CHAPTER 6
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SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

6.1 SUMMARY OF FINDINGS

Today, 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, One country One Tax policy, Smart city projects etc. 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 Tax regime in India. Our old tax system is a big deterrent for businesses.

The Government of India is struggling to come out from fiscal deficit, total revenue deficit and Public debt, to overcome 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. 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 and Individuals, Exempt-Exempt Tax system.
The Government of India initiated Tax reform committees for the inception of the taxation policy. The implementation of the Chelliah committee and Vijay Kelkar committee made significant recommendation on the tax structure of Indian Economy and these recommendations are implemented in India during 1991-92 to 2014-15. The total Tax revenue in 1991-92 is 1, 03,198 crores, Tax to GDP is 15.31 percent, fiscal deficit to GDP ratio is 6.8 percent, Public debt is 4036.13 billion and Public expenditure 1,74,219 crores in 1995-96. The proposed recommendations of the Chelliah committee and Vijay Kelkar committee had positive impact on Tax revenue and Tax to GDP ratio. Total Tax revenue of India in 2014-15 is 22,38,115 crores and Tax to GDP ratio 17.38 percent, Fiscal Deficit 6.38 percent, Public debt 83,779.81 billion and Public expenditure is 17,79,442 Crores.

The purpose of the study is focusing on the Tax reform in India and abroad especially BRICS countries, Corporate Tax rates of BRICS, Ease of Doing Business in BRICS countries, Foreign Direct Investment Inflows in BRICS, Tax to GDP Ratio of BRICS, Tax reforms measures suggested by Chelliah committee, Vijay Kelkar committee and its Impact on Tax – GDP ratio, Total Tax revenue, Total fiscal deficit to GDP ratio, Public debt, Public expenditure, satisfaction, Perception of Tax payers on Present tax system, Awareness and Perception of Tax payers on new Direct Tax Code and its Relevance on Indian economic development as a whole.

A Sample of 500 responses were collected from the various Tax administrative officer, Chartered accountants, Corporate Tax payers and 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. 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.
MAJOR FINDINGS OF THE STUDY

The Major findings of the study based on primary and secondary data are as follows.

➢ The impact of time period on Total Tax revenue is positive. The regression coefficient of 22676.01 has the t value of 19.9542 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0000. It indicates that total Tax revenue is in upward trend during the Chelliah committee period 1991-92 to 2000-01.

➢ The influence of time period on total Tax to GDP ratio is significant. The regression coefficient -0.13909 has the t value of -2.46769 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0389. It indicates that tax to GDP ratio is has upward trend but not with expected rate of growth during the Chelliah committee period 1991-92 to 2000-01.

➢ The impact of time period on total fiscal deficit to GDP ratio is significant. The regression coefficient of 0.25503 has the t value of 2.53956 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0347. It indicates that Tax to GDP ratio was moderate trend during the Chelliah committee period 1991-92 to 2000-01.

➢ The influence of time period on total public debt is significant. The regression coefficient of 1152.1236 has the t value of 15.08851 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0000. It indicates that total public debt was in increasing trend during the Chelliah committee period 1991-92 to 2000-01.

➢ The impact of time period on total Public expenditure is positive. The regression coefficient of 29937.5 has the t value of 17.33828 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0000. It indicates that total Public expenditure is upward trend during the Chelliah committee period 1995-96 to 2001-02.
- The impact of time period on total Tax revenue is positive. The regression coefficient of 143346.7451 has the t value of 13.9770 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0000. It indicates that Total Tax revenue is in upward trend during the Vijay Kelkar committee period 2001-02 to 2014-15.

- The impact of time period on Tax to GDP ratio is positive. The regression coefficient of 0.240418 has the t value of 4.46838 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0008. It indicates that Tax to GDP ratio is increasing trend during the Vijay Kelkar committee period 2001-02 to 2014-15.

- The linear trend line of fiscal deficit is declining over a period from 2001-02 to 2014-15. The regression coefficient of -0.11958 have the t value of -1.15835 and it is statistically insignificant at 5% since the p value of the regression coefficient is 0.2693. It indicates that the fiscal deficit is in downward trend after the tax reforms of Vijay Kelkar committee during the period 2001-02 to 2014-15.

- The linear trend line of public debt is upward trend a period from 2001-02 to 2014-15. The regression coefficient of 5085.1891 have the t value of 15.02238 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0000. It indicates that The Public Debt is in upward trend after the tax reforms of Vijay Kelkar committee during the period 2001-02 to 2014-15.

- The linear trend line of Public expenditure is upward trend a period from 2002-03 to 2014-15. The regression coefficient of 123306.6 have the t value of 19.29244 and it is statistically significant at 5% since the p value of the regression coefficient is 0.0000. It indicates that the total Public expenditure is in upward trend during the Vijay Kelkar committee period 2002-03 to 2014-15.
In the survey, it found that Chelliah committee has recommended noteworthy recommendations, but only few recommendations are implemented by the Government of India. There are some of other valuable, reliable, suitable recommendations which are not effectively implemented such as increase of elasticity of Tax revenue by extending the Tax Base, Rationalization of the existing direct tax system, removing of anomalies in the present taxation and sustained economic incentives, Reduction of Income Tax exemption slabs, lowering the Tax rates, Reduce multiplicity of excise duty.

It was found that, Chelliah committee recommended widening of Tax Base, Continuation of levy on gift tax and Restructure of Tax system. But The Government increasing only Tax Rates rather than widening of Tax Base.

Out of 500 respondents, 67.8 percent of the respondents are male and 32.2 percent are female respondents.

Out of 500 different types of respondents 52.6 percent of the respondents are Chartered accountant and Company Secretary, 20 percent of them are Post graduates, 21 percent of them are degree, 4.8 percent are Ph.D and 1.6 percent are pre-university (PUC). The higher education level of respondents provided certain constructive suggestions.

The length of experience of sample respondents Tax administrative officer, Chartered accountant and Corporate Tax payers opinions are one sort whereas Non Corporate Tax payers who are not in the domain of Direct Tax administration calculation, guidance have different understanding. The experienced first three category of respondent is very important has they identify the strength weakness of the Direct tax code.

In the study 50 percent of the respondents are Chartered accountants, 16 percent are Tax administrative officers, 30 percent of them are Non Corporate Tax payers and 4 percent are Corporate Tax payers. They felt that the proposed Direct Tax Code will certainly help out the Indian Direct Tax payers.
The analysis infer that 47% of the respondents are aware, 19% of the Respondents are extremely aware and 22% are Neutral. The Tax professionals, Tax administrators, corporate tax payers and Non Corporate tax payers have Aware about the new Direct Tax Code. The Mean is 3.71 which mean that respondents are significantly aware of Direct Tax Code.

The present Direct Taxation slab is not satisfactory according to 53 percent of sample respondents (N= 500). The mean score, according stands at 2.73, while standard deviation is 1.18. So also the current direct taxation system the Mean score 2.68 and Standard Deviation 1.22.

Out of four categories of sample respondents 74% of the respondents felt that any amendment to the Taxation system should be brought through financial bill and not in course of implementation period.

Out of four categories of sample respondents 73 percent of the respondents opined Tax reforms shall widen the Tax base. Further, the more or less same amount of respondents indicated that the Union Government must not Tinker with tax rates,

Out of four categories of sample respondents 64 percent of the respondents felt that Agricultural income to certain extent be brought under state tax.

Out of The Sample respondents 71 percent of the respondents felt that Presumptive tax shall come into effect widen the Tax base. The Mean score ranged 3.52 to 3.87 on the parameters highlighted, while standard deviation ranged from 0.89 to 1.166 indicating consistency and endorsement of the current issues and proposed advantages of Direct Tax Code (see table 5.2.7)

Out of four categories of sample respondents 62 percent of the respondents indicated that Direct Tax Code implementation is very important. For 29 percent of the sample respondents (N=500), the Direct Tax Code implementation is not important and the remaining 9 percent remained neutral.
More than 92% of sample respondents asserted that economic growth, enhancement of GDP, taxation revenue are possible because of the Direct Tax Code implementation. 70-89 percent of respondents (N=500) indicated that Direct Tax Code will enhance tax base and better compliance.

More than 62 percent of the respondents felt that tax administration can be improved, Rationalization of incentives, fairness in taxation and reduction of fiscal deficit are the possibilities as a result of Direct Tax Code.

More than 60 percent of the respondents expressed that the proposed Direct Tax Code will pave way for restructuring of taxation system.

More than 70 percent of the respondents expressed that proposed Direct Tax Code will reduction of tax evasion, tax to GDP ratio can increase, improvement in the transparency is possible certain agricultural income can be brought into the tax net.

Out of the sample 500 respondents 62-70 percent of the respondents under the study indicated that transaction cost can be reduced, tax burden to the certain extent can be reduce, Autonomy for tax administration can be maintained under the proposed Direct Tax Code. (see table 5.2.10)

More than 60 percent of the sample respondents observation and opinions indicate that Direct Tax Code is simple to calculate and the language of tax calculation is simple and easy to understand.

More than 60 percent of the sample respondents perception and opinions indicate that Proposed Direct Tax Code will provide single code for all Transactions under Direct Taxation system. Government intervention in fixing the rate every year can be kept away.

More than 60 percent of the sample respondents view and feelings indicate that Proposed Direct Tax Code will simplifying the tax collection process and eliminating scope for mitigation are possible.
More than 60 percent of the sample respondents view and feelings indicate that proposed Direct Tax Code will be tax payer friendly.

More than 70 percent of the respondents under the study indicated that Direct Tax code is the need of the hour as it roots out the existing problems in the Direct Taxation system. The proposed Direct tax code can enable to increase the Taxation revenue by dismantling existing complex system.

The Chinese Government is providing regional tax incentives, fiscal support specifically foreign companies engaged their office establishments in Special Economic Zones. The Tax incentives, subsidies like corporate income tax (CIT) at a reduced rate of 15%, 10% for foreign companies who established business in remote area.

The Chinese Government is providing five years corporate income tax break, 100% refund for Re-Investment of profits, and the exemption of withholding tax on dividends remitted abroad have long served as the driving force of Foreign Investment in the Country. These incentives helps Panasonic, Coca-cola, Boeing, Microsoft, Starbucks and KFC enters china’s market.

The Post Hoc tests of multiple comparison is conducted by using Tamhane test the average corporate tax rate of India differs significantly when compared to China and mean difference of Corporate Tax rate is significantly differ between India and China as well as India and Russia at 5%.

The Ease of Doing Business is significantly differ between India and China as well as India and South Africa at 5%. The South Africa and Russia have good ranking when compare with other countries. The procedures, time and cost for starting a business, Constructions permits and Paying Taxes in South Africa and Russia are Satisfactory when compare to other BRICS countries.
The procedures to starting a business in India require 14 document to be submitted and 29 days required to get approval, where as in Singapore 3 documents and 2.5 days, New Zealand 1 document and 0.5 days, United Kingdom 4 documents and 4.5 days, USA 6 documents and 4 days, Brazil 11 documents and 101.5 days, Russia 5 documents and 12 days and China 11 documents and 30 days are require to get approval.

The survey found that India have Composite laws, rules, regulations, Delay in policy making, Problems in Intellectual Property rights, Composite tax policy, poor Trade policy, Lack of Bankruptcy policy, delay in enforcing contracts, hurdles in Import and Export made doing business in India became Notorious which reduces FDI inflows, Less startups, Capital flight to other countries ex china.

The China just have 9 tax payments annually, while USA does not trouble its tax payers more than 11 times annually for tax payments. But in India Business need to make 33 tax payments annually with around 243 hours spent to Prepare and pay taxes in a year and also companies incur charges in the form of a Central Sales tax, Dividend tax, Fringe Benefit tax, Property tax, fuel tax, vehicle tax, VAT and Excise.

The Post Hoc tests of multiple comparisons test the mean difference of FDI inflows is significantly differ between India and China as well as India and South Africa at 5%. China is receiving highest FDI inflows by liberalizing FDI policy, Proving Incentives, Subsidies and Tax holidays to priority sectors investments in the country.

The Post Hoc tests of multiple comparisons are conducted by using Tamhane test the average tax – GDP ratio of India differs significantly when compared to Brazil, Russia, China, South Africa and mean difference of Tax– GDP ratio is significantly differ among all BRICS countries at 5%. South Africa have highest Tax to GDP because of Stabilization of Tax rates and Policies.
Out of 123 crore total population (i.e in 2012) only 2.87 crore Individuals filled tax returns, but 1.62 crore of them not pay because of 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.

The survey said “India Tax to GDP would have increased by 0.32 percent (in Rs. 31,500 crores) just by not having raised the threshold generous government policy been kept at 1.5 lakh in 2012-13. It also said only 5.5 percent of earning Individuals within the net.

Out of 3.71 crores Individuals who filled Tax returns in the year 2015-16, 99 lakhs individuals have shown their Income below the exemption level i.e., 2.5 lakhs. 1.95 crores Individuals have shown their income between 2.5 lakh to 5 lakh, 52 lakhs individuals are shown income between 5 to 10 lakh and 24 lakh shown income above 10 lakh. Thus out of 76 lakh Individual assessee who declared income above 56 lakh individuals are from salaried class.

The survey originate that out of 13.94 lakh Companies registered up to March 2014. In that 5.97 lakh companies have filled their returns for 2016-17 out of this 2.76 lakh companies shown losses or Zero income. 2.85 lakh companies have shown profit before tax less than 1 crore, 28,667 companies have shown profit between 1 to 10 crores and only 7,781 companies have shown profit before tax more than 10 crores.

The survey found that China being a communist country following principles of socialism depends largely on Tax Revenue, in 1994 China Restructured their Tax System with well- Structured taxation policies with 26 types of taxes based on 8 nature of sources in that Agricultural source is one among.

The survey found that India’s Tax to GDP ratio is at 16.6% is well below the emerging market economy (EME) and OECD average of about 21% and 34% respectively.
6.2 CONCLUSION

The New Government an urge of attracting more Foreign Direct Investments and smoothing Ease of Doing Business in India through innovative schemes, policies like Make in India, Digital India, Startup India, Stand up India, one country one market, one country one tax, Smart City Projects etc., for creating more job opportunities to the Young population. But India have Complex tax policy, Composite laws, delay in policy making, problems in Intellectual Property rights, Lack of bankruptcy and trade policy are denying FDI, Ease of Doing Business and became notorious to do business in the Country. As per the CBDT report out total population 123 crore in 2012 tax paid is 1% of population, 128 crore population in 2014 tax paid is 3% of population and 130 crore population in 2015 tax paid is 3.8% population. The Government of India is struggling to come out from Fiscal deficit, Total Revenue deficit and Public debt, to overcome this Tax reforms commissions was established. The Chelliah committee and Kelkar committee has recommended noteworthy recommendations but only few recommendations are implemented by the Government of India there are some of other valuable, reliable, suitable recommendation which are not implemented. The Government should consider all the recommendations given by Chelliah Committee and Kelkar committee so that rectification of the loopholes, Remove complex tax policy, speed up Policy making bring “One country one Tax policy”, Proposed Direct Tax Code and Goods and Service Tax, so it Increases Foreign Direct Investment inflows, enables Ease of Doing Business, Promote more Exports, Increase Capital Formation, improves Business activities, intern leads to Increases Employment Opportunities to leading young population, Improve Revenue Productivity, Contribution to GDP, Economic Growth, Economic development, Improve Government administration and Decreases Inflation will benefit the Common man. We can see in near future India has a Developed Economy in the world, the Dream of Modi Government is that India Should become a Job Creators instead of Job Seekers can also achieve Rank 50th in Ease of Doing Business In India by 2020.
6.3 SUGGESTIONS OF THE STUDY

Suggestions to Government / Policy Makers

- It is suggested to the government of India to accept and implement all notable recommendations given by the Chelliah committee such as Rationalization of the existing direct tax system for improvement of equity, sustained economic incentives, Reduction of Income Tax exemption slabs, Lowering the Tax rates, Reduce multiplicity of excise duty, reduce tax evasion by reducing tax rates, tax slabs and also leads to increase Tax Revenue, Tax to GDP ratio and Speed up Economic development of India.

- It is suggested to the Government of India to Increase Tax Base rather than Tax rate, Re-introduce Gift tax, Restructure the tax system so that more capital inflow can be witnessed through foreign direct investment. It also boosts Startups, Make in India, Standup India, Startup India, Digital India and Smart city Projects. It also lead to more economic activities, increase employment generation and contribute to GDP of the country.

- It is suggested to the Government of India to consider all noteworthy recommendations given by Vijay Kelkar committee like Taxing of Agriculture income, Reforms in Tax administrations, elimination of unwanted subsidies, Reforms in Indirect tax (Goods and Service Tax) and Increase of Coverage of Service Tax. So that, it will improve Tax revenue by bringing many people into tax bracket and contributes for Rapid Economic growth of the Country.

- It is suggested to the Government to bring reforms in the existing taxation through implementation of proposed Direct Tax Code. From the point of view of sample respondents sooner the implementation of Direct Tax Code in India will solve the loopholes in the Indian Tax system and speed up economic growth and development of the country.

- It is proposed to the Government of India to bring Agricultural income under State Tax purview and Presumptive tax imposition will educate the tax payers about a nation building responsibility. So that it widens the Tax Base,
Increase Tax Revenue, reduce Tax evasion and mitigate Black money investment on agricultural land.

➢ It is proposed to the Government of India to liberalize FDI Policy, speed up permissions and consider all the Tax incentives provided by Government of China. So that, India can also receive more Foreign Direct Investment which leads to Capital inflow, boost up the economic activity lead to increase in employment opportunities in the country.

➢ It is proposed to the Government of India to have the corporate tax rate between 15 – 20 %. So that More Capital flows can be attracted and Ease of Doing Business will create an opportunity to encash benefits of new initiatives such as make in India, Startup India, Standup India and Smart City Projects of Government.

➢ It is suggested to the Government of India to remove multiple taxes like Central Sales tax, Dividend tax, Fringe Benefit tax, Property tax, fuel tax, vehicle tax, VAT and Excise. Introduce one country one tax policy (Goods and Service Tax), Implement Direct Tax Code and e-Literacy among the tax Payers. The countries like New Zealand, UK, Singapore and China removed multiple taxes and Introduced Electronic filing.

➢ It is suggested to the Government to reform the policies by reducing number of documentation process from 14 to 4, Clear all Approvals within 3 days by Introducing Effective Single window Clearance system, Digital Form filings, Promote Digital marketing and reduce capital requirement limit, which is already there in Singapore, New Zealand, UK and USA so that India can be ranked Within 50 in Ease of Doing Business by 2020 and also create more Job opportunities to Young Emerging population.

➢ The Government of India should have Uniformity of Tax policies (which is applicable in South Africa), Stabilization of Corporate Tax rates, Rules and Regulations, Trade policy, Import and Export policies. So that sustainable growth of Tax to GDP and Economic growth can be ensured in the country.
➢ It is suggested to the Government of India to increase Tax Base by reducing Tax Slabs from 2.5 lakh to 1 Lakh up to 5 Lakh at the rate of 5% Tax rate, 5 Lakh - 10 Lakh at the rate of 20%, above 10 lakh at the rate of 30%, and surcharge on Transaction more than 50 lakhs. So that more people get into Tax bracket, it leads to Surplus Tax Revenue to the Government.

➢ It is suggested to the Government of India to bring reforms in Tax Compliance methods through Cashless Transactions in the business, E-filing or Digital filling of returns, compulsory filling of returns of all the assessee. So that, it will bring all 13.94 lakh companies and other individuals into tax bracket and reduce the burden of honest tax payers.

➢ It is proposed to the Government of India to bring Agricultural income in to Tax bracket who have more than 5 hectares land and income above 10 lakh, because 54-60 percent of population is depending on the Agriculture. It facilitates government to regulate Black money, Tax evasion, mobilization of revenue to Provide Subsidies, Incentives, Loans and Agricultural promotional activities in the country.

**Suggestions to Academician/ Tax Professionals**

➢ It is suggested to the Tax professionals, Academicians and Tax administrators to practice ethics, honesty and principles of Tax law in compliance of tax: so that involvement of Tax professional in Tax evasion, Tax avoidance (Satyam, Fodder, 2G Spectrum and Stock market scam) are mitigated.

**Suggestions to Tax Payers and Common Man**

➢ It is suggested to the citizen of India (Tax payers) to feel proud for contributing taxes for nation building, in America, Scotland and Poland people are voluntarily paying taxes before due dates and they are feeling proud for paying taxes for nation building. Have honesty in filling tax returns, disclose all the source of incomes, claim eligible deduction and comply tax returns before due date.
SCOPE FOR FURTHER RESEARCH

- A study may be carried out to bring co-ordination with Double Taxation Treaty among member countries of IMF, World Bank, WTO and other Trading Blocks.

- A study on Agricultural income Taxation in India and abroad.

- A Study may be carried out to bring solutions while Transfer Pricing and Taxation Issues.

- A Study may be carried out to bring Improvement in Tax Administrations.

- A Comparative study of Indian Tax Structure with that of other select Countries specially G7 Countries.

- A study on Impact of Tax policy on Foreign Direct Investment in India

- A Study on Impact of Tax Policy on Exports and Imports in India with special reference to SAARC countries.