

Analytical study of tax revenue collection in Kerala

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Abstract

Government revenue is money received by a government from taxes and non-tax sources to enable it to undertake government expenditure. Tax is the enforced fee that is charged by government on individuals and organizations. Tax is very important for economy as well as state because these contributions are used for the implementation of socio-economic development projects. This research paper is based on secondary data and examined total tax collection from 2014-15 to 2018-19 in terms of direct tax and indirect tax and its subtypes.

Keywords: direct tax, indirect tax, GSDP, state own tax revenue (SOTR)

Introduction

Taxation is the primary source of income for the Government. Taxes are voluntary fees levied on individuals and corporations to finance government activities. The purpose of taxation is for proper functioning of a state. Taxes are levied against a citizen's personal income or on property or for specified activity. Another purpose is it will reduce consumption of unwanted goods like alcohol. Higher taxes on such items reduce consumption as the price of products will be very high for the consumers. Revenue receipts can be of two types-Tax revenue and Non-tax revenue. Tax revenue is the income generated by the government through taxation. Tax revenue is the result of the application of a tax rate to a tax base. Total tax revenue as a percentage of GSDP indicates the share of the state's output collected by the government through taxes. Taxes collected from both direct tax and indirect tax are the government's tax revenue. Direct tax is the tax in which impact and incidence on the same person. Indirect tax is the tax in which impact on one person and incidence on another person.

Tax Structure of State:

State own tax revenue: A major part of state government's budgetary resources come from State's Own Tax Revenue. States which are able to generate more revenue on their own are less dependent on the devolution and central grants. SOTR includes revenues earned through Sales tax, State Excise duty, SGST, Land revenue, Stamps and registrations, Taxes on vehicles, Taxes on agricultural income etc.

Grants from Central Government: The total amount of revenue collected from the central taxes- excluding the amount collected from Cesses, Surcharges and Taxes of Union territories and an amount equivalent to the cost of collection of central taxes- is considered as divisible pool of Central tax revenue. It consists of taxes like Corporation Tax, Income Tax, Wealth Tax, Customs, Union Excise duties etc.

Review of Literature

Nishant & Vivek (2015) ^[1]. Has carried research on Indian Tax structure. They concluded that an ideal tax system must follow Adam smith's canons of taxation But due to over dependence on indirect taxes, the tax systems suffers from the problems like inequality, regressive, uneconomical, inflationary, etc.

Kishor (2020) ^[2]. Has conducted study on Analytical study of Tax revenue collection in India found out that Tax collection in India is dependent on indirect Taxes. Corporation tax is the major contributor in direct tax revenue collection. General sales tax is the major contributor in indirect tax revenue collection. The contribution of indirect tax in GDP is more than that of direct tax.

Kumat (2014) ^[3]. In his study on Taxation laws in India, revealed that there should be coordinated consumption tax system. He also states that improving on productivity of Indian tax system continues to be a major challenge in India, Jha (2013) ^[4]. in his research paper on Tax structure in India & its effects on corporate and individual in India suggests that high dependence on indirect taxes should be reduced and direct taxes should be increased on super rich to compensate the losses.

Objectives

- To examine the tax structure of Kerala.
- To study the contribution of direct and indirect taxes in total tax revenue collection.
- To study about Kerala state own tax revenue and contribution from central government.
- To examine the Tax to GSDP ratio.

Research Methodology

This research paper is purely based on secondary data. Various figures are obtained from the newspapers, Journals, websites and report of Ministry of finance of Government of Kerala.

Analysis of Data

Table 1 shows that total direct tax and indirect tax collection increased from rs.7672.06 crores and Rs.35486.73 crores in

2014-15 to Rs.15607.72 crores and Rs.54074.55 crores in 2018-19. The total tax collection increased from 43158.79 crores in 2014.

Table 1: Total Tax Revenue Collection of Kerala (Rs. In Crores)

Year	Direct Tax	Indirect Tax	Total
2014-15	7672.06	35486.73	43158.79
2015-16	9978.26	41707.56	51685.82
2016-17	11585.22	45816.17	57401.39
2017-18	13315.26	49977.43	63292.69
2018-19	15607.72	54074.55	69682.27

Source: Ministry of Finance, Government of Kerala.

Table 2 shows that State’s own direct tax increased from 2920.17 crores to 4108.15 crores and indirect tax increased from 32312.33 crores to 46535.94 crores from 2014-15 to 2018-19.

Table 2: Own Tax Revenue Collection of Kerala (Rs. In Crores)

Year	Direct Tax	Indirect Tax	Total
2014-15	2920.17	32312.33	35232.5
2015-16	3192.67	35802.42	38995.09
2016-17	3292.29	38884.08	42176.37
2017-18	3804.37	42655.24	46459.61
2018-19	4108.15	46535.94	50644.09

Source: Ministry of Finance, Government of Kerala.

Table 3 shows that state’s share of Union taxes shows an increase from 7926.29 crores in 2014-15 to 19038.18 crores in 2018-19.

Table 3: State’s Share of Union Taxes (Rs.in crores)

Year	Direct Tax	Indirect Tax	Total
2014-15	4751.89	3174.4	7926.29
2015-16	6785.59	5905.14	12690.73
2016-17	8292.93	6932.09	15225.02
2017-18	9510.89	7322.19	16833.08
2018-19	11499.57	7538.61	19038.18

Source: Ministry of Finance, Government of Kerala.

Table 4 shows that State’s own tax contributed 75.33% (on an average) in total tax collection, whereas State’s share of union taxes contributed 24.64% (on an average) in total tax collection. This shows that majority of total tax revenue of Kerala is from State’s own tax.

Table 4: Percentage Share of State own tax and State’s share of Union taxes to Total Tax Revenue

Year	State Own Tax (%)	State’s Share of Union Taxes (%)	Total (%)
2014-15	81.63	18.37	100
2015-16	75.45	24.55	100
2016-17	73.48	26.52	100
2017-18	73.40	26.6	100
2018-19	72.68	27.32	100
Average	75.33	24.67	100

Source: Ministry of Finance, Government of Kerala.

Table 5 shows that direct tax contributed 8.12% (on an average) and indirect tax contributed 91.88% (on an average) in total own tax revenue of Kerala. This shows that in own tax revenue of state, major portion is contributed by indirect taxes.

Table 5: Percentage of Direct Tax and Indirect Tax in Total Own Tax Revenue of Kerala

Year	Direct Tax (%)	Indirect Tax (%)	Total (%)
2014-15	8.29	91.71	100
2015-16	8.19	91.81	100
2016-17	7.8	92.2	100
2017-18	8.19	91.81	100
2018-19	8.11	91.89	100
Average	8.12	91.88	100

Source: Ministry of Finance, Government of Kerala.

Table 6 shows that direct tax contributed 20.14% (on an average) and indirect tax contributed 79.86% (on an average) in total tax revenue of Kerala. This shows that in total tax revenue of state, major portion is contributed by indirect taxes.

Table 6: Percentage of Direct and Indirect tax in Total Tax Revenue of Kerala (including share of Union taxes)

Year	Direct tax (%)	Indirect Tax (%)	Total (%)
2014-15	17.78	82.22	100
2015-16	19.3	80.7	100
2016-17	20.18	79.82	100
2017-18	21.04	78.96	100
2018-19	22.4	77.6	100
Average	20.14	79.86	100

Source: Ministry of Finance, Government of Kerala.

Conclusion and Suggestions

Tax collection in Kerala is dependent on indirect taxes. In case of own tax revenue, majority of amount is derived from indirect taxes. Thus contribution of indirect tax to GSDP is more than that of direct tax. Study shows that state own tax to GSDP is decreasing after 2016-17. This ratio represents that the government is able to finance its expenditure. Thus Government should try to improve tax to GSDP ratio by ensuring the citizens pay their taxes and introduce direct tax code.

References

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