



SABKA SATH SABKA VIKAS AND OUR TAXATION SYSTEM

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Abstract: *Today when our prime minister says "SABKA SATH SABKA VIKAS" it means that every section of our society should be included in the era of development. The avoided section of our society must also be connected in the era of development by reducing inequality in our society.*

Government revenue is earned through numerous sources according to the provisions of the financial acts and rules and regulations (Ghugre & Katdare 2015). Taxation is an important source of revenue for the government. The money provided by taxation has been used by the Government to fund welfare and public services. It is important to society because the government uses the tax collected to fund projects related to health care systems, education systems, and public transports. Also, the money collected can be used to give unemployment benefits, pensions, and other matters that can benefit society as a whole. "It has also paid to its own administration" (Sury M.M.2006)

When we observe the Indian taxation system we find that India encompasses a three-tier tax structure wherever taxes area unit levied by Central Government, state government and native Authorities like Municipal firms. In India, the authority to levy a tax is received from the constitution. In the constitution, there's a clear demarcation of several taxes to be collected by the center and therefore the states. (Jaiparkash 2014)

Key Words: Development, numerous, provisions, regulations, wefare, public transports, authorities.

In India, the main source of government revenue is direct tax but there is a narrow coverage of direct taxes. It is estimated that only three percent of the population pays personal income tax. The number of multi-millionaires in India (those with net assets of at least INR 60 crore) increased from 13,700 in 2013 to 14,800 in 2014, a rise of 8 percent, while the number of millionaires (with net assets of at least INR 6 crore) increased by 6 percent in this period, reaching 226,800 in 2014 from 214,000 in 2013. This brings out an interesting observation that a country with 226,800 millionaires (with net assets of over INR 6 crore) has less than 50,000 taxpayers earning taxable income of over INR 1 crore (Tiwari & Khan 2017). India's black economy currently could be up to 75 percent of the GDP, as per a confidential report submitted by NIPFP in December 2013, accessed by The Hindu.

Evidence shows that of the several types of direct taxes, the corporate income tax is the most dangerous for economic growth. The main reason for the sensitiveness of the capital is the high

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mobility of capital. This means that tax changes affected the capital very badly. The corporate tax rate has consistently decreased on a universal basis over the past 37 years. In 1980, the unweighted average worldwide statutory tax rate was 38.68 percent. At present, the average statutory rate maintains at 22.96 percent, representing 41 percent depletion over the 37 years survey. Between 1980 and 2017 all regions saw a web reduction in average statutory rates between 1980 and 2017. In many countries of Europe, the common attenuated with the 1980 average of 40.5 % dropping to 18.35 percent, showing nearly a 55 % rate deduction. The littlest decline has been seen in South America, with the common solely decreasing by 28 % from 39.66 % in 1980 to 28.73 % in 2017.: (Tax Foundation. Data compiled from numerous sources including PwC, KPMG Deloitte, and the U.S. Department of Agriculture)

In India, in 2018-19 direct taxes grew up by 13.4% owing to improved performance of corporate tax. India's tax-to-GDP ratio was at 17%



is well below the emerging market economies (EME) and OECD averages of about 21% and 34% respectively. India has been ranked 60th among 79 developing economies, below neighboring China and Pakistan, in the 'Inclusive Growth and Development Report 2017' of the World Economic Forum (WEF2017).

On the recommendations of the Tax Reforms Committee constituted in 1991 under Chelliah, several policy initiatives were taken in the direction of federal tax reforms in 1990. However, fiscal problems in India were still far from over. The revenue deficit instead of declining rose to 4.4% in 2002-03 from 3.3% in 1990-91. There had been a decline in the overall tax-GDP ratio in comparison to the tax - GDP ratio in the late 1980s. The central tax- GDP ratio, measured using central gross taxes peaked at 10.6% in 1986-87. It dropped to 8.8% in 1993-94 and to 8.3% in 1998-99. Although it rose to 9.3% in 2003-04, yet the tax-GDP ratio was still very low in India. In a survey authored by chief economic advisor Krishnamurthy, Subramanian it is found that tax to GDP ratio declined to 10.9% in 2018-19 as indirect tax revenue fell short of budget estimates by about 16 percent due to shortfall in GST mop up.

(<http://meconomictimes.com.cdn.amproject.org/v/s/m/conomictimes.com/news/economy/indicators/budget-2019-gross-tax>)

On the other hand, there has been a worldwide shift towards the introduction of consumption taxation within the last 3 decades. In 2012, quite a hundred and fifty countries globally had some reasonable price additional tax. (OECD, 2012 Consumption Tax Trends p11) This figure conjointly includes China, which introduced a run starting 2012 meant to shift business tax by VAT and dilated this project nationwide in 2013. In the sub-Saharan region, for instance, around 80% of the countries introduced a kind of VAT and benefited from a rise of tax revenues by one third. This policy move was driven by the high capacity of consumption taxes to increase tax incomes. Last but

not least, developing countries were further driven by the faith that the adoption of a VAT system based on self-assessment may in parallel enhance tax compliance of tax-payers in the area of direct taxation. (IMF, 2012, Taxation and Development - Again p.11.) According to a wide spectrum of tax analysts, it is accepted that unlike income taxes consumption taxes have a pro-growth effect, especially when designed in a broad-based way. Narendra Modi reportedly told tax officials that the Income Tax Act needed changes to make the economy more tax compliant and therefore generate enough revenue to fund government agendas.

On the basis of suggestions Task Forces under Dr. Kelkar, various reforms are made in the Indian economy. The implementation of GST has several impacts on different business activities and also the different areas of the economy, like supply chain, IT, logistics, pricing, margins, working capital, Manufacturing Industry, Factors of Production, Employment, MSME, Exim trade, housing, Poverty Reduction, GDP, government revenue, and agriculture, etc. as several business decisions taken based on the current tax structure may no longer be relevant in the new GST regime. But these reforms are insufficient for the goal of "Inclusive Development".

The logical solution to this aberration would be to tax land at its value. Land value tax is payable regardless of whether or how well the land is used because the supply of land is inelastic, market land rents depend on what tenants are prepared to pay, rather than on the expense of landlord, so LVT cannot be directly passed on to tenants. The direct beneficiaries of incremental improvements to the surrounding neighborhood by others would be the land occupants and absentee landlords would benefit only under price competition amongst present and prospective tenants for those incremental benefits, the only direct effect of LVT price, in this case, is to lower the unearned increment. Such a system will check hoarding & speculation in land and property and force landholders to use land efficiently. (<https://>



[/en.wikipedia.org/wiki/Land_value_tax](https://en.wikipedia.org/wiki/Land_value_tax))

Land value tax, once applied to non-agricultural land, may end up to be the game-changer. It'll finish speculative land sign and convey down costs for the end-user. The cash saved is spent on alternative commodities, increasing consumption and provides the economy a lift. It'll free tons of undeveloped lands getting ready to cities, which might be developed by the state or non-public players. These developed colonies are reasonable to lower-income families that are payment extended sums for unapproved land until currently.

Experience in Hongkong, China, Taiwan, Australia, Newzealand, South Africa, Norway, Pennsylvania and Alaska states & many cities of the USA are highly supportive of this approach. (Hong Kong is perhaps the best example of the successful implementation of a high land value tax with more than 35% of its revenue from land taxes, and keeps its other tax rates low. (Hong Kong Democratic Foundation, 2008) The Chinese Government has adopted the same policy of facilitating with excellent results.

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