

CHAPTER V

FINDINGS OF THE STUDY

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The findings of the present study have been summarised as follows. These findings are based on secondary data collected in the course of research.

- (1) It is observed that direct taxes make a much smaller contribution to total tax revenue in Less Developed countries than in developed countries.

The average percentage of direct tax revenue to total tax revenue in developed countries work-out 56.82 where as in less developed. It is found only at 28.56.

- (2) It would seem that, the importance of direct taxes in India has been declining in recent years and they have proved to be less elastic source of revenue during the plan period.

In 1950-51 direct taxes comprised 31 per cent of the total tax revenue but the percentage dropped to only 15 in 1989-90.

Thus it seems that direct taxes have gradually lost their importance in the tax structure of India.

- (3) It is found out that as compared to other forms of direct taxes corporation tax remained only effective form of direct taxes in recent times.

In 1988-89 the relative share of corporation tax in the total direct tax receipts of the Central Government stood at 53 per cent as against 23 per cent in 1950-51.

Thus corporation tax has proved to be more significant source of revenue in India.

- (4) It is observed on basis of secondary data that agricultural direct taxes have not contributed significantly to the total revenue collected by states from direct taxes. The relative share of agricultural direct taxes in states own tax revenue not only insignificant but it is also of declining nature.

In 1960-61 the contribution of two important agricultural direct taxes viz - Land revenue

and agricultural income tax was 24.11% of the total taxes collected by the states. However the percentage has dropped continuously and it stood at only 2.38 in 1986-87.

Agricultural taxation has been subject in the state list of the constitution and response of the state has not been encouraging in this regard. With increasing in agricultural income their should have been proportionate increase in the income receipts from agricultural taxation. However, this has not been done for the reasons which are more political in nature.

- (5) It is found out that direct taxes in India remained effective instrument for mobilising resources especially in Third, Sixth and Seventh Five Year Plans.

The rise in revenue from direct taxes was to the extent of Rs. 314 crores or 68% in Third Five Year Plan, Rs. 2347 or 67% in Sixth Five Year Plan & Rs.5185 or 79% in Seventh Five Year Plan respectively.

- (6) Though, in absolute terms the revenue collection from direct taxes is increasing, the relative share of direct taxes in the tax structure of India is declining continuously.

On the contrary, the share of indirect taxes in the tax structure increased rapidly. Hence, direct taxes in India as compared to indirect taxes have failed to become effective instrument for mobilising resources for development financing in India.

- (7) Lastly, inadequate taxation of the agriculture sector, large degree of tax evasion and avoidance and inefficient tax administration. The factors which have come in the way of an effective use of direct taxation in India for purpose of resources mobilisation.