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TRENDS AND COMPOSITION OF TAX REVENUE IN INDIA: INSIGHTS FROM DIRECT AND INDIRECT TAXES (2013–2025)

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ABSTRACT

One of the main pillars of fiscal policy is taxation, which gives the government the money it needs to fund welfare, infrastructure, and public goods. India's tax revenue trends from 2013–14 to 2024–25 are thoroughly examined in this study, with a focus on the relative contributions of direct and indirect taxes to overall revenue. The study assesses growth trends, tax composition, and the Tax-to-GDP ratio using secondary data from official sources like the Controller General of Accounts (CGA), the Central Board of Direct Taxes (CBDT), the Central Board of Indirect Taxes and Customs (CBIC), and Union Budget documents. The results show a steady increase in gross tax receipts, which is fueled by digitalization, better compliance, and structural changes like the Goods and Services Tax (GST) and reduction of business tax rates. Direct taxes accounted for over 57% of total revenue in FY 2023–2024, up from roughly 53% in FY 2013–14. This rise was due to consistent corporate tax growth and improved performance in personal income tax collections. Although their proportionate share has decreased since 2017, indirect taxes—led by the Goods and Services Tax (GST)—remain an essential component of fiscal revenue. According to the study's findings, India's fiscal system has shown resilient and adaptable, and continuous reforms are assisting in the modernization of tax management. To guarantee a sustainable, effective, and fair tax system, it suggests expanding the tax base even more, streamlining tax legislation, and bolstering GST oversight.

KEYWORDS: Tax Revenue, Direct Taxes, Indirect Taxes, GST, Tax-GDP Ratio, Fiscal Policy, India

1. INTRODUCTION

“All (state) activities depend first upon Treasury. Therefore, a King shall devote his best attention to it.” The Arthashastra.

Taxes are a vital source of funding for infrastructure, welfare programs, and public services. They also function as a tool for regulation and redistribution. Taxation is still the most dependable way to mobilize resources on a global scale. Tax revenues are essential for funding infrastructure, health care,



education, and defense—pillars that support social welfare and sustainable prosperity in developing nations like India.

In India, taxes have a significant impact on equity, investment, and fiscal balance as part of economic governance. The state's overarching economic interests are reflected in the tax structure, which consists of both direct and indirect components. India's tax system has experienced significant changes over the past ten years, such as the introduction of the Goods and Services Tax (GST) in 2017 and the streamlining of corporate and personal income taxes.

The objectives of these measures were to increase compliance, expand the revenue base, and improve efficiency.

A pivotal time in India's fiscal history, the years 2013–14 to 2024–25 were marked by consistent revenue growth, tax digitization, and structural changes. In order to comprehend the changing balance between direct and indirect taxation and its consequences for fiscal policy, this paper examines the changing trends and composition of India's tax revenue during this time.

1.1 Concept of Tax:

The idea of taxes is based on the mandatory financial duty that a government places on its citizens in order to raise money for public spending and government expenditures. The government's main source of funding is taxes, which are crucial for funding a number of social initiatives and services that assist the nation's residents.

The Constitution's Article 265 emphasizes the legal framework that governs taxation, stressing that no tax can be imposed or collected without legal permission. This means that a corresponding statute passed by the State Legislature or the Parliament must support any tax imposition or collection. Essentially, taxes play a crucial role in funding infrastructure projects, enabling the operation of government organizations, and supplying vital services like healthcare and education, and wealth redistribution to advance economic stability and social welfare. They have a significant impact on consumer behavior, economic policy, and the fair distribution of resources in a community.

The central government, state governments, and local municipal entities make up India's three-tier federal tax system. In general, there are two sorts of taxes in India: direct taxes and indirect taxes. Each has unique features and ways of being implemented.

a) Direct Taxes: Individuals and corporations are subject to direct taxes, which they pay out of their income, wealth, or estate. These taxes, which comprise the following, are non-transferable:

- **Income Tax:** Applied to both personal and corporate income.



- Corporate Tax: A tax levied on the earnings of businesses that do business in India.

b) Indirect Taxes: These taxes are levied on products and services, but the taxpayer does not pay the government authority directly. Instead, middlemen like vendors or service providers collect them. The following are examples of indirect taxes:

- **Customs duty:** on imports and exports.
- **Excise Duty:** On domestic production, which is currently mostly limited to tobacco and petroleum.
- **Goods and Service Tax (GST):** A comprehensive indirect tax that replaces several indirect taxes at the federal and state levels and is imposed on the supply of goods and services.

The GST system, which streamlines compliance, enhances transparency, and boosts tax collection efficiency, has been the biggest fiscal reform of the decade.

India's fiscal foundation is made up of both direct and indirect taxes, all of which are essential for maintaining economic stability, equity, and prosperity.

2. REVIEW OF LITERATURE:

The review of literature encompasses several research papers focusing on taxation trends, challenges, and reforms in different regions, particularly in the Middle East, India, and globally. Here's a breakdown of the key findings from each study:

- **Jha (2013)** — *“Tax Structure in India and Effect on Corporates”* — Examines India’s pre-GST tax architecture and argues that the multiplicity of direct and indirect levies increased compliance costs for firms, distorted investment decisions, and warranted rationalisation toward a more unified consumption tax. The paper provides early empirical evidence (firm-level and aggregate) on how tax complexity affected corporate behaviour and paved the way for later GST debates.
- **Kumar / Kumat (2014)** — *Overview of Indian Taxation Laws and Fiscal Analysis* — Surveys structural weaknesses in India’s tax system (narrow bases, many exemptions, uneven state-centre coordination) and recommends a coordinated consumption tax regime to raise buoyancy and reduce distortions. This work is frequently cited in later GST literature as anticipating the rationale for GST implementation.
- **Mansour (2015, IMF Working Paper)** — *Tax Policy in MENA Countries: Looking Back and Forward* — Although regionally focused (MENA), Mansour’s analysis of how trade liberalisation and policy choices shifted revenue reliance from trade taxes to income and consumption taxes offers comparative lessons for India’s reform path: it highlights the limits of indirect taxes in some contexts and the revenue potential of strengthening direct taxes—insights used by later India-focused studies.

- **Rao & Rao / Rao & Kumar (2017–2019, assorted studies on GST)** — *Early empirical assessments of GST’s macro and sectoral impact* — A set of studies and policy notes produced around and after GST rollout evaluate short-run disruptions and medium-term benefits: GST simplified multiple cascading taxes, improved input credit chains, and tended to formalise parts of the economy, producing gains in compliance and measured collections—although transitional revenue volatility and administrative challenges were noted. (Representative surveys and empirical papers summarised in Rao et al. reviews and NIPFP notes).
- **ICRA / Rating-agency analyses (2019)** — *Impact of the 2019 corporate tax rate cut on revenue and growth* — Quantitative industry and fiscal-model assessments by agencies such as ICRA argued that while the corporate tax cuts (Sept 2019) were intended to boost investment and competitiveness, they carried a near-term revenue cost; the net fiscal effect depended on growth responses and base-broadening through improved compliance. These reports provided timely estimates of revenue trade-offs behind tax rate rationalisation.
- **CBDT / Income-tax Department time-series releases (2023–2024 updates)** — *Official time-series on direct taxes* — The CBDT’s updated Final-Approved Time-Series (released Oct 2024 and earlier updates) is a primary empirical source documenting the sharp rise in net direct tax collections from FY2013-14 onwards and an increase in the direct-tax-to-GDP ratio—evidence central to any recent analysis of direct tax buoyancy and composition. Empirical papers on direct vs indirect shares rely heavily on these official figures.
- **PRS Legislative Research (Union Budget analyses, 2018–2024)** — *Policy briefs and vital statistics on tax collections and fiscal trends* — PRS reports and “Vital Stats” series provide accessible synthesis of budget documents, showing patterns such as the rising share of direct taxes, expanding number of tax filers, and modest gains in tax-GDP ratio. PRS analyses have been widely used to interpret policy reforms’ effects on revenue composition.
- **TIJER / peer papers on GST revenue trends (2024)** — *Empirical trend analyses of GST collections 2017–2024* — Recent journal articles (e.g., TIJER 2024/GST-trend papers) use monthly/annual CBIC data to chart GST growth, seasonal patterns, and state-level heterogeneity—finding that GST became the dominant central indirect tax but that its revenue trajectory reflected macro cycles, policy changes (rate adjustments, compliances), and improvements in IT systems. These studies are useful for understanding the post-GST composition of indirect taxes.
- **PRS / Statutory compilations on Direct Taxes “Vital Stats” (2023–2025 syntheses)** — *Micro-level tax-payer and filing trends* — PRS’s datasets and notes (and similar compilations) document the rapid growth in number of ITR filers, the large share of zero-tax filers within returns, and the changing composition of direct tax receipts (corporate vs personal). These empirical findings underpin arguments about base-broadening potential and distributional implications of recent reforms.



- **Shaji / Finance India & related 2024–2025 analyses on Taxation Law Amendments — *Legal and revenue impacts of amendments (including 2019 taxation law changes and subsequent clarifications)*** — Recent academic and Finance India articles systematically examine how post-2019 tax law amendments (corporate tax rationalisation, procedural changes, faceless assessments) affected revenue flows, litigation, and administrative efficiency—concluding that while legal changes reduced certain distortions, their revenue effects depended on enforcement and economic recovery. These papers provide a legal-institutional complement to macro collection data.

3. OBJECTIVE OF THE STUDY:

The objectives of the study are as follows:

1. To get an overview of Central Government Primary Taxes.
2. To study tax revenue collection in terms of direct and indirect taxes.
3. Analyze the contribution of direct and indirect taxes in total tax revenue collection.
4. Examine the tax-to-GDP ratio.

4. METHODOLOGY:

The study employed secondary data sources to derive its conclusions. These secondary data were obtained from a variety of published materials, including Indian public finance figures, economic surveys, and budget documents spanning a decade from 2013-14 to 2024-25. Additionally, the study utilized information from books, periodicals, and multiple Government of India websites, including data from the Central Board of Direct Taxation and the Central Board of Excise and Customs.

In terms of methodology, the study employed straightforward data analysis techniques such as calculating percentages, and growth rates and employing the weighted average method. These analytical approaches were likely utilized to interpret the collected data and derive meaningful insights or trends within the context of the study's objectives.

5. LIMITATIONS:

- The study is limited to analyzing data from a specific timeframe, covering only the years 2013-14 to 2024-25.
- The study mainly relies on secondary data gathered from the Ministry of Statistics and Programme Implementation website, which may limit the generalizability of findings beyond this time frame and possibly miss long-term trends or shifts in the phenomenon under investigation. The accuracy, reliability, and quality of this secondary data source are crucial factors influencing the robustness of the study's findings. Any inaccuracies, approximations, or inconsistencies within the secondary data may introduce

6. Analysis of Data and Discussion

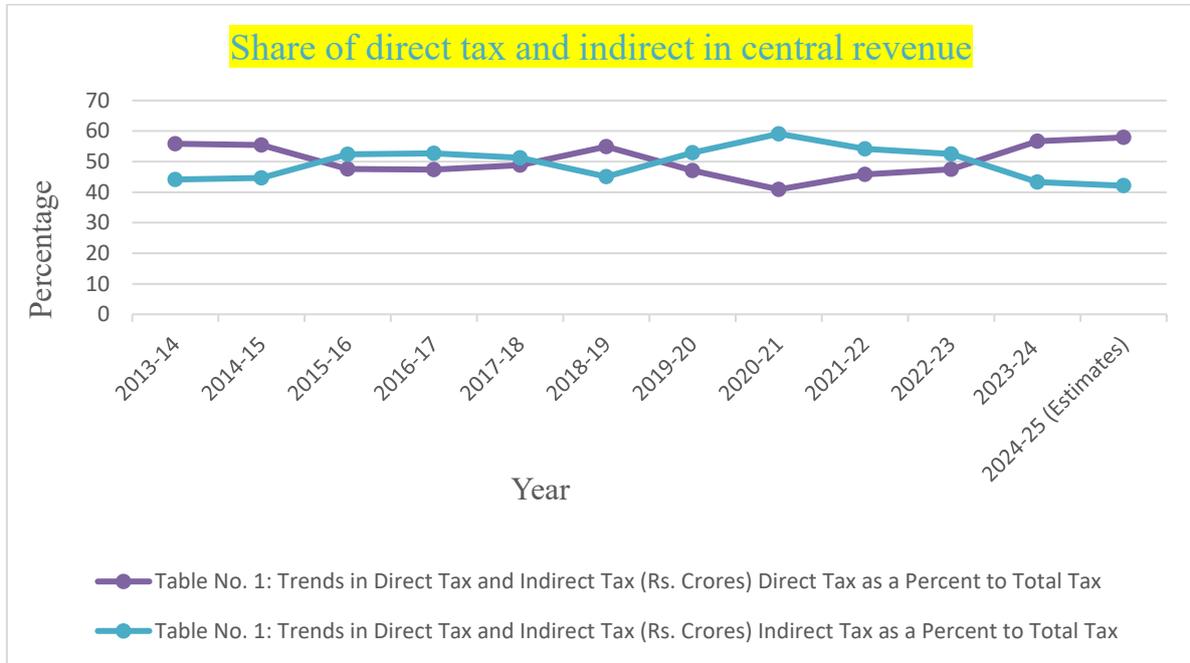
6.1 Tax Revenue

The central tax account holds about one-third of all taxes collected by the Indian government. Because a portion of gross tax revenue is given to state governments in accordance with constitutional restrictions, the central government's gross tax revenue differs from its net tax revenue. The proportional importance of various levies in the central tax revenue has drastically changed since independence. Indirect taxes include excise duties, customs duties, and service taxes; personal income taxes, corporate taxes, wealth taxes, and gift taxes are the Union Government's primary sources of funding. Indirect taxes have had a significant impact on central finance over the past fifty years.

Table No. 1: Trends in Direct Tax and Indirect Tax (Rs. Crores)

Financial Year	Direct Taxes	Indirect Taxes	Total Taxes	Direct Tax as a Percent to Total Tax	Indirect Tax as a Percent to Total Tax
2013-14	455829	360025	815854	55.87	44.13
2014-15	500531	403085	903615	55.39	44.61
2015-16	449296	494469	943765	47.61	52.39
2016-17	521287	580085	1101372	47.33	52.67
2017-18	606216	636272	1242488	48.79	51.21
2018-19	723492	593719	1317211	54.93	45.07
2019-20	638365	718537	1356902	47.05	52.95
2020-21	583210	843077	1426287	40.89	59.11
2021-22	808800	956345	1765145	45.82	54.18
2022-23	918755	1016016	1934771	47.49	52.51
2023-24	1,960,166	1,495,853	3,456,019	56.72	43.28
2024-25 (Estimates)	2,226,231	1,617,840	3,844,071	57.90	42.10

Source: Budget Documents and Finance Accounts of the Government of India, Income Tax Department Time Series Data (2023-24), and PRS Union Budget Analysis (2024-25).



Source: Constructed from Table 1 Figure 1: Trends of Direct and Indirect Taxes

India's total tax revenue has been steadily rising over time, from ₹815,854 crore in 2013–14 to an expected ₹3,844,071 crore in 2024–2025. This indicates a growing economy, better compliance, and an expanding tax base. Between 2013–14 and 2024–2025, direct taxes have typically increased, while there have been significant variations. A notable dip occurred in 2015-16, when direct tax collections fell to ₹449,296 crore, followed by a steady increase in subsequent years. Significant growth in direct taxes was observed between 2017-18 and 2018-19, with collections peaking in 2024-25. Indirect taxes also exhibit an overall increasing trend, though with occasional fluctuations. They reached a peak of ₹843,077 crore in 2020-21, while showing a slight decrease in the following year.

Direct taxes have typically contributed more to total tax revenue than indirect taxes, except during the period from 2015-16 to 2021-22, when indirect taxes exceeded direct taxes. The percentage contribution of direct taxes to total taxes has generally ranged between 41% and 57%, while indirect taxes have shown a complementary inverse relationship. A noticeable shift in tax composition occurred in 2020-21, where indirect taxes significantly surpassed direct taxes, reflecting possible changes in economic conditions, government policies, and tax structures. From 2023-24 onwards, direct taxes regained dominance, indicating the effects of post-pandemic economic recovery, tax base expansion, and enhanced enforcement measures.

The dynamic nature of India's tax system and its reactivity to structural changes, economic conditions,

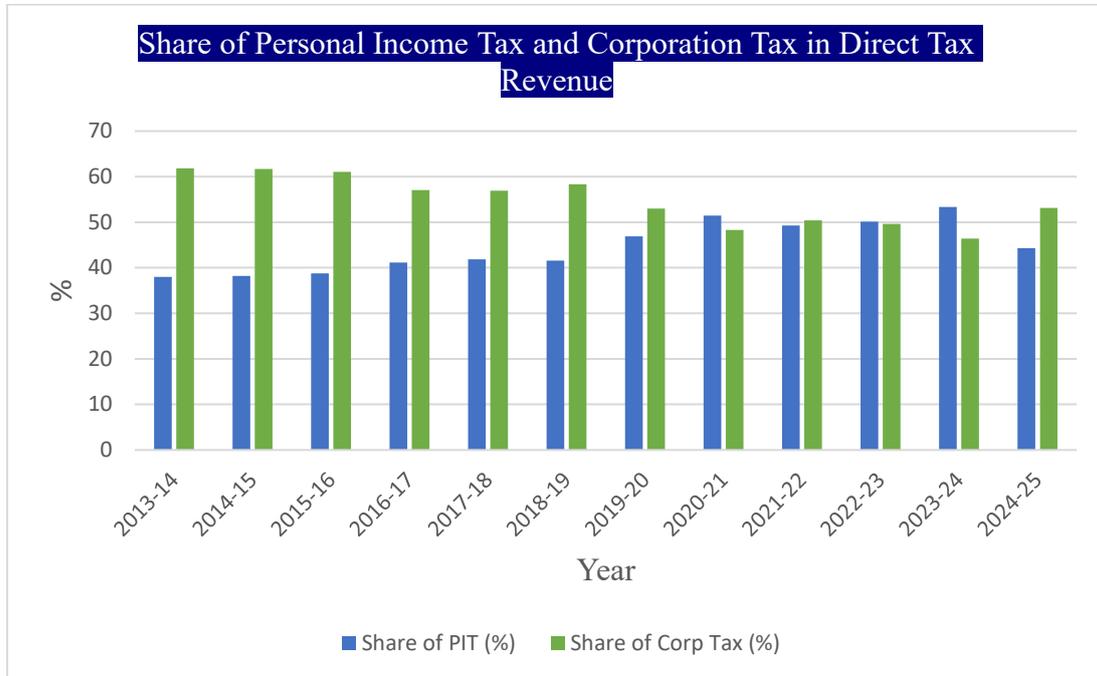
and policy reforms are reflected in the trends and swings in direct and indirect tax revenues. Consumption trends, investment choices, and total economic growth can all be impacted by shifts in the tax revenue composition. The analysis concludes by showing a steady rise in overall tax revenue with fluctuations in the direct and indirect tax contributions, underscoring the dynamic character of the Indian tax system and its flexibility in responding to shifting policy and economic conditions.

Table No. 2: Direct Tax Revenue Collection (Rs. in Crore)

Year	Direct Tax (Net)	Personal Income Tax	Corporation Tax	Other Direct Taxes	Share of PIT (%)	Share of Corp Tax (%)
2013-14	6,38,596	2,42,888	3,94,678	1,030	38.01	61.81
2014-15	6,95,792	2,65,772	4,28,925	1,095	38.21	61.66
2015-16	7,41,945	2,87,637	4,53,228	1,079	38.79	61.07
2016-17	8,49,713	3,49,503	4,84,924	15,286	41.14	57.07
2017-18	10,02,738	4,20,084	5,71,202	11,452	41.88	56.95
2018-19	11,37,718	4,73,179	6,63,572	967	41.59	58.32
2019-20	10,50,681	4,92,717	5,56,876	1,088	46.9	53.00
2020-21	9,47,176	4,87,560	4,57,719	1,897	51.48	48.32
2021-22	14,12,422	6,96,604	7,12,037	3,781	49.3	50.42
2022-23	16,63,686	8,33,307	8,25,834	4,545	50.09	49.64
2023-24	19,60,166	10,45,139	9,11,055	3,972	53.34	46.44
2024-25	22,26,231	986,719*	11,82,875	56,637	44.33	53.13

Source: Income Tax Department (CBDT) — Final Approved Time-Series Data 2017–18 to 2023–24; and “Direct Tax Collections for FY 2024-25 as on 31.03.2025” official release.

*The 2024-25 Personal Income Tax figure is taken from **Non-Corporate Tax (Net)** in the CBDT release; Corporate Tax (Net) is as reported.



Source: Constructed from Table 2. **Figure 2:** Trends of Personal Income Tax & Corporation Tax

From 2013–14 to 2024–25, direct tax income in India showed a consistent and robust upward trend; the years 2017–18 to 2024–25 saw especially robust growth. From ₹6,38,596 crore in 2013–14 to an expected ₹22,26,231 crore in 2024–2025, total direct tax revenues increased significantly due to economic growth, legislative changes, and improved compliance procedures put in place by the Central Board of Direct Taxes (CBDT).

Direct tax collections nearly doubled from ₹10,02,738 crore to ₹22,26,231 crore between 2017–18 and 2024–25. This steady increase is a result of faceless assessments, digitalization, and a larger taxpayer base that have strengthened India's direct tax system.

From ₹4,20,084 crore in 2017–18 to ₹9,86,719 crore in 2024–25, Personal Income Tax (PIT), a significant portion of direct taxes, grew by more than two times. This expansion represents the beneficial effects of income growth in the formal sector, better reporting through TDS and AIS systems, and a progressive enlargement of the individual taxpayer base. In a same vein, despite rate reductions implemented in 2019 to encourage private investment, Corporate Tax (CT) collections increased significantly, from ₹5,71,202 crore in 2017–18 to ₹11,82,875 crore in 2024–2025. Strong corporate profitability and recovery following the pandemic years are indicated by this resilience, which is bolstered by increased business compliance and industrial resurrection.

From roughly 41.9% in 2017–18 to 53.1% in 2024–2025, the personal income tax portion of total direct tax revenues varied somewhat, indicating a steady and balanced contribution from individual taxpayers. The corporate tax portion, on the other hand, fluctuated between 44% and 58%, demonstrating the persistence of business contributions despite a slow transition to a more equitable distribution between individuals and corporations. Smaller levies including the gift tax, wealth tax (until it was abolished), and securities transaction tax made up the "Other Direct Taxes" component, which remained insignificant throughout the time.

Significant year-to-year patterns show times of both expansion and moderation. Total receipts for the fiscal year 2019–20 decreased to ₹10,50,681 crore, mostly as a result of lower corporate tax rates and a slowdown in the economy. Nevertheless, there was a significant recovery in 2021–2022 (₹14,12,422 crore) and 2022–2023 (₹16,63,686 crore), which was indicative of improved compliance, higher profitability, and post-pandemic recovery. The increase in direct tax performance in 2023–2024 and 2024–2025, which reached over ₹22.3 lakh crore, highlights the stability of macroeconomic conditions and strengthened enforcement tactics.

All things considered, the examination of direct tax collections from 2013–14 to 2024–25 reveals a distinct pattern of fiscal strengthening. The consistent increase in collections has been mostly attributed to both corporate and personal income taxes, highlighting India's move toward a more comprehensive, open, and effective direct tax system. The general trend indicates strong growth, enhanced compliance culture, and an expanding tax net despite short-term changes, confirming the crucial role direct taxes play in India's fiscal consolidation and economic development.

Table No. 3: Indirect Tax Revenue Collection (Rs. in Crore)

Year	Indirect Tax (₹ crore)	Excise (₹ crore)	Customs (₹ crore)	GST / Service Tax (₹ crore)	Share Excise (%)	Share Customs (%)	Share GST / Service Tax (%)
2013–14	4,97,060	1,70,198	1,75,056	1,51,806	34.2	35.2	30.6
2014–15	5,46,479	1,89,784	1,88,016	1,68,679	34.7	34.4	30.9
2015–16	7,42,012	2,83,370	2,10,338	2,48,304	38.2	28.3	33.5
2016–	8,61,625	4,13,083	2,25,370	2,23,172	47.9	26.2	25.9

17								
2017–18	9,11,653	2,58,834	1,29,030	4,42,561	28.4	14.2	48.5	
2018–19	9,37,321	2,31,045	1,17,813	5,81,559	24.6	12.6	62	
2019–20	9,53,513	2,39,452	1,09,283	5,98,749	25.1	11.5	62.8	
2020–21	10,74,809	3,89,667	1,34,750	5,48,777	36.3	12.5	51.1	
2021–22	12,89,662	3,90,808	1,99,728	6,98,114	30.3	15.5	54.1	
2022–23 (P)	13,82,013	3,19,004	2,13,371	8,49,207	23.1	15.4	61.4	
2023–24 (RE)	11,52,363	3,25,429	2,00,698	6,26,236	28.3	17.4	54.4	
2024–25 (P)	15,59,596	3,05,330	2,27,774	10,31,569	19.6	14.6	66.2	

Source: Compiled from *Department of Revenue, Ministry of Finance (Rajya Sabha Annexure C, 2023)* and *Controller General of Accounts (CGA), Monthly “Tax Revenue (Net)” Statements & Accounts at a Glance 2023-24 and 2024-25 (Provisional)*.

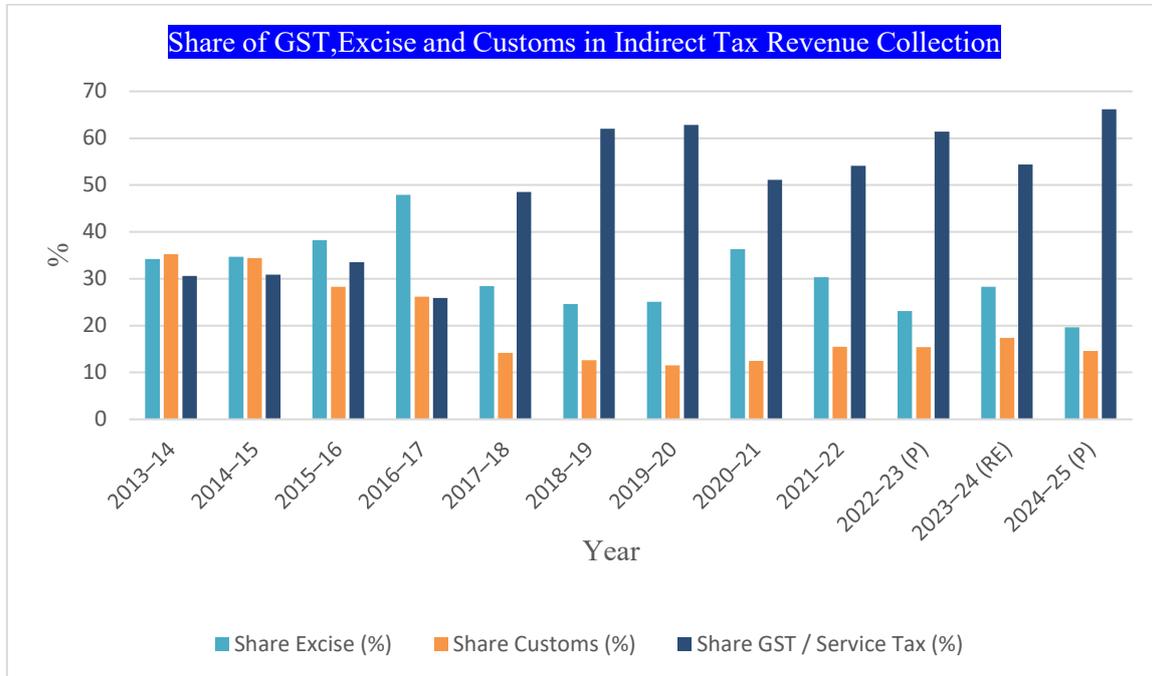


Figure 3: Share of GST, Excise and Customs in Indirect Tax Revenue Collection

Source: Constructed from Table 3.

India’s indirect tax structure has undergone a profound transformation over the past decade, evolving from a fragmented multi-tax system to a unified Goods and Services Tax (GST) framework. The data from FY 2013–14 to FY 2024–25 reflects not only this structural shift but also the changing dynamics among excise, customs, and service/GST components within the broader revenue system.

During the pre-GST period (FY 2013–14 to FY 2016–17), total indirect tax collections witnessed strong and steady growth, largely driven by robust excise and service tax receipts. Excise duties formed the largest component of indirect taxes in this phase, their share rising notably as the government revised petroleum excise rates multiple times to stabilize fiscal revenue amidst global crude price fluctuations. Customs duty collections, though growing in nominal terms, saw their relative share decline due to ongoing tariff rationalization, the implementation of free trade agreements, and subdued import growth in key commodities. Meanwhile, service tax emerged as a major and rapidly expanding contributor, reflecting the growing importance of India’s services sector in GDP composition. By FY 2016–17, service tax accounted for nearly one-fourth of total indirect tax revenue, highlighting the increasing formalization of the services economy prior to its merger into GST.

A turning point occurred in FY 2017–18 with the rollout of the Goods and Services Tax, which



subsumed excise duty (except on petroleum and a few items), service tax, and various state-level levies. This reform fundamentally redefined the indirect tax landscape, establishing a destination-based system intended to promote transparency, uniformity, and compliance. In the initial years following GST implementation, collections stabilized around ₹9 lakh crore, indicating a transitional adjustment phase marked by rate calibrations, compliance challenges, and system refinements.

Over the post-GST period (FY 2017–18 to FY 2024–25), the composition of indirect taxes underwent a clear rebalancing. GST rapidly emerged as the dominant source of indirect tax revenue, its share rising from under 50 percent in the first year of implementation to over two-thirds by FY 2024–25 (Provisional). This expansion demonstrates the growing maturity of the GST framework and the effectiveness of digital infrastructure such as GSTN, e-way bills, and input tax credit mechanisms. Excise duties, which once dominated the pre-GST regime, declined sharply in relative importance, now contributing less than one-fifth of total indirect taxes—primarily through petroleum and tobacco products. Customs duties maintained a relatively stable share between 12 to 17 percent throughout the period, reflecting balanced trade flows and revenue from import tariffs.

Despite cyclical fluctuations—particularly the pandemic-induced disruptions during FY 2020–21—indirect tax revenues have shown resilience. The surge in collections during FY 2021–22 and FY 2022–23 underscores recovery in consumption, improved compliance, and steady economic revival. The data also signals that policy rationalization and the broadening of the GST base have enhanced revenue efficiency, even amid global and domestic economic challenges.

So, the trend reveals India's successful transition toward a modern, consumption-based tax system that emphasizes efficiency, equity, and transparency. The consolidation under GST has not only simplified the tax structure but also contributed to fiscal stability and predictability. Going forward, further rationalization of GST rates, expansion of coverage to currently exempt sectors, and enhanced integration between central and state tax systems will be crucial in sustaining revenue buoyancy and strengthening India's fiscal framework.

6.2 Tax GDP Ratio:

The tax-GDP ratio shows how a nation's GDP (gross domestic product) and tax income are related. It offers information on a nation's overall financial situation as well as the effectiveness of its tax system in producing income in relation to the size of its GDP. In general, a higher tax-to-GDP ratio denotes a stronger reliance on tax income to finance government spending. It implies that a sizable amount of the government's income comes from taxes, which can be crucial for financing social welfare initiatives, infrastructure, and public services.

The tax-to-GDP ratio can also show how much taxes are burdening the economy. A greater percentage could indicate that a wider range of economic activities are taxed, or that both individuals and corporations are subject to higher tax rates. A smaller tax base or lower tax rates, on the other hand, might be indicated by a smaller ratio. Variations in the tax-to-GDP ratio over time may be a reflection of shifting tax laws or government expenditure priorities. An increase in the tax-GDP ratio, for instance, could be a sign that the government is raising tax rates or broadening the tax base in order to fund more spending projects. A low tax-to-GDP ratio in developing nations may be a sign of problems with revenue mobilization, tax administration, and compliance. Tax-GDP ratios typically rise as economies grow because governments enact more efficient tax laws and enhance tax collecting systems.

Table No. 4: Tax-GDP Ratio

Financial Year	Direct tax – GDP (%)	Indirect tax – GDP (%)	Total tax – GDP (%)
2013-14	5.62	4.4	10.02
2014-15	5.55	4.36	9.91
2015-16	5.47	5.17	10.64
2016-17	5.57	5.65	11.22
2017-18	5.86	5.33	11.19
2018-19	6.02	4.96	10.98
2019-20	5.23	4.75	9.98
2020-21	4.78	5.42	10.2
2021-22	5.97	5.47	11.44
2022-23	6.17	5.13	11.3
2023-24	6.64	3.9	10.54
2024–25 (Provisional)	6.73	4.72	11.45

Source: Official data from CBDT, Department of Revenue, CGA, DEA, and MoSPI (FY2017-18 to FY2024-25 provisional).

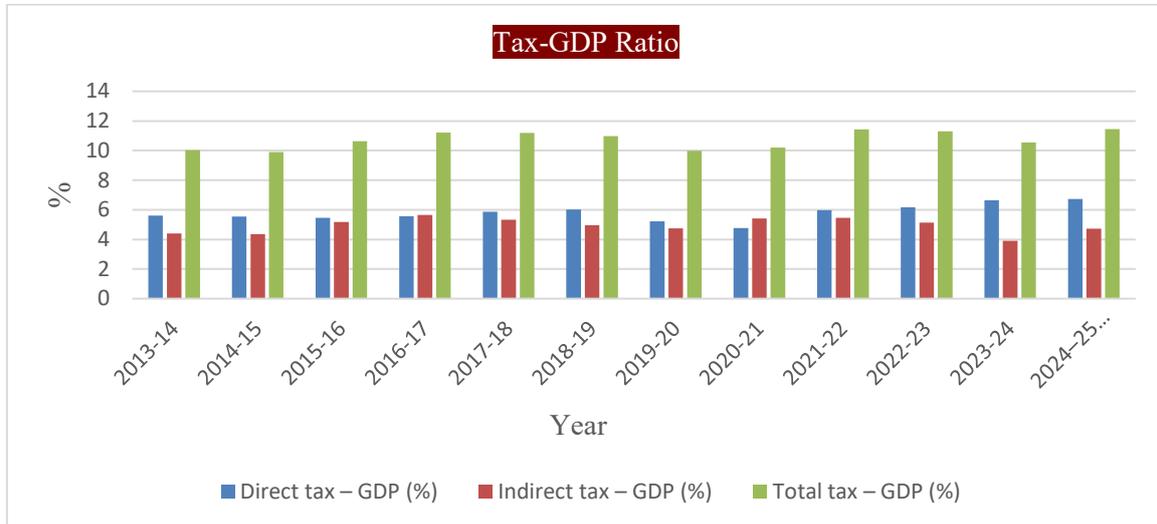


Figure 4: Tax-GDP Ratio
Source: Constructed from Table 4.

India’s tax–GDP ratio over the period FY 2013–14 to FY 2024–25 reflects the country’s evolving fiscal structure, growing tax capacity, and the impact of major policy reforms such as the Goods and Services Tax (GST) and direct tax digitalisation initiatives. The overall tax–GDP ratio rose moderately from 10.0 percent in FY 2013–14 to a provisional 11.45 percent in FY 2024–25, indicating an expanding economy, improved compliance, and stronger administrative efficiency.

Direct taxes have shown a broadly upward trend across the decade, increasing from 5.62 percent of GDP in FY 2013–14 to 6.73 percent in FY 2024–25 (Provisional). The increase was supported by rising corporate profits, enhanced personal income tax collections, and a widening taxpayer base driven by technology-based reforms like e-filing, TDS/TCS automation, and faceless assessments. A temporary decline was visible in FY 2019–20 and FY 2020–21, coinciding with pandemic-related economic disruptions, but collections rebounded sharply in subsequent years.

Indirect taxes, on the other hand, underwent a structural transformation following the introduction of GST in FY 2017–18. The indirect tax–GDP ratio moved from 4.4 percent in FY 2013–14 to 5.7 percent in FY 2016–17 during the pre-GST era, reflecting strong excise and service tax performance. Post-GST, the ratio stabilised around 5 percent, showing cyclical movements with a pandemic-related peak of 5.47 percent in FY 2021–22 and a decline to 3.9 percent in FY 2023–24 before partially recovering to 4.72 percent in FY 2024–25 (Provisional). These variations mirror GST rate rationalisations, economic cycles, and evolving consumption patterns.

Throughout the period, the composition between direct and indirect taxes shifted notably. Between



FY 2015–16 and FY 2021–22, indirect taxes temporarily exceeded direct taxes, largely due to higher fuel excise revenues and GST stabilization. However, from FY 2022–23 onward, direct taxes regained dominance, signalling post-pandemic economic recovery, base broadening, and improved enforcement. On average, direct taxes contributed between 52–58 percent of total tax revenues, while indirect taxes accounted for the remaining 42–48 percent, reflecting a balanced structure that aligns with global fiscal norms.

The observed fluctuations underline the dynamic nature of India’s taxation system—responsive to reforms, policy adjustments, and macroeconomic developments. Changes in the relative shares of direct and indirect taxes influence not only government revenues but also the distributional aspects of taxation, consumption behavior, and investment trends.

In conclusion, the data shows that India has maintained a stable and improving tax–GDP ratio despite structural reforms and external shocks. The increasing reliance on direct taxes, along with the consolidation of indirect taxes under GST, marks a significant step toward a more efficient, transparent, and broad-based tax system, supporting sustainable fiscal growth and macroeconomic stability.

7. CONCLUSIONS:

An analysis of India's tax revenue patterns over the last ten years reveals a consistent and robust increase in total collections, which reflects both the nation's fiscal system's maturity and economic advancement. The success of India's revenue administration and its conformity with contemporary fiscal standards are demonstrated by the growth of the tax base and the ongoing enhancement of compliance procedures.

Rising income levels, growing economic formalization, and governmental initiatives that support digital governance have all contributed to the steady growth of direct taxes, including corporate and personal income taxes. Faceless assessments and the extensive use of online filing are examples of initiatives that have improved the efficiency and transparency of tax administration. Conversely, following the introduction of the Goods and Services Tax (GST), which replaced a disjointed system of several levies with a single, technologically advanced framework, indirect taxes have undergone significant change. In addition to increasing transparency, this reform made compliance easier and increased the effectiveness of interstate trade.

As a result of structural reforms, policy changes, and economic cycles, the ratio of direct to indirect tax contributions has changed throughout time. While indirect taxes, especially GST, continue to stabilize revenue generation, the steady rise in the share of direct taxes suggests a more equitable and



progressive tax system. When taken as a whole, these elements represent the development of a more responsive and equitable tax system.

India's tax-to-GDP ratio has held stable despite the difficulties brought on by both local and international disturbances, like as the pandemic, demonstrating the fundamental flexibility and robustness of its fiscal structure. This ratio's stability in the face of major reforms indicates a strong administrative capability and the expanding use of technology in fiscal regulation.

Thus, the ten-year trend shows that India's tax structure is changing in tandem with its economy, becoming more transparent, inclusive, and able to assist the country's larger development objectives. The tax system is now a vital tool for both fiscal sustainability and socioeconomic advancement because to the interaction of reforms, digital initiatives, and policy coherence.

8.1. SUGGESTIONS:

- To establish a more balanced tax revenue framework, the government should focus on increasing the proportion of direct taxes within total revenue collections. This objective can be pursued through well-designed policies that strengthen compliance and broaden the direct tax base.
- Comprehensive structural reforms are essential to encourage greater adherence to direct tax regulations and to maintain a fair and equitable taxation system. The government should introduce measures that emphasize transparency, simplicity, and administrative efficiency in the overall tax framework.
- There is an urgent need to rationalize and simplify existing tax laws to minimize procedural complexity and enhance voluntary compliance. Streamlining tax regulations will not only make the system easier for taxpayers to understand but will also improve the efficiency of tax administration.

By adopting these measures, the government can promote a more balanced and sustainable tax revenue system, thereby supporting long-term economic growth and fiscal stability in India.

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