

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2523  
ANSWERED ON:12.03.2010  
TAX-GDP RATIO  
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**Will the Minister of FINANCE be pleased to state:**

- (a) the details of countries having a higher tax-Gross Domestic Product (GDP) ratio than India;
- (b) whether there has been a decline in the tax-GDP ratio in the current year;
- (c) if so, the details thereof; and
- (d) the measures proposed to be taken for raising the tax-GDP ratio?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): Advanced economies like Sweden, United Kingdom and United States collect a higher proportion of their GDP as tax revenue as compared to India.

(b): Yes, Sir. The following statistical table may be referred to in this regard:

**TAX REVENUE AS PROPORTION OF GDP**

(in per cent)

2004-06 2005-06 2006-07 2007-08 2008-09 (BE) 2008-09 (Prov.) 2009-10 (BE)

Direct Tax 4.3 4.1 5.1 6.0 6.9 6.1 6.0

(a) Income Tax 1.5 1.5 1.8 2.1 2.6 2.2 1.8

(b) Corporate Tax 2.6 2.7 3.4 3.9 4.3 3.8 4.2  
indirect Tax 5.3 5.4 5.6 5.6 6.1 4.8 4.4

(a) Customs 1.8 1.8 2.0 2.1 2.2 1.8 1.6

(b) Excise 3.1 3.0 2.7 2.5 2.6 2.0 1.7

(c) Service Tax 0.4 0.6 0.9 1.0 1.2 1.1 1.1

Gross Tax Revenue 9.4 9.9 11.1 12.0 13.0 10.9 10.4

(c): The decline in tax-GDP ratio can be broadly attributed to the following factors:

- (1) global economic melt-down;
- (2) steps taken by the government to protect the Indian economy and industry from the impact of global economic meltdown;
- (3) several tax cuts announced since the year 2008-09, as 'fiscal stimulus packages' to boost the aggregate demand, revive the Indian economy and place it on the path of high growth.

(d): Since the economy shows signs of recovery, carefully moderated steps have been announced by the Government to withdraw certain tax cuts announced earlier as part of the 'fiscal stimulus packages'. For instance, standard rate of Excise Duty which had been reduced to 8% has been increased to 10% w.e.f. 27.02.2010; New taxable services have been introduced to augment service tax revenue.

Further, measures like simplification of tax laws, moderation of tax rates to promote voluntary compliance and increasing tax base,

moving away from regime of exemptions particularly profit linked exemptions, strengthening of tax administration mechanism to minimize tax evasion have been undertaken to enhance collection of direct taxes.