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DIRECT TAX- A BOOSTER FOR ECONOMY



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INTRODUCTION :

Direct tax is the major source of income to the government. The structure of direct tax plays an important role in the collection of revenue. It is prime responsibility of the government to fulfill the increasing developmental needs of the country and it is people byway of public expenditure. India being a developing economy has been striving to fulfill the obligations of a welfare state with its limited resources. Tax is the major source of public revenue. The economy's desires will be fulfilled only through the collection of taxes. The rate of collection of direct tax is less as compared to rate of

collection of indirect taxes. Still it has gained greater attention. The reason is that it has propensity towards personal.

Objectives:

- To understand nature of direct taxes.
- To examine the growth of direct taxes.
- To analyze the collection of taxes from corporate and non-corporate assessee.
- To offer useful suggestions.



Hypothesis:

Ho: There is no significant difference collection of taxes from corporate assessee and non-corporate assessee.

Ha: There is significant difference collection of taxes from corporate assessee and non-corporate assessee.

Methodology:

The study is purely based on secondary sources of data. The data is collected from 2009-10 to

2013-14. The collected data is analyzed with help of statistical tools such as percentage. One way ANOVA is used to test significance of collection of direct taxes.

Nature of Direct Taxes:

Direct taxes levied by the parliament mainly comprises of the following:

- Corporation Tax levied on income of the companies.
- Income tax levied on income of persons (other than companies).
- Other direct taxes including wealth tax and security transaction tax etc.

Growth of Direct Tax:

Table 1: Growth of Direct Taxes (Rs in crores)

Financial Year	Direct Taxes	Gross Tax Receipts	Direct Tax as % of GTR	GDP	Direct Tax as % of GDP
2009-10	377594	624527	60.50	6477827	5.80
2010-11	445995 (18.11)	793307 (21.28)	56.20	7795314	5.70
2011-12	493987 (10.76)	889118 (12.08)	55.60	9009722	5.50
2012-13	558989 (13.03)	1036460 (16.57)	53.9	10113281	5.50
2013-14	638596 (14.20)	1138996 (9.90)	56.1	11355073	5.6

Source: Direct Tax and Gross Tax Receipt-Union Finance Accounts –GDP-Press note dt 30th May 2014

It is revealed from table 1 the collection of direct taxes and Gross Tax Receipt is on cumulative. But percentage of collection of direct tax is not consistent from year to year. Similarly, the rate of collection of GTR was 21.28 per cent which decreased to 9.90 per cent in 2013-14. The Direct Tax as percentage of GDP is almost steady. It is noticed from table that the GDP is also on increasing trend.

There are different mode of direct tax collection (TDS, Advance tax, Self-assessment tax, regular assessment tax) in respect of both corporation and income tax. Collection through advance tax, self assessment tax and TDS is largely indicative of degree of voluntary compliance in the system. Collection of tax through regular assessment mode occurs on assessment.

Table 2: Growth of Direct Tax Collection (Rs in crore)

Financial Year	TDS		Advance Tax	
	Corporate Assessee	Non-Corporate Assessee	Corporate Assessee	Non-Corporate Assessee
2009-10	60850	84885	148791	24626
2010-11	68313 (12.26)	100356 (18.22)	184263 (23.84)	28275 (14.81)
2011-12	91974 (34.63)	106705 (6.32)	208886 (13.36)	42640 (50.80)
2012-13	74781 (-18.70)	136173 (27.61)	232467 (11.26)	43327 (1.61)
2013-14	83443 (12.11)	165104 (21.24)	245350 (5.54)	47172 (8.87)

Source: Reports of CBDT

It is professed from table 2 that the percentage of TDS collected from corporate assessee has increased to 34.63 in 2011-12 but immediately decreased to 12.11 per cent during 2013-14. The rate of collection of TDs has increased from 18.22 per cent to 21.24 per cent from 2009-10 to 2013-14. The percentage of collection of direct tax through advance tax goes on decreasing. There is lot of variation in rate of collection of advance tax from non-corporate assessee during five years.

Table 3: Direct Tax collection (Rs in Crores)

Financial Year	Self Assessment Tax		Regular Assessment Tax	
	Corporate Assessee	Non-corporate Assessee	Corporate Assessee	Non-corporate Assessee
2009-10	20159	12349	24995	8279
2010-11	23056 (14.37)	13831 (12.00)	41916 (67.70)	9922 (19.85)
2011-12	13632 (-40.85)	14016 (1.34)	40030 (-4.50)	11482 (15.72)
2012-13	18731 (37.40)	20739 (47.87)	53874 (34.50)	8544 (-25.58)
2013-14	18852 (0.64)	25271 (21.85)	60426 (12.16)	12102 (41.64)

Source: Reports of CBDT

It is revealed from table 3 that the rate of collection of tax through self assessment was 37.40 per cent during 2012-13 which is highest. In case of non-corporate assessee, the same has increased from 12 per cent to 21.85 per cent in a span of 5 years. The amount of collection of direct tax through regular assessment has increased by 2.42 times. Similarly, the same has increased by 1.46 times in case of non-corporate assesses.

Table 4: Direct Tax collection (Rs in Crores)

Financial Year	Corporate Assessee	Non-Corporate Assessee
2009-10	288162	136551
2010-11	355266 (23.29)	158632 (16.17)
2011-12	398116 (12.06)	181383 (14.34)
2012-13	420147 (5.53)	216785 (19.51)
2013-14	461851 (10.16)	259753 (19.82)
Average	384908.4	190620.80
Variance	4.4345E+09	2.374E+09

One Way ANOVA						
	SS	Df	MS	F	P-Value	F Critical
Between Group	9.4369E+10	01	9.44E+10	27.7293	0.000759	5.317655
Within Group	2.7226E+10	08	3.4E+09			
Total	1.2159E+11	09				

Source: Reports of CBDT

It is revealed from table 4 that the collection of direct taxes from corporate assessee has increased by 1.60 times whereas the same from non-corporate assessee has increased by 1.90 times in a span of 5 years. The percentage of collection of direct tax from corporate tax decreased from 23.29 to

10.16 whereas the percentage of collection from non-corporate assessee has increased considerably over a period of time. Further, it is revealed from Anova that the calculated value of 27.7293 is greater than its critical value 5.317655. Hence, the null hypothesis is rejected. It is inferred that there is significant difference in collection of taxes from corporate and non-corporate assessee.

Suggestions:

Restructure of Income Tax:

The existing loopholes in the act have led to lower collection of taxes. The deductions under sec 80G, 80GG have reduced the rate of collection of direct taxes from corporate assessee. Similarly, the deduction under Sec 80 DD and 80U are means to reduced collection of direct taxes from individuals. The deduction should be allowed only to the amount spent by the assessee.

Implementation of Direct Tax Code:

The refinement of Income Tax every year will create number of problems. In place of act, direct tax code is to be implemented in consensus with all stakeholders. Always, code is stricter than act. The various deductions and exemptions should be withdrawn in order to accelerate the rate of collection of direct taxes.

Awareness about Tax planning:

The government has to create awareness about tax planning among common man. So necessary efforts have to be made in this direction. The tax planning awareness is to be created in vernacular languages.

CONCLUSION:

The Ministry of Finance should not only on collection of indirect taxes but also the collection of direct taxes. The deduction like 80 C should be introduced to formation of capital. This enables the Make in India possible. A separate code of conduct is to be implemented in order to monitor direct taxes.

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