ABSTRACT

Vaneeta Rani
Associate Professor
Govt. Bikram College, Patiala (Candidate)

Dr. R. S. Arora
Professor, Department of Commerce,
Punjabi University, Patiala (supervisor)

The present study examines the Taxation of Income in India during post liberalisation period and policy perspective in this regard. It has analysed the growth of income tax revenue, performance of Income Tax Department and perception of tax professionals regarding Income Tax System in India. For evaluating growth of income tax revenue in India and performance of the income tax administration secondary data has been collected for the period 1997-98 to 2007-08. For studying the perception of tax professionals regarding Income Tax System, data has been collected from tax professionals i.e. Chartered Accountants practicing in Punjab and Chandigarh (U.T.).

The study found that Government has tried to achieve the objective of social welfare by providing various incentives for education, health, housing, savings, pension schemes, etc. The Government has adopted certain measures for widening tax base such as introduction of PAN, E-filing of income tax return, Online tax accounting system etc. It was also found that share of direct taxes in total tax revenue of Central Government, number of income tax assessees, income tax to GDP ratio and buoyancy coefficient showed an upward trend during this period. Further, Maharashtra and Delhi remained best performing states in terms of share in total income tax revenue. Whereas, the states of Bihar & Jharkhand, J & K and Himachal Pradesh made the lowest contribution towards total income tax revenue. Cost per rupee of tax collection and cost per assessees, number of outstanding refund claims declined during the study period. However, the amount of refund and interest on refunds, number of pending assessments under scrutiny & summary schemes, number of pending cases under penalty and prosecution proceedings, amount of arrear, total certified demand due for recovery, assessment cases involving mistakes and number of pending appeals relating to high amount increased considerably during this period. All this puts a question mark on performance of Income Tax Department.

Further, a vast majority of tax professionals opined that tax evasion and corruption are prevalent in the Indian Income Tax System due to multiple taxes, high tax rates, social acceptance of tax evasion, low probability of detection and low tax morality, excessive discretionary powers available with income tax authorities. They opined that staff is available in the offices and manpower is overburdened in Income Tax Department. However, they also opined that Income tax administration is not taxpayer friendly. Regarding tax rates they opined that tax rates are reasonable for individuals and HUFs, but these are high for AOPs and BOIs, firms and companies. They also pointed out that complicated tax law, high tax rates, corruption, high compliance cost and lengthy return forms are the major problems faced by the clients. The study ends with certain suggestions for improving Income Tax System.