	56.05	3242210	5.27
2005-06	199348	17	366151	54.44	3693369	5.4

2006-07	241541	21	473512	51.01	4294706	5.62
2007-08	279031	16	593147	47.04	4987090	5.6
2008-09	269433	-3	605299	44.51	5630063	4.79
2009-10	244737	-9	624528	39.19	6477827	3.78
2010-11	344530	41	793072	43.44	7784115	4.43
2011-12	391738	14	889177	44.06	9009722	4.35
2012-13	473792	21	1036235	45.72	9944013	4.76
2013-14	496318	5	1138733	43.59	11233522	4.42
2014-15	544113	10	1244886	43.71	12467959	4.36
2015-16	709825	30	1455648	48.76	13771874	5.15
2016-17	861625	21	1715822	50.22	15362386	5.61
2017-18	911653	6	1919008	47.5	17095005	5.33
2018-19	937321	3	2080465	45.05	19010164	4.93
2019-20	986539	5	2163423	45.6	20442233	4.83

Source: Compiled from Union Budget, Government of India. Period: 2000-01 to 2020-21 and Economic Survey of India, 2019- 20

The Table 6 reveals that the volume of indirect tax collections have increased by around 9 times from 118681 crores in 2000-01 to 988539 crores in 2019-20. However, its yearly growth rate is not only uneven but it also declined during 2000-01, 2008-09 and 2009-10. The highest yearly growth rate was reported at 41% in the year 2010-11. The share of indirect tax in gross tax revenue of the Government has gradually declined from around 63% in 2000-01 to around 45.6% in 2019-20. The Indirect Tax- GDP ratio has remained stagnant in the lowest-highest range of 3.78 to 5.62 respectively. Rather it has declined from 5.45 in 2000-01 to 4.83 in 2019- 20.

X. MAJOR FINDINGS OF THE STUDY

1) The series of tax reforms with respect to indirect tax laws during the last two decades has considerably restructured the composition of indirect taxes in India. After the implementation of GST in 2017, it has emerged as the highest indirect tax revenue contributor of the Central Government overtaking Central Excise and Customs by a considerable margin.
2) During the last two decades the volume of indirect tax collections have increased by around 9 times from ₹118681 crores in 2000-01 to ₹988539 crores in 2019-20. However, its yearly growth rate is not only uneven but it also declined during 2000-01, 2008-09 and 2009-10.
3) The share of indirect tax in gross tax revenue of the Government has gradually declined from around 63% in 2000-01 to around 45.6% in 2019- 20. The Indirect Tax-GDP ratio has declined from 5.45 in 2000-01 to 4.83 in 2019-20.
4) Post GST implementation in 2017, the levy of Central Excise has been restricted only to petroleum and tobacco products, which resulted in a sharp decline in its tax revenue collections. The share of central excise in gross tax revenue has gradually declined from 39% in 2001-02 to 11% in 2019-20.
5) The negative list regime approach introduced since 2012-13 significantly improved the service tax collections and the share of service tax in total indirect taxes reached to a maximum percentage of 31% until it was subsumed over by GST in 2017.
6) The progressive reduction in tariffs over the years post economic liberalization in 1991 affected the tax revenue collections from customs duty despite a significant growth in imports. The share of Customs Duty in indirect tax collections of the Government has declined significantly from 40% in 2000-01 to 13% in 2019-20. Accordingly, its contribution to gross tax revenue has declined from 25% in 2000-01 to 6% in 2019-20.
7) GST contributed around 49% share in indirect tax revenue of the government in 2017-18 and it increased to 62% in 2018-19. The GST contributed around 28% of the gross tax receipts of the Central Government during 2018-19 and 2019-20. In view of the above findings, the study answers the research question that tax reforms in indirect tax laws have not been able to improve the indirect tax-GDP ratio.

International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 10 Issue I Jan 2022- Available at www.ijraset.com

XI. CONCLUSION

In India, a series of tax reforms were introduced since the economic liberalization in 1991 to strengthen the administration of tax laws, broaden the tax base, ensure proper compliance and invariably enhance tax revenue productivity to finance large development plans fulfilling social and welfare needs of the society. The intent of increasing tax revenue or enhancing tax productivity through tax reforms cannot be denied even though such intent may not constitute to be one of the objectives of such reforms. From the analysis of data with respect to collections of tax revenues from indirect taxes, it can be concluded that the tax reforms in the indirect tax regime of the Government did not improve its revenue productivity as reflected by the stagnant indirect tax-GDP ratio. An uneven growth rate in indirect tax revenue collections has been reported which also has occasionally shown declining trends. The share of indirect taxes to the gross tax revenue has been gradually declining. The tax reforms decreased Collections from tax revenues

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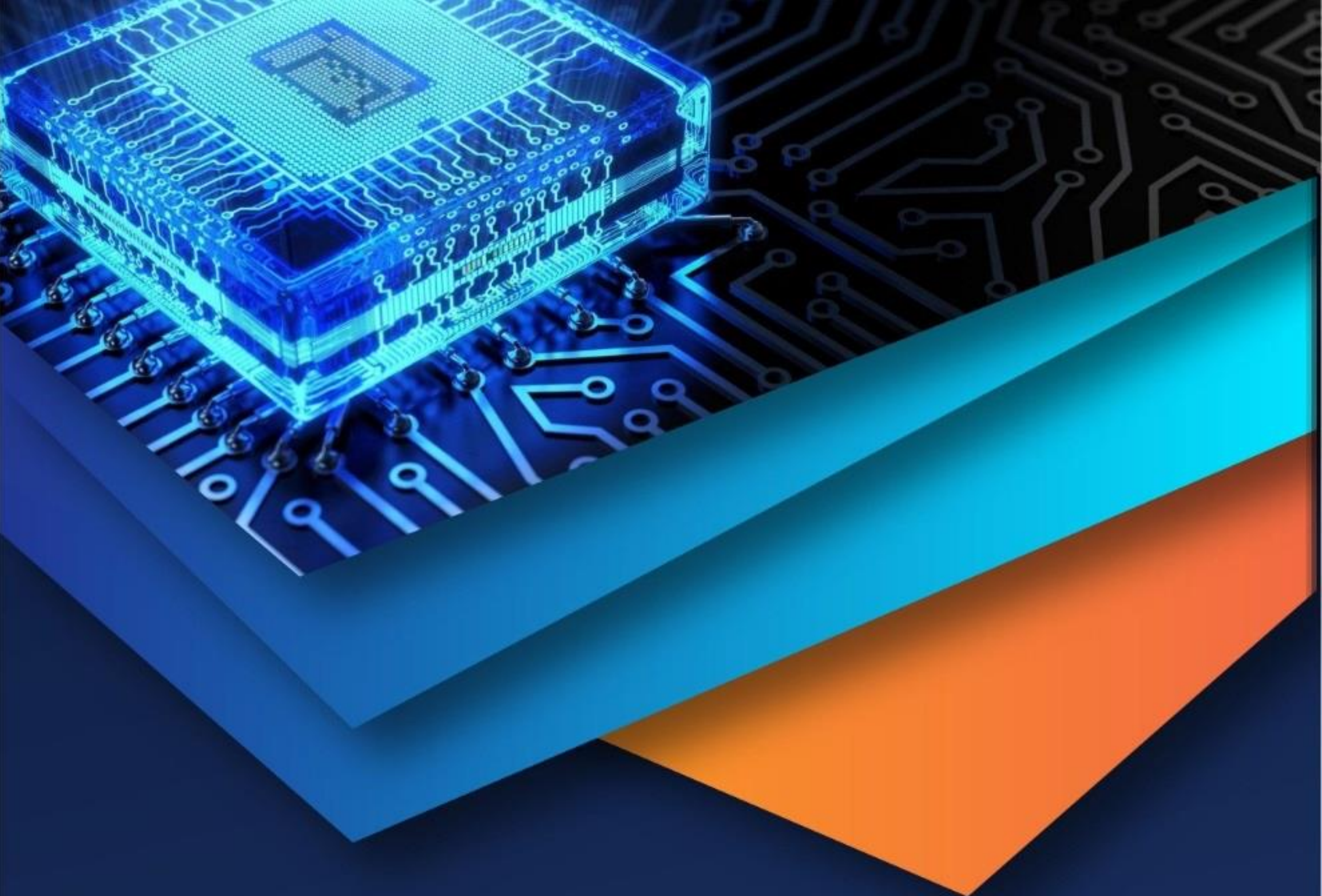

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