

A Comparative Analysis of Government Revenue Generation Through Tax and Contribution of Uttarakhand

Smita Sharma¹ and Jharna Banerjee²

^{1,2} Department of Statistics, D.A.V.(P.G.) College, Dehradun
Department of Statistics, D.A.V.(P.G.) College, Dehradun

Abstract

Ever since civilization came into existence, generating revenue through taxes is prevalent since historical times in India. 'Raja Pratha' was the historical Indian way of governing a state where people and farmers had to pay taxes known as 'Kar' to generate finance or 'Raj Kosh', which Raja or king utilizes to provide facilities for its province for the wellbeing of the Praja. In present scenario Government generates revenue through taxes imposed on citizens of India.

The taxation forms a major part of budgets in every financial year and government do expenditure for development & maintenance for various policies, administrative work etc. for smooth functioning of the country at centre and state level. The present paper is an attempt to examine yearly growth in receipts through tax collection and contribution of Uttarakhand state in revenue collection.

Key words: Revenue, taxation, Uttarakhand, revenue receipts

I. Introduction:

Uttarakhand is the twenty seventh state of independent India came into existence on November 9th, 2000 under special category state, made by the Government of India after being separated by U.P. In Indian System the financial year begin from April 1 and last till 31st of March. In every financial year government evaluated receipts of taxes as a source of income and does expenditure on development for the betterment of each state and nation. Tax system is not new in India it is prevailing since historical times during Raja- Praja system, where people and farmers had to pay taxes in form of 'Kar' to be deposited in 'Raj Kosh'. This revenue was utilized for the welfare of people and strengthening of province. India is a democratic country where two types of governance is there-the Central government and the state government. Every state has its contribution to central government as well all central government supports financially to state governments. It is a mutual and coordinated system of state and central government to manage revenue generation and expenditure for overall development of the sates and the country. The present paper examines the contribution of Uttarakhand in total receipt of taxes through direct taxes & indirect taxes also studies overall growth in receipts in each financial year. The study area also focuses on tax revenue of Uttarakhand.

Importance of Tax Generation in India

India is a developing country. The government collects taxes for the welfare of the country in various forms like construction of roads, water supply, electricity supply, railways, on national security etc. Ina developed and a developing countries government collect taxes to fund public services. Thus, financial assistance to the government is very important [3].

Ancient Indian texts 'Arthshastra' and 'Manu smriti' had detailed discussion about taxation in India, which depicts it an old concept since civilization, according to this discussion the king should arrange the collection of taxes in such a way that tax payer does not feel the pinch of paying taxes. The modern tax system was introduced in the year 1860 by James Wilson during British Rule in India. The tax system is supposed to raise necessary revenue for the government in stipulated time [1].

II. Review Of The Literature

Nishant Ghuge et.al. (2015) focused on role of taxation structure for Indian Economy andon how taxation has gone through various reforms. Priyabrata Panda et.al. (2020) carried study in Direct tax reform in India and the impact of reform in contributing government treasury. Pratap Singh (2019) analyzed tax GDP ratio in India and international comparison of various tax administrations hasalso been examined. Anjali Tyagi (2022) focused on the importance of the Goods and Service Tax framework and an attempt is made to analyze evolution of India's Taxation System. Gale. W.G et al (2014) examines the effect on changes to the individual

income tax affects long term economic growth. Neog. Y. (2020) examined the long term and short-term relationship between tax structure and state level growth of selected Indian states with the help of regression analysis. Jha. A. (2013) focused on modification of tax structure such that it does not induce distortion in financing and investment decisions.

Indian Tax System– India is a federal country and the taxation powers are divided between the center and states, more precisely India is a country with set up of Central governance, state governance and then local governance i.e., municipal bodies within the states.

The tax system in India is structured in three tiers: -

- Central government,
- State Government,
- Local Municipal Bodies

Income taxes, Custom, Central excise & service tax are collected by the centre, taxes on land, trading of goods, roads, vehicles, and liquor etc. and collected by the states.

Types of Taxes

Taxes in India are categorized as follows depending on how they are collected –

- Direct Taxes,
- Indirect Taxes

The Direct taxes are paid by assesses i.e., individuals' corporate entities. Direct tax collection includes corporate tax, personal income tax, wealth tax, gift tax etc. and other direct taxes in each financial year.

Indirect taxes are levied on goods and services as VAT, Custom duty, Octroi, Excise duty, Service Tax.

The government accounts consolidated fund to finance public expenditure. The consolidated funds are maintained by receipts and then expenditure is done through consolidated fund.

Receipts – (i) Revenue Receipts (ii) Capital Receipts

Revenue Receipts are done through taxes, non-tax revenue, grants in aid, share of union tax

Capital Receipts are done through debt receipts, loans and advances.

Expenditure – (i) Capital expenditure (ii) Revenue expenditure

Capital Expenditure is basically making assets like projects, bridges, buildings, roads etc.

Revenue expenditure is expenditure on salaries, pensions, operational expenditure, maintenance etc.

Objective

1. To study trends in growth in receipts of Total taxes of Uttarakhand.
2. To study trends in growth in receipts of direct taxes and indirect taxes of India
3. To do comparative study on government receipts of direct taxes and indirect taxes.

III. Research Methodology

The Study is carried out on secondary data obtained from various websites of Government of India. The secondary data from financial year 2010-2011 till 2018-2019 has been used to carry out analysis. The source is mentioned in the analysis part below the tables. The receipts of government accounts consolidated funds are analyzed. Revenue of Uttarakhand is also analyzed, also growth percentage are compared and shown on graphs to see the trend.

Table 1 Total Revenue receipts by central and Uttarakhand state government (in crores)

Year	Total Revenue	Uttarakhand	Difference (in State Revenue)
2010-2011	789711	1080	
2011-2012	884940	1255.7	175.7
2012-2013	1031904	1591.9	336.2
2013-2014	1133943	1941.9	350
2014-2015	1239007	1750.63	-191.27
2015-2016	1454180	2288.42	537.79
2016-2017	1711228	2735.68	447.26
2017-2018	1918210	2928.24	192.56
2018-2029	2076703	3265.20	336.96

Source: incometaxindia.gov.in, cag.gov.in

Table 2: Annual contribution of Direct Tax (in crores)

Year	Direct Tax	Percentage of Growth w.r.t. previous year	Growth percentage with 2010-11 as base year
2010-11	445995	--	100
2011-12	493987	10.76	110.76
2012-13	558989	13.16	125.34
2013-14	638596	14.24	143.19
2014-15	685792	8.96	156.01
2015-16	741945	6.63	166.36
2016-17	849713	14.52	190.52
2017-18	1002037	17.93	224.67
2018-19	1137685	13.54	255.09

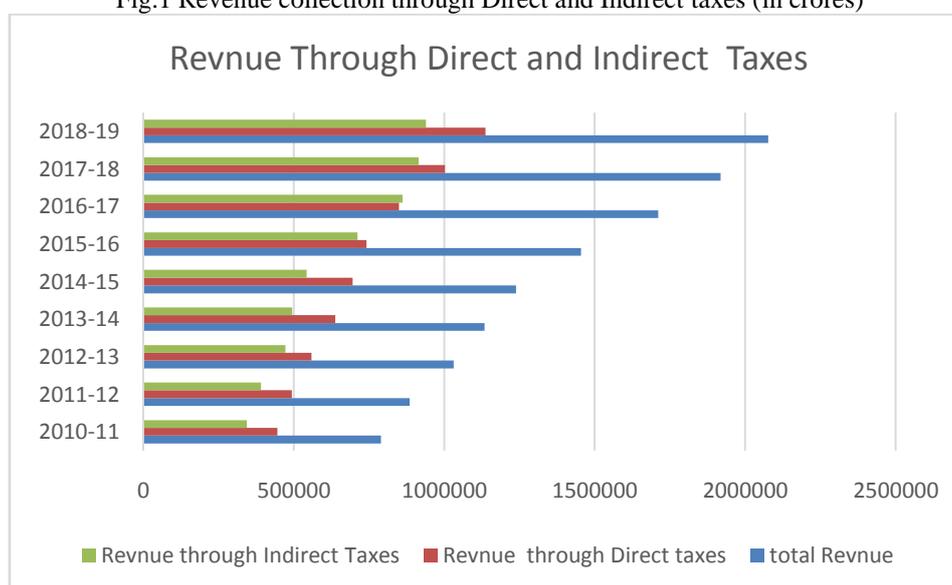
Source: table 1

Table 3: Annual contribution of Indirect Tax (in crores)

Year	Indirect Tax	Percentage of Growth w.r.t. previous year	Growth percentage with 2010-11 as base year
2010-11	343716	--	100
2011-12	390953	13.74	113.74
2012-13	472915	20.96	137.59
2013-14	495347	4.74	144.12
2014-15	543215	9.66	158.04
2015-16	711885	31.05	207.11
2016-17	861515	21.02	250.65
2017-18	915256	6.24	266.28
2018-19	939018	2.60	273.20

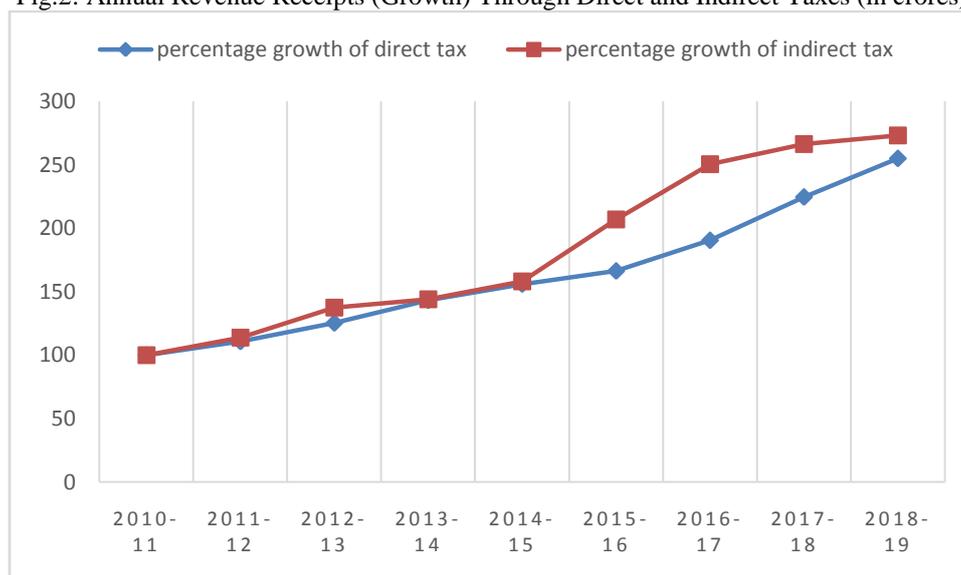
Source: table 1

Fig.1 Revenue collection through Direct and Indirect taxes (in crores)



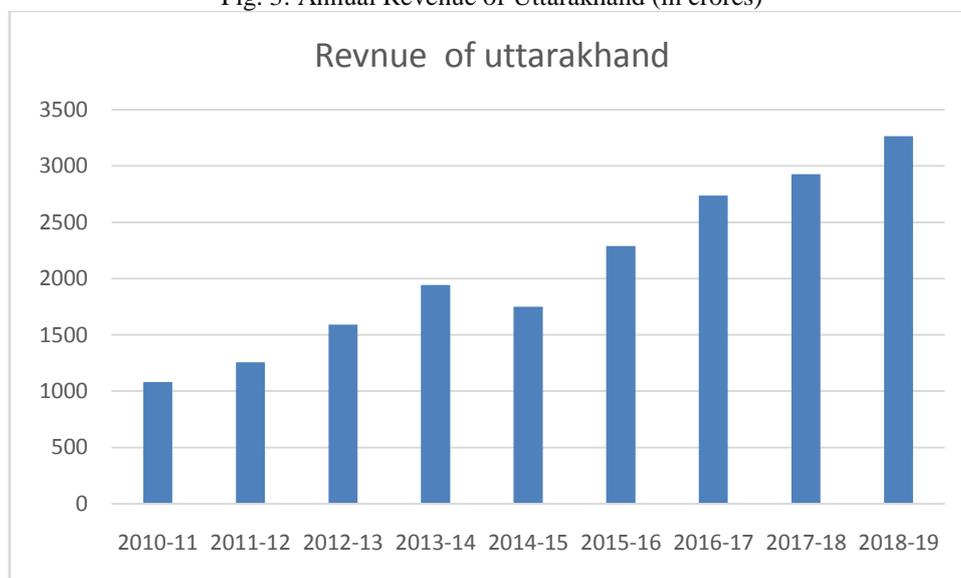
Source: Table 1

Fig.2: Annual Revenue Receipts (Growth) Through Direct and Indirect Taxes (in crores)



Source: Table 2, Table 3

Fig. 3: Annual Revenue of Uttarakhand (in crores)



Source: Table 1

IV. Results and Discussion

Table 1 (Fig. 1) indicates contribution of Revenue through Direct taxes and Indirect Taxes in total taxes over the period of a 2010-11 and 2018-19 are in increasing trend. It also indicates the revenue contribution of Direct taxes are more than that of indirect taxes. Although during the year 2016-17 the contribution of both the taxes were very close.

Table 1(fig.3) indicates that there were trends in the revenue collection in Uttarakhand during the nine years, the overall pattern is increasing. But during the year 2014-15, there was decrease (-191.27) by 9.85%.

Table 2 indicates 255% growth in revenue receipts of the government from direct taxes over the duration of nine years. The average annual growth rate is approximately 11 percent.

Table 3 indicates 273% of growth in revenue through indirect taxes over the period of 9 years. It is increasing every year yet the growth pattern is fluctuating. There was tremendous growth during the year 2015-2016 (31%) approximately in the in collection of indirect taxes

Figure 2 shows there is growth in both the taxes (Direct and Indirect). Although growth, of indirect taxes are higher as compared to direct taxes from the year 2014-15.

V. Conclusion

The development of country majorly depends on receipts of revenue from both direct and indirect taxes. The contribution of Uttarakhand shows increasing trends. Overall, the growth pattern of Direct and Indirect taxes is fluctuating. This shows Government should ensure proper collection of taxes in order to avoid stealing of taxes. Although there is overall increase in the pattern of Direct and Indirect tax collection.

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