

Trends and Implications: Analysis of Collection of Direct Tax from Financial Year 2017-18 to 2022-23

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Abstract- This research paper presents a thorough examination of the collection of direct taxes spanning from the financial year 2017-18 to 2022-23. Direct taxes play a vital role in government revenue mobilization and economic governance, making it imperative to understand the trends, patterns, and implications associated with their collection. Through a comprehensive analysis of tax data, this study aims to shed light on the dynamics of direct tax collection over the specified period. By employing statistical techniques and empirical analysis, the paper identifies key trends, factors influencing tax collection, and their broader economic implications. The findings provide valuable insights for policymakers, tax authorities, and stakeholders, enabling them to formulate informed strategies for enhancing revenue mobilization, fostering economic growth, and ensuring fiscal sustainability.

Key Words- Direct Tax, Trends, GDP, Growth, Tax Collection

Introduction

Direct taxes constitute a fundamental component of fiscal policy, serving as a primary source of revenue for governments worldwide. The effective collection and management of direct taxes are pivotal for ensuring fiscal stability, funding public services, and promoting equitable economic growth. Understanding the trends, patterns, and implications of direct tax collection is essential for policymakers, tax authorities, and stakeholders involved in economic governance and revenue administration.

This research paper delves into a comprehensive analysis of the collection of direct taxes from the financial year 2017-18 to 2022-23. Over this six-year period, significant economic and policy developments have shaped the landscape of tax collection, warranting a detailed examination of the dynamics at play. By scrutinizing tax data and employing rigorous analytical methods, this study aims to elucidate the key trends, factors influencing tax collection, and their broader implications for fiscal sustainability and economic development.

The period under study witnessed a multitude of factors influencing direct tax collection, including changes in tax policies, shifts in economic conditions, and advancements in tax administration technologies. Understanding how these factors have influenced tax collection patterns is crucial for assessing the effectiveness of fiscal policies and identifying areas for improvement in revenue mobilization strategies.

Through this research endeavor, we seek to provide valuable insights into the collection of direct taxes, offering policymakers and stakeholders a deeper understanding of the challenges and opportunities inherent in tax administration. By synthesizing empirical evidence and analytical findings, this paper aims to contribute to the body of knowledge on public finance, taxation, and economic policy, ultimately facilitating informed decision-making and policy formulation in the realm of fiscal management and revenue administration.

Objective of the Study

The primary objective of this study is to conduct a comprehensive analysis of the collection of direct taxes from the financial year 2017-18 to 2022-23, with a focus on identifying trends, patterns, and implications for fiscal policy and economic governance. Specifically, the research aims to achieve the following objectives:

1. Examine the trends in direct tax collection over the specified period, including year-on-year variations, growth rates, and sectoral contributions.

Research Methodology

- A. **Data Collection:** The primary source of data for this study will be official government records and publications related to direct tax collection from the financial year 2017-18 to 2022-23. Data on direct tax collections, including income tax, corporate tax, and other relevant taxes, will be obtained from annual reports, budget documents, and statistical publications of the concerned tax authorities. Additional data sources may include economic indicators, tax policy documents, and relevant research studies to supplement the analysis.
- B. **Data Analysis:** Initial examination of direct tax collection trends will involve descriptive statistical techniques to identify patterns, fluctuations, and key observations over the study period. The study will compare direct tax collection trends across different fiscal years, tax categories to identify variations and underlying drivers.

Data Analysis and Interpretation

TABLE-1
Direct Tax Collection

(Amount in INR Crore)

Financial Year	Corporate Tax	Personal Income Tax	Other Direct Tax	Total	Growth in Direct Tax Collection (N-1)
2017-18	5,71,202	4,20,084	11,452	10,02,738	-
2018-19	6,63,572	4,73,179	967	11,37,718	13.46
2019-20	5,56,876	4,92,717	1,088	10,50,681	-7.65
2020-21	4,57,719	4,87,560	1,897	9,47,176	-9.85
2021-22	7,12,037	9,96,604	3,781	14,12,422	49.12
2022-23	8,25,834	8,33,307	4,545	16,63,686	17.79

Source: <https://www.dor.gov.in/direct-tax>

Interpretation:

- The collection of corporate tax shows fluctuations over the years. It peaked in 2022-23 at INR 8,25,834crores, marking a substantial increase from the previous years.
- Personal income tax collections also demonstrate variability, with notable increases observed in 2021-22 and 2022-23, reaching INR 9,96,604crores and INR 8,33,307 crores, respectively.
- The category of other direct taxes, which includes taxes apart from corporate and personal income tax, shows modest fluctuations across the years, with a slight increase in 2022-23 compared to the previous year.
- The total direct tax collection experienced significant fluctuations during the period under consideration. Notably, there was a notable decline in 2019-20 and 2020-21, followed by a substantial increase in 2021-22 and 2022-23.
- The growth rate of direct tax collection indicates the percentage change in total collection compared to the previous year. Noteworthy growth rates are observed in 2021-22 and 2022-23, with 49.12% and 17.79% growth rates, respectively, reflecting a substantial increase in tax revenue during these
- years.

TABLE-2

Contribution of Direct Taxes to Total Tax Revenue**(Amount in INR Crore)**

Financial Year	Direct Taxes	Indirect Taxes	Total Taxes	Direct Tax as % of Total Taxes
2017-18	10,02,738	9,15,256	19,17,994	52.28
2018-19	11,37,718	9,37,322	20,75,040	54.83
2019-20	10,50,681	9,53,513	20,04,194	52.42
2020-21	9,47,176	10,74,809	20,21,985	46.84
2021-22	14,12,422	12,89,662	27,02,084	52.27
2022-23	16,63,686	13,82,013	30,45,699	54.62

Source: <https://www.dor.gov.in/direct-tax>**Interpretation:**

- From 2017-18 to 2022-23, there is a fluctuation in the contribution of direct taxes to total tax revenue.
- In 2017-18, direct taxes accounted for 52.28% of the total tax revenue, which increased to 54.83% in 2018-19. It then decreased slightly to 52.42% in 2019-20.
- There was a significant decrease in the percentage of direct taxes in 2020-21, dropping to 46.84%.
- However, in the following years, there was a notable increase in the contribution of direct taxes, reaching 52.27% in 2021-22 and 54.62% in 2022-23.
- This fluctuation could be attributed to changes in tax policies, economic conditions, and taxpayer behavior over the years. Overall, direct taxes consistently contribute a significant portion of the total tax revenue, indicating their importance in the Indian tax system.

TABLE-3
Direct Tax GDP Ratio**(Amount in INR Crore)**

Financial Year	Net Collection of Direct Taxes	GDP Current Market Price	Direct Tax GDP Ratio	GDP Growth Rate	Tax Growth Rate	Buoyancy Factor
2017-18	10,02,738	1,70,98,304	5.86%	11.30%	18.00%	1.59
2018-19	11,37,718	1,88,86,957	6.02%	10.46%	13.46%	1.29
2019-20	10,50,681	2,00,74,856	5.23%	6.29%	-7.65%	-1.21
2020-21	9,47,176	1,98,00,914	4.78%	-1.36%	-9.85%	--**
2021-22	14,12,422	2,36,64,637	5.97%	19.51%	49.12%	2.52
2022-23	16,63,686	2,72,40,712	6.11%	15.11%	17.79%	1.18

**As both GDP growth rate were negative, tax buoyancy has not been computed for FY 2020-21.

Source: <https://www.dor.gov.in/direct-tax>

Interpretation: Table-3 provides a comprehensive overview of the Direct Tax GDP Ratio over the span of several financial years, along with associated factors such as GDP growth rate, tax growth rate, and buoyancy factor. Here's an interpretation of the table:

- **2017-18 to 2018-19:** The Direct Tax GDP Ratio slightly increased from 5.86% to 6.02%. Both GDP growth rate and tax growth rate remained positive, with the buoyancy factor decreasing slightly from 1.59 to 1.29.
- **2018-19 to 2019-20:** There was a decrease in the Direct Tax GDP Ratio from 6.02% to 5.23%. This decrease can be attributed to a lower GDP growth rate and a negative tax growth rate, resulting in a negative buoyancy factor, indicating a less responsive tax system.
- **2019-20 to 2020-21:** The Direct Tax GDP Ratio continued to decline to 4.78%. Both GDP growth rate and tax growth rate were negative, resulting in the inability to compute the buoyancy factor for this fiscal year.
- **2020-21 to 2021-22:** There was a significant rebound in the Direct Tax GDP Ratio, reaching 5.97%. This increase can be attributed to a robust GDP growth rate and a substantial increase in tax collection, leading to a buoyancy factor of 2.52, indicating a highly responsive tax system.
- **2021-22 to 2022-23:** The Direct Tax GDP Ratio further increased to 6.11%, indicating continued growth in tax collection relative to GDP. Both GDP growth rate and tax growth rate remained positive, albeit at slightly lower rates compared to the previous year. The buoyancy factor decreased slightly to 1.18, suggesting a slightly less responsive tax system compared to the previous fiscal year.
- Overall, the table provides insights into the relationship between direct tax collection and economic growth, highlighting periods of expansion, contraction, and responsiveness of tax revenue to changes in GDP.

TABLE-4
Pre-Assessment and Post-Assessment Collections

(Amount in INR Crore)

Financial Year	TDS	Advance Tax	Self-Assessment Tax	Regular Assessment Tax	Other Receipts	Total Gross Direct Tax Receipts
2017-18	4,12,768	4,61,967	1,01,873	98,785	79,043	11,54,693
2018-19	4,87,667	5,30,284	99,716	1,03,774	77,365	12,98,797

2019-20	4,80,383	4,67,315	85,099	67,620	1,33,842	12,34,258
2020-21	4,70,276	5,17,769	84,734	42,297	91,815	13,06,891
2021-22	6,34,243	7,09,364	1,14,506	60,829	1,17,139	16,36,081
2022-23	8,17,970	7,27,925	1,29,954	78,520	2,17,879	19,72,248

Source: <https://www.dor.gov.in/direct-tax>

Interpretation: Table-4 provides a comparison between the Pre-Assessment and Post-Assessment Collections of various types of direct taxes in India over the financial years from 2017-18 to 2022-23. The amounts are in crore Indian Rupees (INR).

- **TDS (Tax Deducted at Source):** This represents the amount of tax deducted by an individual or entity while making specified payments such as salary, interest, commission, etc. It shows a steady increase over the years, indicating growth in economic activities and transactions subject to TDS.
- **Advance Tax:** This is the tax paid in advance on the estimated income of the year. The figures show a general upward trend, reflecting either an increase in taxable income or improved compliance with advance tax regulations.
- **Self-Assessment Tax:** This tax is paid by taxpayers on their self-assessed tax liability after assessing their income and applying deductions. The data shows fluctuations, possibly influenced by changes in tax regulations or taxpayers' behavior.
- **Regular Assessment Tax:** This tax is levied after the regular assessment of a taxpayer's income by tax authorities. The figures vary across years, suggesting changes in the tax assessment process or fluctuations in taxable income.
- **Other Receipts:** This category includes any other miscellaneous receipts not covered in the aforementioned tax types. The amounts fluctuate significantly, possibly due to varying sources of revenue or changes in tax policies affecting non-standard receipts.
- **Total Gross Direct Tax Receipts:** This is the sum of all the aforementioned tax categories along with other receipts. It shows an overall increasing trend over the years, indicating growth in the total tax revenue collected by the government. The significant increase from 2021-22 to 2022-23 suggests a substantial rise in overall tax collection, possibly due to economic growth, improved compliance, or changes in tax policies.

TABLE-5
Number of Income Tax Return Filled (Including Revised Return)

PAN Category	2017-18	2018-19	2019-20	2021-21	2021-22	2022-23
Individual	6,45,58,97	6,32,50,00	6,32,50,00	6,94,89,48	6,86,47,49	7,33,11,87

l	0	2	2	4	0	3
HUF	12,88,544	12,14,410	11,92,227	12,62,864	12,66,524	12,74,426
Firm	13,93,792	14,09,744	13,65,975	15,27,175	15,19,326	15,73,766
Company	9,42,834	9,64,862	9,33,867	10,23,751	10,59,314	10,88,414
APO (Trust)	2,92,047	2,92,173	2,83,579	3,10,468	2,86,049	2,86,997
Other AOP/BOI	2,14,228	2,11,870	2,09,575	2,68,809	2,54,771	2,66,743
Local Authority	3,959	3,746	3,396	4,463	3,877	3,763
AJP	11,455	10,673	9,593	11,048	9,283	9,907
Others	239	349	366	519	439	461
Total	6,87,06,068	6,73,57,829	6,72,48,580	7,38,98,581	7,30,47,073	7,78,16,350

Source: <https://www.dor.gov.in/direct-tax>

Interpretation: The table displays the number of Income Tax Returns (ITRs) filed, including revised returns, across different categories of Permanent Account Numbers (PAN) for the fiscal years 2017-18 through 2022-23.

- **Individuals:** The number of ITRs filed by individual's shows a steady increase over the years, from 6.45 crore in 2017-18 to 7.33 crore in 2022-23. This suggests a growing trend of tax compliance among individual taxpayers.
- **HUF (Hindu Undivided Family):** The number of ITRs filed by HUFs has remained relatively stable, with minor fluctuations. This indicates a consistent level of tax compliance within this category.
- **Firms:** The number of ITRs filed by firms has seen a gradual increase over the years, indicating either an increase in the number of firms or improved compliance within this category.
- **Companies:** Similar to firms, the number of ITRs filed by companies has also shown a consistent upward trend. This might reflect a growing number of companies operating in the economy or improved tax compliance among existing companies.
- **APO (Trust):** The number of ITRs filed by trusts has shown some fluctuations but remains relatively stable overall. This could be due to the nature of trusts and their tax obligations, which may not vary significantly year-on-year.
- **Other AOP/BOI (Association of Persons/Body of Individuals):** This category also exhibits a steady increase in the number of ITRs filed, indicating a consistent level of tax compliance among these entities.

- **Local Authority:** The number of ITRs filed by local authorities has remained low and relatively stable over the years.
- **AJP (Artificial Juridical Person):** The data shows a fluctuating pattern in the number of ITRs filed by AJPs, with no clear trend observed over the years.
- **Others:** This category represents miscellaneous PAN holders, and the number of ITRs filed by them remains negligible compared to other categories.
- **Total:** The total number of ITRs filed across all categories has increased steadily over the years, indicating an overall improvement in tax compliance across the board.
- Overall, the data suggests a positive trend in tax compliance, with most categories showing either stable or increasing numbers of ITRs filed over the years.

TABLE-6
Number of Person Filing Income Tax Return (Return Filers)

PAN Category	2017-18	2018-19	2019-20	2021-21	2021-22	2022-23
Individual	5,09,89,970	5,95,44,767	6,11,30,366	6,31,71,013	6,54,61,868	6,96,90,925
HUF Firm	11,14,038	11,66,432	11,58,601	12,01,502	12,26,587	12,46,413
Company	12,08,349	13,18,828	12,98,406	14,10,154	14,51,576	15,10,551
APO (Trust)	7,99,687	8,47,860	8,40,511	9,24,296	9,71,319	10,27,200
Other AOP/BOI	2,23,251	2,44,624	2,41,893	2,63,856	2,71,117	2,74,213
Local Authority	1,60,456	1,83,270	1,84,360	2,24,358	2,40,167	2,47,682
AJP	2,954	3,102	2,861	3,534	3,594	3,529
Others	9,135	9,430	8,583	9,505	8,800	9,321
	157	273	307	396	418	435
Total	5,45,07,997	6,33,18,586	6,48,65,888	6,72,08,614	6,96,35,446	7,40,10,269

Source: <https://www.dor.gov.in/direct-tax>

Interpretation: Table-6 presents data on the number of individuals and entities filing income tax returns categorized by PAN (Permanent Account Number) category over a period of six fiscal years from 2017-18 to 2022-23. Here's an interpretation of the data:

- **Individuals:** The number of individual taxpayers filing income tax returns has steadily increased over the years. From approximately 5.1 crore in 2017-18, it has reached nearly 7 crore in 2022-23. This suggests a growing trend of tax compliance among individual taxpayers.

- **HUF (Hindu Undivided Family):** The number of HUFs filing returns has also shown a consistent upward trend, though the increase is relatively smaller compared to individual taxpayers. It has grown from around 11.1 lakh in 2017-18 to about 12.5 lakh in 2022-23.
- **Firm:** The number of firms filing returns has seen a similar upward trajectory, indicating a growth in tax compliance among this category of entities. It has increased from approximately 12.1 lakh in 2017-18 to around 15.1 lakh in 2022-23.
- **Company:** The number of companies filing returns has also been on the rise, albeit at a slower pace compared to individuals and firms. From about 8 lakh in 2017-18, it has grown to around 10.3 lakh in 2022-23.
- **APO (Trust):** The number of APOs (Trusts) filing returns has consistently increased over the years, indicating a rise in tax compliance within this category. It has grown from around 2.2 lakh in 2017-18 to about 2.7 lakh in 2022-23.
- **Other AOP/BOI (Association of Persons/Body of Individuals):** Similar to APOs, the number of Other AOP/BOIs filing returns has also shown a steady increase. It has risen from approximately 1.6 lakh in 2017-18 to around 2.5 lakh in 2022-23.
- **Local Authority, AJP, Others:** These categories represent a smaller proportion of return filers compared to the aforementioned categories. While the numbers have increased slightly over the years, they remain relatively low compared to individual taxpayers, firms, and companies.
- Overall, the data indicates a positive trend of increasing tax compliance across various categories of taxpayers, reflecting efforts by authorities to broaden the tax base and enhance revenue collection.

TABLE-7
Number of Tax Payers

PAN Category	2017-18	2018-19	2019-20	2021-21	2021-22	2022-23
Individual	7,04,45,510	8,04,45,511	8,55,61,788	7,79,90,888	8,25,04,957	8,90,89,795
HUF	11,35,677	11,87,180	12,20,604	12,17,892	12,70,730	12,89,935
Firm	13,12,488	14,25,375	14,83,319	15,00,260	15,59,327	16,31,592
Company	8,37,597	8,86,889	9,28,333	9,61,144	10,14,535	10,77,312
APO (Trust)	2,61,531	2,84,578	3,03,708	2,93,355	3,01,893	3,05,023
Other AOP/BOI	2,34,845	2,67,107	3,02,888	2,94,085	3,33,547	3,55,022
Local Authority	9,096	10,185	11,241	10,787	11,534	12,188

AJP	11,506	12,106	12,078	11,649	11,508	11,968
Others	1308	2556	3461	3347	3895	4034
Total	7,42,49,558	8,45,21,487	8,98,27,420	8,22,83,407	8,70,11,926	9,37,76,869

Source: <https://www.dor.gov.in/direct-tax>

Interpretation: Table-7 provides a breakdown of the number of taxpayers based on different categories of Permanent Account Numbers (PAN) over the years from 2017-18 to 2022-23. Here's an interpretation:

- **Individuals:** The number of individual taxpayers has shown a consistent upward trend from 7.04 crore in 2017-18 to 8.90 crore in 2022-23. This suggests a steady increase in the number of individuals filing income tax returns over the years.
- **HUF (Hindu Undivided Family):** The number of HUF taxpayers has also increased gradually from 11.35 lakh in 2017-18 to 12.89 lakh in 2022-23, indicating a slight growth in this category.
- **Firm:** The number of firms filing taxes has seen a steady rise from 13.12 lakh in 2017-18 to 16.31 lakh in 2022-23, indicating a consistent growth in the number of business entities.
- **Company:** The number of companies paying taxes has shown a similar upward trend, increasing from 8.37 lakh in 2017-18 to 10.77 lakh in 2022-23, suggesting a rise in the number of corporate taxpayers.
- **APO (Trust):** The number of trusts or APOs (Association of Persons) has also increased over the years, although the growth rate appears to be moderate compared to other categories.
- **Other AOP/BOI (Association of Persons/Body of Individuals):** This category shows a notable increase in the number of taxpayers, indicating a rise in the number of entities falling under this classification.
- **Local Authority, AJP (Artificial Juridical Person), and Others:** These categories represent relatively smaller numbers of taxpayers compared to the major categories. However, there are slight increases observed over the years.
- **Total:** The total number of taxpayers across all categories has increased from 7.42 crore in 2017-18 to 9.37 crore in 2022-23. This suggests an overall growth in the taxpayer base over the years, reflecting an expanding tax net and possibly an improvement in tax compliance.

Findings

- The data shows a consistent growth in the collection of direct taxes over the specified period. From 2017-18 to 2022-23, there is a noticeable increase in the total direct tax collection, indicating a positive trend in revenue generation for the government.
- The number of individual taxpayers has been steadily increasing, reflecting a growing compliance among salaried individuals, professionals, and small business owners. This suggests a broader tax base and increased participation in the formal economy.
- Both companies and firms have shown a significant increase in the number of taxpayers, implying a robust growth in the corporate sector. This could be attributed to factors such as economic expansion, business investment, and improved profitability.
- The data also highlights the contribution of trusts, associations, and other juridical entities to the overall tax revenue. While their numbers are relatively smaller compared to individual and corporate taxpayers, their consistent growth underscores their importance in the tax ecosystem.
- The upward trend in tax collection indicates the effectiveness of tax policies and administration measures implemented during the period. It suggests that efforts to streamline tax processes, improve compliance, and tackle tax evasion have been yielding positive results.
- The growth in tax collection reflects positively on the overall economic health and stability of the country. It indicates a buoyant economy with increasing formalization, which can lead to higher public investments, improved infrastructure, and social welfare programs.

Recommendations

- ***Policy Alignment with Taxpayer Demographics:*** The analysis of taxpayer categories reveals significant growth in individual taxpayers, firms, and companies. Policymakers should tailor tax policies to accommodate the diverse needs and challenges faced by these different taxpayer groups. This might include simplifying tax procedures for individuals while ensuring fair taxation for businesses.
- ***Enhanced Taxpayer Education and Outreach:*** Despite the overall increase in the number of taxpayers, there may still be segments of the population that are not fully aware of their tax obligations or how to fulfill them. Investing in taxpayer education and outreach programs can help improve compliance rates and ensure that taxpayers understand their rights and responsibilities.

- ***Streamlining Tax Administration Processes:*** As the taxpayer base continues to grow, it becomes increasingly important to streamline tax administration processes to ensure efficiency and reduce compliance burdens. This could involve leveraging technology for online tax filing, automating data collection, and enhancing communication channels between tax authorities and taxpayers.
- ***Targeted Enforcement and Compliance Measures:*** While most taxpayers comply with their tax obligations, there may still be instances of tax evasion or non-compliance. Implementing targeted enforcement measures, such as risk-based audits and investigations, can help deter tax evasion and ensure a level playing field for all taxpayers.
- ***Addressing Tax Avoidance Strategies:*** With the increasing complexity of the tax system, some taxpayers may engage in aggressive tax planning strategies to minimize their tax liabilities. Policymakers should continuously review and update tax laws to prevent abusive tax avoidance practices and ensure that the tax system remains fair and equitable for all taxpayers.

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