Finding and Conclusion

The present study “Critical Analysis of Fiscal Policy of INDIA Since 1971: With Special Reference To Personal Income Tax Administration” is basically based on secondary data. The secondary data for tax revenue and tax GDP ratio was collected for 44 years (1970-71 to 2013-14) from various reports published by Government of INDIA. Simple statistical tools were used for the analysis of data and for testing of hypothesis t & F statistics were used.

After analysis of the data and testing of the hypothesis following key findings are worth mentioning-

8.1 Buoyancy Coefficients of various Taxes during the Pre and Post-reforms Periods

<table>
<thead>
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<tbody>
<tr>
<td>Total Taxes</td>
<td>1.156</td>
<td>1.080</td>
</tr>
<tr>
<td>Indirect Taxes</td>
<td>1.196</td>
<td>0.973</td>
</tr>
<tr>
<td>Direct Taxes</td>
<td>0.966</td>
<td>1.375</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>0.914</td>
<td>1.287</td>
</tr>
</tbody>
</table>

- The tax buoyancy of Total Tax Revenue is greater than one in pre and post reform period it means total tax revenue is more buoyant in both pre and post reform periods but the value of buoyancy of Total tax Revenue is slightly decreased in post reform period from 1.156 to 1.08.

- The tax buoyancy of Indirect Tax Revenue is greater than one (1.19) in pre reform period but less than one (0.97) in post reform period it means Indirect tax revenue is more buoyant in pre reform period and less buoyant in post reform period this shows that the taxation system for indirect tax is less efficient in post reform
period.

- The tax buoyancy of Direct Tax Revenue is greater than one (1.3) in post reform period but less than one (0.966) in pre reform period it means direct tax revenue is more buoyant in post reform period and less buoyant in pre reform period this condition is just opposite of buoyancy of indirect tax revenue it shows that the government’s efficiency for direct tax collection has increased significantly.

- The tax buoyancy of personal income tax is less buoyant in pre reform period (0.91) but it shows more buoyancy in post reform period (1.28) it shows that the government has made continuous efforts to boost the revenue generation from Personal Income Tax during the post-reforms period.

| Table no. 8.2 Compound Annual Growth Rate (CAGR) In Pre and Post Reform Period. |
|-------------------------------|-------------------|-------------------|
| Tax Type          | CAGR Pre Reform | CAGR Post Reform |
| Total             | 11.5%           | 11.3%            |
| Direct            | 11.35%          | 11.72%           |
| Indirect          | 11.53%          | 11.26%           |
| PIT               | 11.27%          | 11.67%           |

- The compound annual growth rate (CAGR) for total tax revenue is 11.5% in pre reform period and 11.3 in post reform period it.

- CAGR for direct tax revenue is 11.35% in pre reform period and 11.72% in post reform period.

- CAGR for indirect tax revenue is 11.53 % in pre reform period and 11.26% in post reform period.

- CAGR for personal income tax revenue is 11.27 % in pre reform period and 11.67 % in post reform period.

**Conclusion Based on Testing Of Hypothesis**
i) **Test for difference of mean of tax revenue and tax GDP Ratio in pre and post reform period**

To test the difference of mean of Total tax revenue, Direct tax revenue, Indirect tax revenue, personal income tax revenue, Direct tax GDP ratio, Indirect Tax GDP ratio and Total tax GDP ratio we presumed Null Hypothesis (H0): the mean value for all variables given above does not significantly changed during pre and post reform period.

All hypotheses were tested with the help of t statistics at 5% level of significance and 42 degree of freedom and in the all cases H0 (Null Hypothesis) rejected which shows that there is significant change in the mean value of all variables during pre and post reform period.

ii) **Test for difference of variance of tax revenue in pre and post reform period**

To test the difference of mean of Total tax revenue, Direct tax revenue, Indirect tax revenue, and Personal income tax revenue, we presumed Null Hypothesis (H0): the variance for all variables given above does not significantly changed during pre and post reform period.

All hypotheses were tested with the help of F statistics at 5% level of significance and 42 degree of freedom and in the all cases H0 (Null Hypothesis) rejected which shows that there is significant change in the variance of all variables during pre and post reform period.

**Suggestions :**

- Attempt should be made to identify the potential taxpayers and bring them on tax records. To achieve this, it is necessary that tax department in India does have complete information about all tax assesses. The department in India has already adopted Permanent Account Number in this direction, which may also serve as Citizen Identification Number for other agencies. External sources of information, particularly corporate bodies and all government agencies should be topped to detect entities that should be on tax records. Tax Information Network which has
become operational may be effectively used for this purpose. Effective use of PAN and Tax Information Network together may help considerable in identifying the potential assesses and widening the tax base. Along with widening the tax base, effective implementations for Risk Intelligence Network.

- Keeping in view that income tax exemption limit is the same for every individual, it is highly unjustified that salaried people pay tax on their gross income (without deduction of expenses incurred to earn salary) while businessmen, self employed persons and others pay tax on their net income. Therefore, standard deduction should be restored for winning faith of a large number of honest taxpayers.

- Broadening of tax base can be achieved significantly by bringing agricultural income under tax net. To begin with, major farmers of farming units may be asked to file returns of income under regular rules of taxation. Whereas small agricultural units should be subject to a simple scheme of presumptive taxation based on area, general quality and location. In order to detect new assesses, the tax department should be also conduct careful scrutiny of Annual Information Returns (AIRs). Information about high spenders must be captured through AIRs and they should be brought no tax records.

- Like rationalizations of incentives, initiatives should be taken to structure the presumptive taxation method. Study should be conducted whether the scope of presumptive taxation to certain sectors may continue/should be withdrawn by considering several factor such as the number of persons coming under this method, the revenue level, what kind of tax evasion practices followed by them, the amount of evasion, loopholes in presumptive taxation, what is the suggestions to over come this problems. In a nutshell the feasibility of the Presumptive taxation should be undertaken.

- TDS administration should be strengthened by additional man power especially for conducting survey, follow up action and to identity the scope of TDS activities.

- Adequate training facilities should be given to the maximum of officials regarding e-TDS modules. PAN and other technicalities but in present scene foretells training has given only to the restricted number of tax officials.
For better realization of revenue from capital gains tax, it is suggested that, long term capital gains tax should be properties by the registrar. The properties should be registered only when the seller paid the long term capital gains tax and it should be necessary that PAN of both seller and buyer should be quoted while registering the property and the particular must transferred to the income tax department. This would reduce the tax evasion as well enhance the revenue collection and it would help to cross check the data furnished by the income tax assesses.

Tax collection machinery needs to be strengthened to recover massive tax arrears. In this direction, one major attempt should be to get taxpayers to file returns accurately on time, while reducing the manual workload involved so that resources can be redirected to the relationship and compliance activities. Simultaneously, tax payers should be made to pay tax by the due dates, payments be processed quickly and accurately, payments be accounted for correctly all outstanding dues to pursued delay. As a measure of collection of regular demand following measures need to be taken:

i) Each jurisdictional office should be adequate infrastructural facilities. The jurisdictions should have adequate number of vehicles for the purpose of facilitating movement of the tax inspection to collect taxes.

ii) Suitable incentives need to be given for collection of taxes to the tax Recovery Officers.

iii) Taxpayers should be given incentives for early payment of regular demand like non-levy of penalty or reduced penalty.

iv) Appeals may be decided quickly within a time frame.

v) Taxpayers must be allowed to prefer appeal only when at least 50% of the tax is paid and proof for payment is produced.

There should be massive investment in infrastructure in the tax department. The tax department lacks enough infrastructure facilities, which puts a dampening effect on the moral of the tax officials. It top quality service is to be provided to
the taxpayers it is essential that top class facilities are available to the tax department. It should be of immense benefit to the government if more investments were made in infrastructure.

- It is suggested that the department should take effort to improve the infrastructure the existing offices into modern customer friendly and to provide required amenities.