GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1697
ANSWERED ON:12.12.2003
TAX-GDP RATIO
RATTAN LAL KATARIA

Will the Minister of FINANCE be pleased to state:

(a) the Tax-GDP ratio in India for the past three years in comparison to UK, USA, Japan, China and France;

(b) whether there is large distortion between India and other developed and developing countries because we have not yet tapped and brought under the tax a large number of our prospective tax payers; and

(c) if so, the steps taken by the Government to bring a large number of prospective tax payers in tax net?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) The tax revenue of the Central Government as percent of Gross Domestic Product (GDP) as published in the World Development Indicators 2001, 2002 and 2003 for the three years 1999 to 2001 are as follows:

Country	1999	2000	2001
India	9.1	9.6	10.0
United Kingdom	34.6	34.6	34.3
United States	19.5	20.1	19.4
Japan	N.A.	N.A.	N.A.
China	6.1	6.8	6.8
France	38.9	N.A.	N.A.

(b) The variations in tax revenue to GDP ratios between developed and developing countries is mainly because of low capacity to pay on account of low per capita income in developing countries resulting in lower tax base.

(c) The Government has taken a number of steps over the last decade for comprehensive tax reforms. These measures, inter alia, include sharp reduction and rationalisation of the tax rates, removal of numerous exemptions and deductions, widening the tax base through imposition of service tax, simplification of rules and procedures and use of information technology for tax administration.