CHAPTER – 2
DESIGN OF THE STUDY

2.1 STATEMENT OF THE PROBLEM

In India out of 123 crore population (i.e in 2012) only 2.87 crore individuals filed tax returns, but 1.62 crore of them not paid any tax they went under the tax radar due to generous government policy. Leaving the number of tax payers at just about 1.25 crores which is close to one percent of the country’s population is paying the tax. As per the CBDT 128 crore population in 2014 tax paid is 3% of population and 130 crore population in 2015 tax paid is 3.8% population. India’s tax to GDP ratio is very low and the proportion of Direct tax to Indirect tax is not optimal for the point of social justice. The Government of India is struggling to come out from Fiscal deficit, Total Revenue deficit and Public debt, to overcome this Tax Reforms Commission was established. The Tax reforms initiated from two decade could not solve many of the problems. The major problem with the tax reforms was that it could not reduce the fiscal deficit of the country. There are many causes of increasing fiscal deficit, such as increase in the non-planned expenditure of the government, increasing tax limits, reducing tax rates and increase in the arrears of taxes. Income tax in India is governed by the Income Tax Act 1961. This act has become very old. It has been modified many times since 1961. This has made the old act complicated and difficult to interpret, leading to many disputes and court cases. One of the Problem is “Fiscal Crisis has been proven to be the mother of tax reforms”, At macroeconomic level, a fiscal deficit is viewed as a spillover of the problem related to balance of payment and as a consequence creates inflationary pressure on the economy. The other problems that developed during the period are low revenue productivity, narrow base of direct taxes, exemption to agricultural incomes, tax evasion and avoidance, poor information system, low tax compliance, unnecessary tax exemption like PF, PPF, NPS, Difficult to calculate and understand old system, very difficult process of tax collection, Government tinker with Tax rates every year, uncertainty tax rate to corporate, investors, individuals and Exempt-Exempt Tax system. In this Respect the present study is focusing on the tax
reform in India and abroad especially BRICS countries, new Direct Tax Code and its relevance on Indian economic development as a whole.

2.3 OBJECTIVES OF THE STUDY
The Study has following objectives.

1. To trace the historical development of Tax reforms in Post-Independence Period.

2. To Study the Impact of Tax reform measures suggested by the committees constituted by the Government of India.

3. To study the Tax payers awareness and perception On Direct Tax Code.

4. To compare the Indian tax structure with BRICS Countries.

5. To offer constructive suggestion to overcome the problems in Present Tax system.

2.3 REVIEW OF LITERATURE
“Taxes are one of the oldest phenomena of human society. Even primitive man was aware that society was more than the sum of individuals and each tribe’s member contributed in that “embryonic”.

Grapperhaus

The reviews are categorized into four groups’ Consist of studies on International Tax Reforms (2.3.1), Comprise of Studies on Tax System in BRICS countries (2.3.2), entails Tax reforms of India and 2.3.4 covers studies on Direct Tax Code. In any field of study, existing literature constitutes a base for further research. Therefore, probing into the past research studies was felt as a necessity for a better understanding of the present investigation. Every research needs to gain insights into the existing theoretical and methodological contributions made to particular problem. Hence, the researcher has undertaken review of literature on taxation in general and tax reforms in particular.
2.3.1. Studies Related to the International tax Reforms

Appel, H. (2006)\textsuperscript{11} attempted to study a growing portion of tax policy in post communist Europe is driven by external factors relating to regional and global economic integration. The European Union accession process and global competition for capital have largely determined tax policy making and the development of capitalist tax regimes in Poland, Hungary and the Czech Republic. European statistics data, OECD and EU reports and interviews with political and bureaucratic officials support these conclusions. Recent trends in taxation in post communist Europe provide a striking example of the declining economic policy autonomy of states, in this case, newly autonomous states with a great sensitivity to issues of national sovereignty.

Owens, J. (2006)\textsuperscript{12} endeavored to examine trends in tax reforms. The analysis is limited to the experience of 30 OECD countries, and focuses particularly on changes since the year 2000. The paper analyses the general trend of reductions in both tax revenues and rates and the diversity in tax policies across OECD countries, reflecting the diversity in both economic circumstances and policy objectives. Developments in tax administration are also briefly dealt with. Some of the challenges for tax policymakers and administrators that are likely to arise over the next few years are identified, and possible alternative approaches to solving them are put forward.

Ogbonna, G. N., & Ebimobowei, A. (2012)\textsuperscript{13} Attempted to examine the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. On the basis of the findings, the study concluded that tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis. However, it was recommended that sustainable economic growth cannot be


attained with tax reform processes except obsolete tax laws and rates are reviewed in line with macro-economic objectives, corrupt-free and efficient tax administrative machinery with personnel’s and accountability and transparency of government officials in the management of tax revenue.

Bayindir Upmann, T. (2000)\textsuperscript{14} endeavored to study the tax-exemptions for the production sector environmental tax reforms significantly reduce profits and endanger employment. They challenge this view and examine the consequences of both a small and a large tax reform in the case of a monopoly. They show that these suspected effects are unlikely to emerge. Rather the contrary, for a wide range of ex ante tax systems, profits and employment of non-polluting factors increase - and, in this sense, together with a positive environmental effect, a double, or even a triple dividend can often be attained. What they should, however, be concerned about is the effect of a green tax reform on the demand for environmentally harmful factors of production. When the double dividend fails, it frequently does so because the environmental dividend is lost.

Desai, M. A. and J. R. Hines (2004)\textsuperscript{15} attempted to examine the burden of the current U.S. international tax regime and reconsiders well-known welfare benchmarks used to guide international tax reform. Reinventing corporate tax policy requires that international deliberations be placed front and centre in the debate on how to tax corporate income. A simple framework for assessing current rules suggests a U.S. tax burden on foreign income in the neighborhood of $50 billion a year. This generous U.S. taxation of foreign investment income is unpredictable with promoting efficient ownership of capital assets, either from a national or a global perspective. Consequently, there are large potential welfare gains available from reducing the U.S. taxation of foreign income, a direction of reform that requires abandoning the comfortable, if misleading, logic of using similar systems to tax foreign and domestic income.


Devereux, M. P., et al. (2002)\textsuperscript{16} attempted to discuss the development of taxes on corporate income in EU and G7 countries over the last two decades. They create a number of stylized facts about their development. Tax-cutting and base-broadening reforms have had the effect that, on average across EU and G7 countries, effective tax rates on marginal investment have remained fairly stable, but those on more profitable investments have fallen. We discuss two possible explanations of these stylized facts arising from alternative forms of tax competition. First, governments may be responding to a fall in the cost of income shifting, which puts downward pressure on the statutory tax rate. Second, reforms are consistent with competition for more profitable projects, in particular those earned by multinational firms.

Mendoza, E. G. and L. L. Tesar (1998)\textsuperscript{17} Tried to study the tax reforms in a dynamic model of a global economy calibrated to current U.S. and European tax policies. World capital markets add consumption-smoothing and income-redistribution effects that alter closed-economy predictions. In the absence of taxes on foreign interest, welfare gains of eliminating U.S. income taxes are enlarged by up to 34 percent, at the expense of European losses caused by transitional declines in consumption and leisure, and a permanent capital outflow. In contrast, if foreign interest is taxed, the same tax reform reduces U.S. welfare 0.7 percent and increases European welfare 1.8 percent.

Duclos, J.-Y., et al. (2008)\textsuperscript{18} attempted to propose graphical methods to determine whether commodity tax changes are "socially improving," in the sense of improving social welfare or decreasing poverty for large classes of social welfare and poverty indices. It also shows how estimators of critical poverty lines and economic efficiency ratios can be used to characterize socially improving tax reforms. The methodology is illustrated using Mexican data.


Grubert, H. and R. Altshuler (2013)\textsuperscript{19} tried to evaluate proposals for U.S. international tax reform including dividend exemption, full current inclusion, dividend exemption with an effective tax rate test and active business exception, dividend exemption with a per-country or overall minimum tax, and repeal of check-the-box. As alternatives to active business tests, they consider minimum taxes that allow expensing for real investment abroad. They evaluate reforms along many dimensions including the lockout effect, income shifting, the choice of location, and complexity. They find a per-country minimum tax with expensing has many advantages with respect to these margins. The simpler overall minimum tax is a serious alternative.

Mucenski-Keck, Lynn (2012)\textsuperscript{20} attempted to examine 25 years of successful reform of the U.S. tax code (the Tax Reform Act of 1986), it is worth asking: could President Reagan’s approach of motivating the economy through tax reform work today? Possibly—but feelings differ among the political parties and corporate America as to which form tax reform should take, and this difference could delay the process until it is too late. Corporate tax reform has been hotly debated over the past few years, due to the downturn in the global economy and the fear of U.S. jobs being outsourced overseas. Any projected paths for corporate tax reform will be subject to even greater scrutiny in the current political and fiscal environment. In order to analyze U.S. corporate tax reform proposals with a view toward ensuring that reform would allow U.S. companies to remain globally competitive, it is necessary to understand corporate taxation in other economically developed countries.

Uppal, R. (2009)\textsuperscript{21} attempted to examine taxation of capital gains has been a controversial issue. The argument for taxing capital gains is based on equity and efficiency considerations. Despite the controversy surrounding the chargeability of capital gains, tax on capital gains is levied in India. The issue, therefore, is how the capital gains tax is computed. The present paper attempts to evaluate the

structure and reforms of capital gains taxation in India. After going through the evaluation of tax on capital gains, the study concludes that the taxation of capital gains in India has failed in its real objective to raise revenue in an efficient manner, to plug the possible leakages in tax collections, to use the capital gains tax provisions as social welfare measure and also as an incentive to give direction and growth to the economy.

**Aprill, E. P. (2012)**

attempted to discuss hurdles that the IRS and Treasury would face following tax reform in their efforts to respond quickly with guidance that courts will uphold. These hurdles include the impact of the Tax Anti-Injunction Act and the Declaratory Relief Act, discriminating interest in the course of tax litigation regarding compliance by the IRS and Treasury with the Administrative Procedure Act, and provisions enacted in 1988 and 1996 limiting temporary and retroactive regulations. The paper then outlines several approaches Congress could consider to mitigate possible untoward consequences.

**Eccleston, R. (2013)**

attempted to study the paper applies concepts developed in the Policy Agendas Project (PAP) literature to an analysis of Australian tax policy over the post war period. It argues that a major turning point in the Australian tax policy agenda occurred during the second term of the Hawke Government (1984-87). Beyond this turning point, and despite the fierce partisan conflict concerning tax policy over the past two decades, there has been curiously little difference between Australia’s two major parties at the level of substantive policy content. The Australian tax policy agenda over the post war period can be characterized by notable policy continuity punctuated by a period of change in the mid-1980s when structural change in the international political economy precipitated unprecedented domestic liberalization.

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Sujjapongse, S. (2005)\textsuperscript{24} tried to study the overviews of Thailand’s tax system covering major taxes administered by the central government and the local taxes administered by the local government. Recent tax reform experiences are discussed at length starting from the introduction of value added tax (VAT) replacing the business tax to customs tariff reform. Current issues on taxation are also highlighted ranging from tax base, direct and indirect taxation, decentralization impediments. Furthermore, the government is implementing modern and cutting-edge technology in tax administration, thereby providing effective and efficient e-government services to the Thai people. This paper discusses the Roadmap for Tax Reform that would outline the framework for future direction of taxation in Thailand. Finally, the paper gives important insights on tax issues, and draws important conclusions for the future of tax reform in Thailand.

Ikhsan, M., Trialdi, L., & Syahrial, S. (2005)\textsuperscript{25} attempted to afford direction for policy and provide input to improve the quality of taxation services, by emphasizing and analyzing the existing tax potential and recommending a taxation reformation plan in accordance with fiscal sustainability and efforts to increase the level of Indonesian competence both for the transition period and in the long term. The result of the study has indicated that there is still the opportunity to increase national revenue without increasing rates and by increasing the capacity of tax administration and expanding the tax base, tax collection/revenue will increase.

Aamir, M., Qayyum, A., Nasir, A., Hussain, S., Khan, K. I., & Butt, S. (2011)\textsuperscript{26} tried to study the purpose of comparing these types of taxes in India and Pakistan, we have taken a sample of tax revenue collected under the heads of direct and indirect taxes. This sample ranges from 1999-2000 to 2008-2009. The results show that Pakistan is generating more tax revenue through indirect taxes

whereas India is from direct taxes. By comparing the two regression equations and the standardized betas, they come to know that in Pakistan, more revenue is charged by levying indirect taxes where as India is on the opposite side of it. The results of these two types of fiscal policies can be very different and the more the indirect taxes in country.

Dekhanov, M. (2011)\(^{27}\) endeavored to examine the analysis of influence of tax reforms on small enterprises in Uzbekistan. Particularly it analysis how single tax effects the development and functioning of the SMEs. The base hypothesis used in this research paper is Laffer’ hypothesis, which states that decrease of tax rates will encourage the development of the enterprises and will raise more government revenues. This effect will be achieved through better business conditions, which ensures the financial sustainability of the business. Another point is the lower avoidance rate, where enterprises will not be more needed to hide their revenues and avoid taxes. The research results showed that implementation of lower tax rates and single tax policy, will have positive impact on SME’s sector.

Worlu, C. N., & Nkoro, E. (2012)\(^{28}\) attempted to examine the impact of tax revenue on the economic growth of Nigeria, judging from its impact on infrastructural development from 1980 to 2007. The study also reveals that tax revenue has no independent effect on growth through infrastructural development and foreign direct investment, but just allowing the infrastructural development and foreign direct investment to positively respond to increase in output. However, tax revenues can only materialize its full potential on the economy if government can come up with fiscal laws and legislations and strengthen the existing ones in line with macro-economic objectives, which will check-mate tax offenders in order to minimize corruption, evasion and tax avoidance. These will bring about improvement on the tax administration and accountability and transparency of government officials in the management of tax revenue. Above all, these will increase the tax revenue base with resultant increase in growth.


Gross, A. D., & Schadewald, M. S. (2012) attempted to discuss the last major overhaul of the U.S. corporate tax system was the Tax Reform Act of 1986, which reduced the top corporate tax rate from 46% to 34%. Since then, the tax rate has remained relatively unchanged. In sharp contrast, the corporate tax rates of other developed nations have declined substantially. Given the mobility of capital in a globalized economy, a competitive U.S. corporate tax rate is important in attracting foreign investment and encouraging U.S. companies to invest domestically. Bringing U.S. corporate tax rates in line with those of its major trading partners represents a major policy challenge for US government policy makers.

Bujang, I., Hakim, T. A., & Ahmad, I. (2013) endeavored to investigate the long-run relationship between tax structure and economic growth and the other economic indicators via panel unit root tests and panel co-integration analysis. Panel unit root tests are carried out to determine the order of integration of panel variables. There is an evidence of a strong co-integrating relationship among tax structure and international trade’s activities. Conversely, for high-income OECD countries, Kao’s test suggests that there is a long-run co-integrating relationship between components of tax revenue and GDP and gross saving, while there is no evidence for imported and exported of goods and services (international trade).

Vasilev, A. (2015) attempt to provide a quantitative evaluation of the welfare gains resulting from the introduction of flat income taxation in Bulgaria in 2008. Using a calibrated micro-founded endogenous growth model with physical and human capital accumulation and Bulgarian data, a computational experiment is performed to quantify the dynamic welfare effect of progressive income taxation vis-à-vis flat income taxation. The model demonstrates that significant welfare gains, measured in terms of per-period consumption, can be realized with the

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introduction of flat income taxation. In addition, these welfare gains increase proportionally with the length of the time horizon considered. Finally, sensitivity analysis was performed to demonstrate that the results obtained are robust.

Saeed Ahmed and Saeed Ahmed Sheikh (2011)\textsuperscript{32} attempted to study Pakistan is one of the developing countries with very low tax to GDP ratio. Tax system in Pakistan is considered to be complex, inelastic, non-neutral and inefficient. Since 1970 many attempts have been made to improve tax system in Pakistan with the assistance of academicians and international donor agencies like World Bank and International Monetary Fund (IMF). The purpose of this paper is to provide an overview of the tax reforms that have been implemented over the past two decades in Pakistan. These reforms basically aimed at broadening the tax base, rationalizing tax rates, simplifying procedures and strengthening tax administration. Our study finds that the expectations of increasing public revenue, improving tax structure and promoting tax culture in Pakistan largely remained unmet. Both the political-economy reasons and the administrative reasons can be held responsible for unsuccessful implementation of tax reforms.

Bird, R. M. (2011)\textsuperscript{33} attempted to review the literature on tax assignment in decentralized countries. Ideally, own source revenues should be sufficient to enable at least the richest subnational governments to finance from their own resources all locally-provided services that primarily benefit local residents. Subnational taxes should also not unduly distort the allocation of resources. Most importantly, to the extent, possible subnational governments should be accountable at the margin for financing the expenditures for which they are responsible. Overall, the ‘best’ package for any particular country or subnational government is likely to be not only context specific and path-dependent, but also highly sensitive to the balance struck between different political and economic factors and interests.

\textsuperscript{32} Saeed Ahmed and Saeed Ahmed Sheikh (2011) TAX REFORMS IN PAKISTAN (1990-2010). International Journal of Business and Social Science Vol. 2 No. 20; November 2011
Young Leea, Roger H. Gordon (2005)\textsuperscript{34} attempted to study Past theoretical work predicts that higher corporate tax rates should decrease economic growth rates, while the effects of high personal tax rates are less clear. In this paper, explore how tax policies in fact affect a country's growth rate, using cross-country data during 1970–1997. They find that statutory corporate tax rates are significantly negatively correlated with cross-sectional differences in average economic growth rates, controlling for various other determinants of economic growth, and other standard tax variables.

Vázquez, J. M., & Vulovic, V. (2014)\textsuperscript{35} attempted to study the review the structure of tax systems in Latin America and analyze their Impact on the real economy - economic growth, macro-economic constancy, and Income rearrangement. They find that In Latin America relatively higher reliance on direct taxes slows economic growth, although this effect is smaller than in the 'Rest of the World.' However, unlike in most other countries, higher reliance on direct taxes in Latin America does not appear to play a significant role in dampening economic volatility or in reducing income inequality in the region.

2.3.2. Studies related to Tax System in BRICS countries

Lin, S. (2009)\textsuperscript{36} attempted to compare tax reforms and current tax systems in China and Russia. In both countries, earlier tax reforms aimed at providing incentives to state-owned enterprises (SOEs) to improve productivity. In the 1990s, China and Russia established market-oriented tax systems, and both experienced a decline in tax revenues. Entering the new century, China adopted an increased-spending fiscal policy, while Russia adopted a tax-cut policy to stimulate economic growth. Both countries have similar value-added tax systems, but their personal and corporate income tax structures and social security systems are substantially different. The tax share of the gross domestic product (GDP) is substantially higher in Russia than in China. Russia is expected to continue its tax-reduction policy, and China is also considering major tax reforms.


Charles D. Maddox (2014) endeavored to study the rates of economic growth across the BRICS countries have slowed significantly over the course of the last few years and the Indian growth story has been no exception. There are multiple reasons for India’s slowing down but one of the significant factors has been controversy surrounding Indian tax policy. This article examines the story surrounding India’s proposed general anti-avoidance rules (GAAR) and how this episode has damaged investor confidence in the Indian system.

Ivanova, A., et al. (2005) endeavored to examine in 2001, Russia dramatically reduced its higher rates of personal income tax (PIT), establishing a single marginal rate at the low level of 13%. In the following year, real revenue from the PIT increased by about 26%. This 'flat tax' experience has attracted much attention (and emulation), making it perhaps the most important tax reform of recent years. But it has been little studied. This paper asks whether the strong performance of PIT revenue was itself a consequence of this reform, using both macro evidence and, in particular, micro level data on the experiences of individuals and households affected by the reform to varying degrees. It concludes that there is no evidence of a strong supply side effect of the reform. Compliance, however, does appear to have improved quite substantially by about one third, according to our estimates though it remains unclear whether this was due to the parametric tax reform or to accompanying changes in enforcement.

Orlov, A., & Grethe, H. (2014) tried to study the theoretical literature on the double-dividend concept is mainly focused on pre-existing distortionary taxes in the labour and capital markets; the relevance of interactions with other taxes is often neglected. Using an analytical model and a numerical general equilibrium model, they analyzed the welfare effects of carbon taxes and their interaction with other taxes applied in Russia. They find that substituting carbon taxes for labour

taxes in Russia can substantially reduce the cost of carbon taxation compared to returning carbon tax revenues to households in lump-sum form and can even result in welfare gains in Russia. In conclusion, introducing carbon taxes has an indirect corrective effect with respect to the distorting effect of export taxation on energy resources. Furthermore, welfare costs of carbon taxation can be significant under the assumption of perfect international mobility of capital. Nevertheless, the cost can be more than compensated in case of a high carbon trade price.

**Lin, S. (2004)**\(^{40}\) tried to analyses the effects of China’s upcoming capital tax reform of switching from a dual tax system to a unified system. A reduction in the tax rate on domestic capital has no effect on the domestic interest rate, capital–labor ratio, or output–labor ratio; however, it leads to an increase in domestic capital, a decrease in foreign capital, and an increase in the trade surplus. An increase in the tax rate on foreign capital increases the domestic interest rate and decreases the capital–labor ratio, the output–labor ratio, and domestic capital; it may also decrease foreign capital and the trade surplus.

**Peiyong, G. (2008)**\(^{41}\) endeavored to examine China’s current tax structure was introduced by its 1994 tax reform which holds the most important position in China’s modern history on account of its scale and implications. Putting tax system building under the background of market economy, the reform has established a basic framework of China’s tax system meeting the requirements of market economy. In its 13 years’ operation, China’s current tax system has played a significant role in China’s economic and social development. However, some contradictions between current tax system and economic and social environments have arisen. As a result, China’s current tax system is facing with the requirement of further reform. Under such a background, launching a new round of tax reform in a timely manner, according to the transformed economic and social environments, has already been included into China’s 11th Five-year Plan. This


paper discusses the accomplishments of the current tax system and the outstanding issues requiring further reform.

Zhijun Lin (2013)\textsuperscript{42} attempted to analyze the background and rationale of the VAT reform and elaborates the system design and progresses, as well as the initial experimentation outcomes of this VAT replacing BT reform. The remaining problems and the prospect of this VAT expansion program are also outlined to facilitate readers in understanding the current round of major tax reform in China.

Sheung, L., CHENG, S., & Shanshan, S. H. I. (2015)\textsuperscript{43} attempted to examine the effect of environmental degradation and the development of a green tax policy system in China. The country has experienced unprecedented economic growth at a rate exceeding nine percent annually since the 1980s. However, a few decades of poorly regulated industrialization and urbanization have created a series of severe environmental problems. This environmental deterioration causes many negative political, economic and social effects that the Chinese government has sought to improve in the last decade. In this article, delineate China’s current and forthcoming green tax system and suggest a balance between economic development and environmental protection. Also discuss the implementation challenges faced by the Chinese government and the potential opportunities for foreign investors in China’s strive to be green. The green tax development in China will offer valuable experience for other developing countries.

2.3.3. Studies related to Tax Reforms in India

Dr. Jadhav Bhikalala (2013)\textsuperscript{44} attempted to study Comparative Analysis of Income Tax Reforms in India Pre and Post 1991. It was found that a strong tax system is fundamental to the development of nation’s economy. Tax reforms, such as the reduction in personal income tax rates, and the determination of a


minimum exemption limit (tax threshold), are generally applicable to both developed and developing economies. Currently Income tax rates in India are reasonable as compare to some developed countries like UK, USA, etc. Due to simplified tax structure after reforms, numbers of tax payers, Tax revenue and percentages of tax revenue to GDP ratio have increased. Thus, it is good news that new DTC code will be introduce very soon in India this bill introduces a total departure from multiple tax brackets and high rates of tax prior to reforms.

Azizul Islam (2001)\textsuperscript{45} attempted to study IMF guidelines as the point of departure for the analysis of issues in tax reforms both as a sensible way of limiting the scope of the paper and because most Asian developing countries appear to have largely followed those guidelines. As a result, many burning issues in tax reforms have not been addressed. They include the problems for tax policy posed by globalization and the attendant increase in the mobility of goods, services, capital and labour. Nor has the issue of fiscal federalism, which is extremely important in large federal countries such as India, been analyzed. The paper has also not examined the issues connected with the improvements in tax administration which frequently form an integral part of an overall package of tax reform measures.

M. Govinda Rao (2000)\textsuperscript{46} attempted to study A major difficulty in evolving a destination based retail stage VAT at the state level arises from the fact that the states do not have the power to levy tax on services. As mentioned earlier, the states can levy sales taxation of only goods. Taxation of services is not assigned to either the centre or the state, but the former levies taxes on selected services based on power to levy taxes on residual items. Proper levy of goods and services tax would, therefore, require an amendment of the Constitution. The central government can use this as a leverage to persuade the states to reduce and eventually eliminate the taxation on inter-state sales so that a levy of destination based VAT becomes a reality.

Mr. Nasim Wazid Ali & Dr. Kumudh. Goswami (2003)\textsuperscript{47} endeavored to study recommendations of Dr. Raja. J. Chelliah Committee made for improvement of the Indian tax structure and most of the recommendations of the committee have been already accepted and implemented by the government and some of the recommendation which were left to be implemented have also been taken up for Implementation in phased manner. From an analysis of the impact of tax reform measures it can be concluded that the reform measures have certainly brought about a marked improvement in the revenue collection. Besides, the reform measures have also sought to correct the structural imbalance for making the tax system more elastic, simple, rational and broad based to ensure better compliance but achievements made so far cannot claimed to be flawless. Hence, “improving the productivity of the tax system continues to be a major challenge in India”.

\textbf{Dr. M. Usha (2003)}\textsuperscript{48} tried to study Professional tax, entertainment tax, amusement tax, luxury tax etc. were in existence much before service tax was introduced in 1994. To be begin with though only three services were brought into the service tax net, gradually the number of services which were included have been increasing and stand around 50 presently. Government from the beginning adopted a soft and liberal approach as far as service tax is concerned in order to develop good faith and trust in assessees so that voluntary compliance on the part of the tax payer is ensured. The fact that 95% of the services are still untaxed shows the great potential that the services sector offer for generating Additional revenue. Several services which are currently not being taxed including lawyer services can be brought into the tax net. Similarly clarity of definition of each and every service that is brought into the tax purview should be ensured.


Dr. Radha Gupta (2013)\textsuperscript{49} attempted to understand the payment of tax is a moral obligation and tax payer is aware about the fact that revenue generated by government through taxes is used for the welfare of the society but due to high personal income tax rates and other irrationalities in prevailing tax constitution, assesses feel bit pinched while contributing toward this noble cause. This situation develops ill feeling toward payment of income tax which results assesses make every attempt to hide their income and avoid tax payments, which is a major setback in economic growth of a country. Need of the hour is to bring reforms in present tax regime by framing tax friendly policies so that those who come under tax trap should willingly come forward and feel pride to pay tax.

Dr. Gurucharan Singh, Shri Rajiv Mohammad (2003)\textsuperscript{50} attempted to study the shortcomings of Indian tax structure, the following measures suggested. Predominance of indirect taxes should be streamlined and higher reliance should be given on direct taxes. Steps must be taken to extend the coverage of taxes by spreading the tax net for attaining equity and also to raise the amount of revenue the regressive character of the Indian tax system must be modified so as to reduce the burden of such taxes on the poorer sections of the society.

Dr. P.K. Gupta, Dr. Dinesh Chand\textsuperscript{51} endeavored to study the tax reforms undertaken by the central government since July 1991 some suggestions are being given here with to increase the tax collections in order to meet the growing demands of government expenditure. Reducing Concessions and Exemptions in order to augment the direct tax revenue, it would be advisable that the concessions and exemptions allowed under the income tax act be reduce. Tapping Rural Rich there is dire need of tapping the rural rich also.


HIRAL PARikh (2013)\textsuperscript{52} endeavored to study The Direct tax Code open for Public comments, is expected to be implemented from April 1st, 2013 instead of April 1st, 2011. The direct tax code (DTC) along with a Discussion paper was released in August, 2009 for public comments. Since then, a number of valuable inputs on the proposal were made by best brains of the country including individuals, tax experts, lawyers, chartered accountants and organizations. These inputs which were received by the Government by public feed-back were examined and identified. Government made relevant changes before keeping the bill in the parliament. This paper focuses on the major changes taking place in five heads of Income under computation in DTC and also changes in corporate taxes, taxes of nonprofit organization and Wealth tax.

Dr.Y.M. Dalvadi (2013)\textsuperscript{53} tried to study the Awareness and usage of technology relating to taxation is too low among SMEs’ So it is advisable to increase the usage so that they can be relieved from stress form complex rules and regulation and concentrate in the main business and strategy for the development of enterprise technology relating to taxation available for small & medium scale units utility of latest technology for taxation. The adoption of technology for taxation by selected SME’s.

Nidheesh K B (2010)\textsuperscript{54} attempted to study the policy of taxation suffers from intrinsic denials, which make its application complex. Thus, the probable explanation of fiscal streamlining dwells on an in-depth thoughtful of the fiscal system of a state mainly on a sequential analysis of the pointers that throws light on the performance of a tax system. Direct Tax Code 2009 suggest to improve the efficiency and equity of Indian tax system by eliminating distortions in the


\textsuperscript{53}Dr.Y.M.Dalvadi (2013) Adoption of Technology for Taxation: A Study of SME’s of Gujarat. International journal of advance research in computer science and management studies, volume 1, issue 6, November 2013, ISSN 2321 7783.

\textsuperscript{54}Nidheesh K B (2010) Direct Tax Reforms And Various Schemes Of Income Tax In India Sri Krishna International Research & Educational Consortium APJRB Volume 1, Issue 3 (December, 2010) ISSN 2229-4104
tax structure, introducing moderate level of taxation and expanding the tax base. And the aim of the new code is to simplify the enormous complexity in direct tax since the enactment of IT Act 1961.

Lalitwadhwa Dr. Virender Pal (2012)\textsuperscript{55} attempted to study the opinion of income tax Professionals regarding tax evasion in India. As per their Opinion income tax evasion is prevalent in India. They Opinioned that high tax rates, corruption in public sector units, multiple tax rates and inefficient tax authorities are the main causes of tax evasion. They suggested that reduction in tax rates, simplifications of tax laws, remove loopholes in the tax system and some extent proper processing of information available the under the annual information return can be best tool for improving Indian tax compliance. Therefore there is a need for creating transparent, friendlier and less discriminatory administrative system. Further there is also a need to educate the people about Indian Tax law and create such an environment in which they pay their due taxes, do not evade the tax and feel proud in discharging their duty to pay the taxes.

Geetha R. and Sekar M (2012)\textsuperscript{56} tried to examine the present world day by day new technologies are introduced and improved very fast in all fields. Now new technology gifted to tax payers for filing their income tax returns through online is e-filing. The e-filing is the new effective method of filing income tax return through online and make e-payment tax. It saves our golden time, energy and cost and also reduces our tension. So the tax – payers are requested to use e-filing and e-payment facilities. This study reveals that the existing users are satisfied with the e-filing facilities but most of the individual tax payers are not awareness of the e-filing and e-payment procedures so sufficient steps are required to create more awareness in the minds of tax payers regarding e-filing of income tax.


Prof. S. A. Palande (2011) attempted to examine moderate rates of taxes and stable tax policies. They did not rule out new taxes and they recognized the need for improving the tax administration a policy stance that has been helpful to the government and has yielded splendid result. The goal of income tax is to maximize investment, promote vital infrastructure project and spur exports. I usually turn to my favourite philosopher Poet Saint Tiruvalluvar writing over 2000 years ago.

Young Leea, Roger H. Gordon (2005) attempted to understand statutory corporate tax rates are significantly negatively correlated with cross-sectional differences in average economic growth rates, controlling for various other determinants of economic growth, and other standard tax variables. In fixed-effect regressions, they again find that increases in corporate tax rates lead to lower future growth rates within countries. The coefficient estimates suggest that a cut in the corporate tax rate by 10 percentage points will raise the annual growth rate by one to two percentage points.

M. Govinda Rao (2005) Opinioned that Indian tax system has come a long way from the narrow based, complicated and confiscatory to the one that is far more efficient. Over the years, the thrust and direction of reforms have been to improve revenue productivity while minimizing distortions. The reform to convert the state level sales tax into VAT this year is a major initiative. The recent focus on tax administration promises rich dividends. The personal income tax continues to be narrow based. Reform in the sales tax has only just begun and a lot remain to be done to evolve destination-based retail VAT. The reforms in tax administration promise increased revenues and, hopefully, that will provide the elbow room necessary for calibrating future reforms.

Nicholas Bull, Tim Dowd, and Pamela Moomau (2011)\textsuperscript{60} attempted to analyze the macroeconomic consequences of such a reform, they considered a rate reduction from the current statutory rate of 35 to 30 percent. They present the results under differing assumptions about how the rate cut is paid for, as well as some sensitivity analysis of the impact of differing assumptions about Federal Reserve policy and differing assumptions about corporate finance.

George A. Plesko and Eric J. Toder (2013)\textsuperscript{61} attempted to review the changing economic significance of various business entity types since the Tax Reform Act of 1986 and the implications of these changes for the design of tax policy. In particular, they focused on the increased role of pass-through entities and the declining significance of the taxable corporate form. Analysis suggests that significant reductions in the corporate tax rate, absent changes in the personal tax rate, will likely reverse the organizational form incentives that have existed since. Further, if the loss in revenue from a rate reduction is offset by a broadening of the tax base, most business entities, comprising most business income, are likely to face an overall increase in their tax burden.

Priya Gupta, Munish Gupta (2013)\textsuperscript{62} Attempts has been made to analyze the present tax structure in India. In this paper issues relating to high tax burden on lower & medium income groups & low tax burden on high income group are taken. Several problems like high compliance costs, tax evasion, and so on arise due to poorly designed tax structure. Taxpayer’s attitude play a vital role in tax policymaking of any country. Researcher concludes that there is still a need to have more reforms in income tax structure whatever in the form of broadening of exemption limits, reducing the tax rates, reorganization of prevailing tax slab


rates or to make income tax structure so simple that all people could understand it & can follow the tax laws willing fully.

**Richard M. Bird a, Eric M. Zolt (2005)**\(^6\) attempted to examine the re-distributive role played by personal income taxes in developing countries. They begin with some initial reflections on the re-distributive role of the tax system. They then consider the relative success of developed and developing countries in using tax systems to redistribute income. Finally, we examine some alternatives in reforming the personal income tax, as well as options available to developing countries in designing and implementing more progressive fiscal systems.

**Mr. Nishant Ravindra Ghuge, CA Dr. Vivek Vasantrao Katdare (2015)**\(^7\) attempted to study the taxation structure of India by comparing it with some of the developed and developing economies. The Comparison is done by selecting a sample of five countries and comparing their tax structures with India with respect to the parameters like Tax to GDP ratio, Tax rates, Time Required for Tax Compliance, No of Tax Payments, Ease of Tax Payments, and Ease of doing Business etc. It was found that in most of these parameters India tax Structure remains way behind than the other selected countries.

**Dr. Radha Gupta (2012)**\(^8\) attempted to analyze the economic impact of personal income tax on different types of assesses. Paper further high lights how high income tax rates reduces the incentive to work on the one hand and reduces the incentive to save and invest on the other. In the end, researcher concludes that there is still a need to bring more reforms in the personal income tax structure so that people could feel encouraged for investments which is the vital tool not only for their personal affluence but also for economic development of the nation.

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\(^7\) Mr. Nishant Ravindra Ghuge (2016) Indian Tax Structure- an Analytical Perspective. International journal in management and social science vol.03 Issue-09, September 2015 (ISSN: 2321-1784)

Dr. Radha Gupta (2013)\textsuperscript{66} attempted to throw light on prevailing personal income tax structure in India. The paper briefly analyses the issues relating to high tax burden on people falling under low and medium income groups. Researcher concludes that there is still a need to bring more reforms in the personal income tax structure in the form of broadening the exemption limits, lowering the tax rates, reorganizing the different income tax slabs and simplify overall tax procedure so that people could be encouraged for compliance of tax laws.

Suresh, M., & Khan, N. A. (2011)\textsuperscript{67} Attempted to comprehend Taxation is a major instrument of economic policy. Corporate income tax is an important source of tax revenue in India. It contributes more revenue than the personal income tax and its share in total tax revenue has been growing rapidly in the recent years. Examining the trend in the growth of corporate income tax, substantial improvement was observed in the post liberalization periodic-a-vis pre-liberalization period. The buoyancy of corporate income tax with respect to GDP, in the post-reform period shows improvement over the pre-reform period. Further, the study shows that there is positive relationship between tax revenue and GDP and inflation, while there is a negative relationship between tax revenue and broad money.

2.3.4. Studies Related to Direct Tax Code

SARBAPRIYA RAY (2011)\textsuperscript{68} an attempt made to study The new Direct Tax Code to be introduced from the financial year, 2012-13 replacing the five decade old Income tax Act,1961 has the objective to make the Indian tax structure straight forward and to consolidate, amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax and wealth-tax so as to establish an economically efficient, effective and equitable direct tax


system which will facilitate voluntary compliance and help increase the tax-GDP ratio. In this article, an attempt has been made to evaluate the new direct tax code promulgated by India govt. Even though, the basic aim behind Direct tax code is simple and helpful to the people, it is very much criticized because many provisions under this proposal may harm the investors, taxpayers, and Foreign Institutional Investors.

Sukhen Kali and Lalit Kumar Joshi (2012)\textsuperscript{69} attempted to examine New Direct Taxes Code is a debatable issue and a matter of concern not only for the taxpayers but also to the tax consultants and tax administrators. This paper attempts to identify the changes proposed in the new Direct Taxes Code and the effect there of on taxpayers, especially on individual assessee.

Dr. Kamal Pant, Ashish Arya (2012)\textsuperscript{70} attempted to recognize The New Direct Tax Code which was said to be introduced from the financial year, 2012-13 replacing the five decade old Income tax Act, 1961 has the objective to make the Indian tax structure straight forward. The tax payers themselves can compute and file Income Tax Returns without the help of experts. This paper highlights the overview of the Direct Taxes Code in a nutshell.

PREM SINGH (2014)\textsuperscript{71} opined that The Government introduced the Direct Taxes Code Bill in the Parliament for the first time in 2009. The DTC is proposed to be made effective very soon. While some difficult provisions from the first draft of the DTC have been rightly slumped after representations, a number of proposals in the DTC are still likely to require the Corporate to rethink their existing structures and mode of conducting business. The Bill has incorporated convinced amendments taking cognizance of the Parliamentary

\textsuperscript{69}Sukhen Kali and Lalit Kumar Joshi (2012) Some Conceptual Issues on Direct Taxes Code Journal of Business and Economic Issues Vol. 3 No. 2

\textsuperscript{70}Dr. Kamal Pant, Ashish Arya (2012) Assessee Perception towards Direct Tax Code (DTC) ISSN : 2230-9519 (Online) | ISSN : 2231-2463 (Print) IJMBS Vol. 2, Issue 2, April - June 2012

Standing Committee’s suggestions. Moreover, some of the recommendations of the Government-formed expert committee on GAAR are also expected to replicate in the amended version of the Bill that attempts to re-define principles of taxation since introduction of the Income-tax Act, 1961.

Mahesh Bhiwandikar (2015)\(^\text{72}\) opined that The Direct Taxes Code (DTC) is an attempt by the Government of India (GOI) to simplify the direct tax laws in India. DTC will revise, consolidate and simplify the structure of direct tax laws in India into a single legislation. This paper focuses on the key features of the Direct Tax Code, its impact on the Indian Economy and various stakeholders as a whole and analyze the practical issues on the effective implementation of the DTC in India. This paper also discusses the need and benefits of such tax initiative to reduce the number of compliances under various acts by the citizens and tax payers.

Satya Ranjan Doley (2014)\(^\text{73}\) opined that direct tax code has been framed to rationalize the existing tax system and facilitate voluntary compliance. There are many loopholes in the existing tax system. The direct tax code has been designed to take care of all lacunae prevailing in present act. The policy makers have drafted the various provisions of the code a few years back and modification of the code is on as of now taking into account opinions received from the many quarters. But final shape of the code is still to be given to make it fruitful one in the future.

Ms. Parul Mittal (2012)\(^\text{74}\) attempted to examine that the draft of direct tax bill is introduced as a bill of parliament. Direct Tax code is a draft bill to change Income tax act 1961. The code for direct taxation also covers tax compliance and


simplification of litigations regarding the tax liabilities. The objective of this paper is to analyze the impact of DTC on different issues (factors). Throughout this study, they also gave emphasis on the major highlights of DTC in India. This paper studies the concept of DTC and its evaluation.

**Diamond, Peter, and Emmanuel Saez (2011)**\(^{75}\) attempted to presents the case for tax progressivity based on recent results in optimal tax theory. We consider the optimal progressivity of earnings taxation and whether capital income should be taxed. We critically discuss the academic research on these topics and when and how the results can be used for policy recommendations. We argue that a result from basic research is relevant for policy only if (a) it is based on economic mechanisms that are empirically relevant and first order to the problem, (b) it is reasonably robust to changes in the modeling assumptions, (c) the policy prescription is implementable (i.e., is socially acceptable and is not too complex).

**Dr. Balbir Singh and Dr. Munish Kumar (2012)**\(^{76}\) attempted to understand that civilized society is necessary to have good governance. Good governance needs good government. Good government need revenue to meet administrative expenses of running the government and also for other social welfare measures like providing education, medical treatment, infrastructure and other necessary facilities for the society. The main source of revenue of the government is tax which is imposed directly on a person’s income earned during a financial year. Income tax is one of the important sources of revenue for the government and it has also been utilized for meeting various other socio-economic objectives of the government.

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\(^{76}\)Dr. Balbir Singh* Dr. Munish Kumar (2012) IMPACT OF DIRECT TAX CODE ON INDIVIDUAL ASSESSEE, IJRESS Volume 2, Issue 1 (January 2012) ISSN: 2249-7382
Dr. Shailesh N. Ransariya (2012)\textsuperscript{77} Attempted to study the new code will completely overhaul the existing tax proposals for not only individual tax payers, but also corporate houses and foreign residents. It has been drawn with inspiration from the prevailing tax legislation in US, Canada and UK. It is a topic of interest and a matter of concern for every taxpayer in India. India wants to modernize its direct tax laws, mainly its income tax act which is now nearly 50 years old. The government wants a modern tax code in step with the needs of an economy which is now the third largest in Asia. The new tax code is expected to widen the tax base, end unnecessary exemptions, moderate tax rates and add to the government's coffers. In this paper, the researcher has attempted to study the impacts of The Direct Tax Code on Individual income by comparison of existing income tax Act and New Direct Tax Code.

Dr. Atul Bansal (2010)\textsuperscript{78} Opined that the current system of tax is fraught with complexities owing to many amendments over the years. New Direct tax code has done a good job of removing unnecessary complications in the tax laws. This paper explaining in details of New Direct Tax Code, what will the effect on an Individual and the Industry? The paper also summarizes the Roadmap to NDTC

Sanjay K. Radadiya (2012)\textsuperscript{79} opined that It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold" Kalidas in Raghuvansh eulogizing king Dalip. | Taxation of income in India, till now, is governed by the fifty years old Income Tax Act (IT Act) which came into legislation in 1961. But this Act has been criticized for being economically inefficient, incompatible with the current requirements and inequitable to all tax payers. It was neither cost effective nor was able to encourage voluntary compliance. So, in August 2009, the Ministry of Finance came out with the draft of Direct Tax Code (DTC) bill with the purpose of


\textsuperscript{78}Dr. Atul Bansal (2010) Stabilizing The Indian Economy Through New Direct Tax Code. APJRBM Volume 1, Issue 3 (December, 2010) ISSN 2229-4104

replacing the existing IT Act. It will be a key tax reform by the government aiming at widening and deepening the tax net; and increasing tax revenue.

Mr. Alok Gupta (2012)\textsuperscript{80} attempted to study the draft Direct Taxes Code (DTC), which aims to replace Income Tax Act, 1961 and Wealth Tax Act, 1957, was released, along with a Discussion Paper on August 12, 2009 for public comments. Since then, a number of valuable inputs on the proposals have been received from a large number of organisations and individuals. The inputs have been examined and the major issues on which various stakeholders have given their views have been identified. The Revised Discussion Paper addresses these major issues. It also tries to highlight the corresponding amendments made in the existing IT Act, 1961 through the Finance Bill, 2012.

2.3.5. RESEARCH GAP

Tax reforms in India have been happening in bits and pieces or fits and starts. The majority of Indian population are not in the tax bracket. There is no tax liability for more than 80 percent of the Indian population (Approximately 130 crore population in 2015-16). In so far as Direct taxes is concerned two to three percent approximately of the population are paying taxes. In respect of indirect taxes 79 percent of the population are paying the indirect taxes through purchase of commodities (Excise). Raja Chelliah Committee and Vijay Kelkar committee recommendations are the bible for tax reforms in India. Under the circumstances the researcher thoroughly examined and went through innumerable articles on tax reforms of India and abroad including BRICS countries. It has been found that many past researcher’s covered only few aspects like Transaction Tax, Corporate Income Tax, Rationalization, Fringe Benefit Tax, Restructure of Tax System, Tax evasion, Tax avoidance, Tax policies and Dividend Distribution Tax. No depth studies found on the lacunas of the Indian Taxation Structure, studies on Chelliah and Kelkar Committee recommendations, BRICS countries Tax structure, Opinions on Implementation of Direct tax code, Tax administrative reforms and Assignment of Taxes in BRICS countries. Therefore, their arouse a wide research

gap due to Economic conditions and Time period of previous research. However, the present research work entitled “Tax Reforms in India potential challenges with special reference to Direct Tax Code, aimed at covering all the aspect which are not covered previously such as lacunas of the Indian Taxation Structure, Comparing Taxation Laws and their implementation in BRICS countries, studies on Chelliah and Kelkar Committee recommendations, BRICS countries Tax structure, Opinions on Implementation of Direct Tax Code, Tax administrative reforms And also provides similarities and dissimilarities in the taxation dimension of Brazil, Russia, India, China and South Africa the period covering for 10 long years between 2006 and 2015.

2.4 NEED OF THE STUDY

India is one of the fastest growing economies in the world. The new Government an urge of attracting more Foreign direct investments through innovative schemes, policies like Make in India, Digital India, Startup India, Stand up India, One country One market, Smart city projects etc. The first Income Tax Act of Independent India was passed in the year 1961. The complexity of the Act has increased year by year with the issuance of notifications, circulars, and judgments offered in various suits. CEOs of Fortune companies meet in silicon city USA opinioned that India have Complex tax policy, delay in policy making, Intellectual Property rights, Lack of bankruptcy and trade policy. Present system of taxation is one of the biggest hindrances which has affected domestic sector as well as flow of foreign investment. One of the major impediments for the foreign investors is the uncertain and unpredictable indirect tax regime in India. Our Old tax system is a big deterrent for businesses. As for World Bank’s Doing Business 2016 Report India is ranked 130 out of 189 economies Singapore is in First Place, USA Seventh Place, Russia 51st, South Africa 73rd, China 84th and Brazil 116th place. To gain investors’ confidence and to attract high FDI and make India a manufacturing hub, it is imperative that the foreign investors / companies find it conducive to do business in India.
In order to cater to the present day requirements of the economy, a need has been long felt to replace Income Tax Act 1961 with a new piece of legislation, reforming through the Direct Tax Code.

2.5 SCOPE OF THE STUDY

The scope of the study is looking into the following aspects to find ways for taking further steps towards Reforms in Indian Tax System. Find Measures to overcome the Problems, Expand tax payers base, Increase the tax compliance in overall strategy of tax reforms, Improve Tax collection process in order to boost Tax- GDP ratio, Increase Revenue Productivity, Improve Tax Administration in order to make it efficient and effective, To Examine the Relevance of Direct tax Code Potential Challenges in Implementation, To give suitable Measures to take further steps towards Reforming to overcome the Loopholes in the Tax System. The study has confined only to Tax Reforms in India and BRICS countries, Opinion, Perception and Awareness on Direct Tax Code and hurdles in Implementation of Direct tax code by Officials of Tax authorities, Tax professionals, Corporate Tax payers, Individual Tax Payers of Karnataka and the study period of 30 years of Tax revenue and Tax –GDP ratio i.e from 1984-85 to 2014-15 is taken in to consideration.

2.6 HYPOTHESIS OF THE STUDY

In order to achieve the above objectives by evaluating the superiority of Direct tax code over the existing tax regime and to measure the efficiency of Tax reforms the following hypothesis would be tested using appropriate statistical hypothesis testing techniques.

H₀: There is no significant impact of Tax reforms measures suggested by Cheliah Committee on the Tax revenue generation by Government of India during the post-reforms period.

H₁: There is significant impact of Tax reforms measures suggested by Cheliah committee on the Tax revenue generation by Government of India during the post-reforms period.
H₀: There is no significant impact of Tax reforms measures suggested by Vijay Kelkar Committee on the Tax revenue generation by Government of India during the post-reforms period.

H₁: There is significant impact of Tax reforms measures suggested by Vijay Kelkar Committee on the Tax revenue generation by Government of India during the post-reforms period.

H₀: The Tax Reforms suggested by Chelliah Committee have not led to higher Tax - GDP Ratio during the post-reforms period.

H₁: The Tax reforms suggested by Chelliah Committee have led to higher Tax - GDP Ratio during the post-reforms period.

H₀: The Tax reforms suggested by Vijay Kelkar committee have not led to higher Tax - GDP Ratio during the post-reforms period.

H₁: The Tax reforms suggested by Vijay Kelkar committee have led to higher Tax - GDP Ratio during the post-reforms period.

H₀: Respondents of Both Corporate and Non-Corporate are not aware of Direct Tax Code.

H₁: Respondents of Both Corporate and Non-Corporate are aware of Direct Tax Code.

H₀: There is no significant difference of Corporate tax Rates among BRICS Countries.

H₁: There is a significant difference of Corporate tax Rates among BRICS Countries.

H₀: There is no significant difference among BRICS countries in Ease of Doing Business.

H₁: There is significant difference among BRICS countries in Ease of Doing Business.
H0: There is no significant difference of FDI Inflows among BRICS countries.

H1: There is a significant difference of FDI Inflows among BRICS countries.

H0: There is no significant difference of Tax – GDP Ratio among BRICS countries.

H1: There is a significant difference of Tax – GDP Ratio among BRICS countries.

2.7 OPERATIONAL DEFINITION

Presumptive Tax: It is a form of assessing tax liability using indirect methods such as income reconstruction or by applying base-line taxation across the entire tax base. It combat tax evasion and increase tax compliance.

Progressive Tax: It is a method of taxing higher the income, higher will be the tax rate, lower the income lower will the tax rate. The tax burden increases along with the progress of income.

Economic Growth: It is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP, usually in per capita terms.

Transaction Tax: It is a levy based on a specific type of monetary transaction for a particular purpose. The concept has been most commonly associated with the financial sector; it is not usually considered to include consumption taxes paid by consumers.

Dividend Distribution Tax: It is the tax levied by the Indian Government on companies according to the dividend paid to a company's investors.

Awareness: Tax payers Knowledge on Direct Tax Code.

Perception: Tax payers Opinion on Present tax system, Tax reforms and Direct Tax Code.
**Tax – GDP Ratio:** The ratio of tax collection against the national gross domestic product (GDP).

**Tax Evasion:** It is the illegal way of evading taxes by individuals, corporations, and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting. Such as declaring less income, profits or gains than the amounts actually earned, or overstatement of deductions.

**Tax Structure:** Tax Base, Tax Rate, Proportional, Regressive, and Progressive Taxation. The tax structure of an economy depends on its tax base, tax rate, and how the tax rate varies. The tax base is the amount to which a tax rate is applied.

**Proportional Tax:** A tax system that requires the same percentage of income from all taxpayers, regardless of their earnings. A proportional tax applies the same tax rate across low-, middle- and high-income taxpayers. The proportional tax is in contrast to a progressive tax, where taxpayers with higher incomes pay higher tax rates than taxpayers with lower incomes.

**2.8 RESEARCH METHODOLOGY**

The research methodology used for the study is Descriptive, Analytical and Empirical to be followed in research activity starting from investigation to presentation. It includes the research design, sampling framework, the Sources of data, the collection of data and the framework of analysis. Research design is a framework or blueprint for conducting the research projects. It deals with the procedures necessary for obtaining the information needed to structure and to solve the research problems.

**2.9 SOURCES OF DATA COLLECTION**

The entire data required for the proposed study will be collected through both primary data and secondary sources of data. The Primary data relating to the study will be collected through structured questionnaire consist of questions relating to the Socio-economic profile of the respondents, perception, opinion and attitude towards Indian Tax System, level of satisfaction about tax rates, and
hurdles in Implementation of Direct tax code, Personal Interview from Tax consultants, Income tax officials, Tax payers, Charted Accountants and Academicians. The framed research instrument was pre-tested with the help of pilot study and based on their responses the questions were reformulated.

The study is mainly based on secondary data covering a time period of Thirty years from 1984-85 to 2014-15. However, different sources of data have been consulted to prepare a continuous set of data as per the requirements of the study. The followings are the main sources of data consulted to conduct this study:

A) Government of India Publications

Various publications by Ministry of Finance, Government of India, and other Government agencies were also used for the present study. These sources include: India Public Finance Statistics, Ministry of Finance, various issues; Economic Surveys, various Issues; Annual Union Budget Speeches of Finance Ministers of different years; All India Income Tax Statistics, Directorate of Income Tax, various issues; Income Tax Act, 1961 as amended from time to time; and various reports of different Finance Commissions constituted from time to time. Data regarding various components of taxes were collected and used from these sources.

B) Reports of various Committees appointed by Government of India

The following reports of various committees appointed by Government of India from time to time have also been considered to analyze the policy changes on direct taxes and administrative reforms introduced during the post-independence period. These reports include: Taxation Enquiry Commission (1954), One Man Committee Nicholas (1956), Direct Tax Administration Enquiry Committee (MahavirTyagi Committee 1958), Bhoota Lingam Committee (1967), Wanchoo Committee (1970), K.M. Raj Committee (1972), L.K. Jha Committee (1976), Chelliah Committee (1991), Kelkar Committee (2002). The Fiscal Responsibility and Budget Management Rules, 2004; and the Direct Tax Code Bill, 2010. These policy document shave been consulted to achieve the objective of analyzing policy reforms in India.
C) World Bank Publications

To compare the performance of India in regard to generation of revenue from taxes, a comparison of Indian tax performance with some developed and developing countries have also been made. For this, data have been collected from international publications like World Development Report, various issues; World Development Indicators, Tax Policy in Developing Countries; Tax Reforms in Developing Countries; the publications of OECD countries; and European Commission Report on Tax Trends have also referred.

2.10. SAMPLING DESIGN AND FRAMEWORK

A Sample of 500 were collected from the various strata’s are Tax Administrative Officers, Chartered Accountants, Corporate Tax Payers, Non Corporate Tax Payers Responses were drawn from Karnataka major portion is from Bangalore and Mysore (with due weightage of age, Income level, Education and Occupation) Convenience method of sampling was used for the selection of Respondent for the survey.

2.11. TOOLS AND TECHNIQUE USED IN THE STUDY

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<tr>
<td>2. Chartered Accountants</td>
<td>250</td>
</tr>
<tr>
<td>3. Corporate Tax Payers</td>
<td>20</td>
</tr>
<tr>
<td>4. Non Corporate Tax Payers</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
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</tbody>
</table>

To analyze the collected data, various statistical techniques and tools have been used as per the requirement. The information collected was analyzed and presented in a logical way to arrive at meaningful interpretation. This study used suitable statistical tools such as Descriptive statistics, Chi-Square, F test, Standard Deviation, Mean, ANOVA and regression analysis. The tools used for the study is tables, diagrams, graphs, Percentages are also used to analyze the collected data and to make the presentation more effective.
2.12 LIMITATION OF THE STUDY

This study provides better insights of the Tax structure of BRICS, International Tax Reforms, and hurdles in Implementation of DTC, attitude, opinion towards Indian Tax System in the Karnataka state. However, there are some limitations of the present study.

- First Major limitations are related to sampling wherein about 5 – 10 percent of sampling error due to the sampling biasness and time biasness which reduces validity of the results.

- This study asked about the present tax system and Direct tax code to share their knowledge. Some of the respondents did not understand the concept of DTC and Tax System prevailing in India, in such case he/she might not have responded appropriately to the items on the Survey.

- The present study is based on the primary data and secondary data. It is a known fact that primary data has its own limitations. To have accuracy in the data collected, cross checking was carried out. In this way, though inaccuracy in the given data was minimized, the data could not be considered as 100 percent correct.

- As with the most empirical studies, the sample size and spectrum of respondents is a limitation. Even though a concerted effort was made to include a range of different individuals representing different social groups of Tax Payers, Tax Administrative officers and Tax Professionals the sample was limited to certain geographical area in the Karnataka state. More over the survey is not representative of the whole Karnataka state. The sample was collected only from the selected respondents in the Karnataka state. Therefore, caution need to be taken generalizing these research results.
### 2.13 CHAPTER SCHEMES

<table>
<thead>
<tr>
<th>Chapter</th>
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<td>1</td>
<td>Indian Taxation System – An Overview</td>
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<td>2</td>
<td>Design of The Study</td>
</tr>
<tr>
<td>3</td>
<td>Tax Reforms in the Pre and Post Economic Reforms Era of India</td>
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<td>4</td>
<td>Tax Structure and Dispensation in BRICS Countries :- A Comparative Scenario</td>
</tr>
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<td>Analysis and Interpretation of Data</td>
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