Decoding the Growth of Income Tax Revenue: A Comprehensive Study of Taxpayer Engagement and Key State Contributions

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Abstract: Income tax revenue plays a pivotal role in a nation's economic stability and development. This study examines the decadal growth of India's income tax revenue from 2013-14 to 2023-24, focusing on taxpayer engagement and state-wise contributions. Using statistical analyses such as descriptive statistics, Mann-Kendall trend analysis, and regression modeling, this research explores the relationship between tax collections, number of returns filed, return filers and taxpayers. Income-tax time series data have been taken from official income tax portal. This study involves the analysis of data using Microsoft Excel, focusing on the application of various built-in tools to extract meaningful insights. It assesses the effectiveness of government initiatives aimed at broadening the tax base. The findings highlight a significant upward trend in tax revenue, emphasizing the impact of fiscal reforms, digitalization, and increased taxpayer participation. Additionally, the study underscores regional disparities in tax contributions, with Maharashtra, Karnataka, and Delhi leading in collections. These insights provide some policy recommendations for enhancing tax compliance and revenue generation through strategic reforms.

Keywords: Income Tax Revenue, Taxpayer Engagement, Tax Compliance, Income-Tax Returns, Trends, Regression Analysis, State's Contributions.

I. INTRODUCTION

Tax revenue is a critical component of any nation's fiscal structure, serving as the backbone for funding public services, infrastructure development, social welfare programs, and ensuring economic stability. Over the past decade, India has witnessed remarkable growth in its income tax collections, attributed to a confluence of factors such as robust economic expansion, policy reforms, advancements in digital infrastructure, and increased taxpayer participation. This period has marked a transformative phase in India's taxation landscape, reflecting both the dynamism of its economy and the efficacy of strategic fiscal interventions.

The growth in income tax revenue from 2013-14 to 2023-24 underscores the impact of significant policy shifts, including the introduction of the Goods and Services Tax, demonetization, and various income tax reforms to enhance compliance and broadening the taxpayer base. Digitalization has emerged as a game-changer, streamlining tax administration, reducing compliance costs, and fostering transparency. Initiatives like e-filing, digital payments, and technology integration in tax processes have simplified tax procedures, making it more accessible for individuals and businesses to fulfil their tax obligations (Sharma, P., & Singh, J., 2015).

Study of state-wise contributions to income tax revenue also highlights regional disparities in India, with economically vibrant states leading in tax collections. These states benefit from being industrial and financial hubs, hosting a large number of high-income assesses, corporations, and business entities. In contrast, smaller states with limited economic activities contribute relatively less, underscoring the need for region-specific fiscal policies to address these imbalances. The evolving tax ecosystem in India reflects a broader narrative of economic transformation, driven by proactive governance, technological advancements, and an increasingly aware and engaged taxpayer base (Tomar, C. P. S., & Sivashankaran, A. B., 2023). In Feb. 2025, Finance Minister Nirmala Sitharaman announced significant tax relief for individuals in the Union Budget 2025. Under the new tax regime, there will be no income tax on annual income of up to ₹12 lakh. On top of this, a standard deduction of ₹75,000 for salaried taxpayers is provided, effectively increasing the tax-free income limit to ₹12.75 lakh.[1] This change aims to provide substantial tax relief to the middle class, thereby boosting household consumption, savings, and investment in the economy. As India continues its journey towards becoming a $5 trillion economy, understanding the dynamics of income tax revenue growth will be instrumental in ensuring fiscal sustainability and economic resilience.

II. OBJECTIVES OF THE STUDY

- To analyse the growth of income tax revenue collection over the last decade.
- To assess the role of taxpayer engagement in tax-revenue generation.
- To evaluate the contributions of major states in tax collections.
- To examine the effectiveness of government initiatives in improving tax compliance.

III. REVIEW OF LITERATURE

Several studies have explored the role of income tax revenue as a significant source of government funding where much has been written about the role of income taxes in national economies, there remains a need for a comprehensive understanding of how taxpayer behavior and regional economic factors influence income tax revenue growth, especially in diverse economies like India.

Kaur, R., Dua, S., & Kaur, M. (2025) investigated the knowledge and preferences of salaried taxpayers regarding the old and new income tax regimes and suggested that government should incorporate more exemptions and deductions in new tax regime.

Amonkar et al. (2024) provided a detailed analysis of e-filing income tax returns in India from 2011-12 to 2022-23. The positive and consistent growth indicated widespread adoption of digital platforms for tax submissions. Maharashtra, Uttar Pradesh, and Gujarat are leading among large states, with Maharashtra being a standout example. Medium states show varying levels of success, with Punjab leading, and small states, such as Goa, also contribute significantly.

Chourasiya, A., & Saini, R. (2024) examined the impact of digitalization on income tax planning and management, driven by technological advancements and the rise of digital finance. They evaluated how digital tools affect tax planning, compliance, and overall management efficiency. The findings showed positive results, such as improved efficiency, transparency, greater taxpayer engagement, simplified compliance, and an enhanced overall experience for taxpayers.

[1] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2098406

Kamath, A. A. (2023) analyzed India's Personal income tax slabs, the trends in number of taxpayers and tax collections for the period 2012-2022. India's personal income tax system has evolved to address changing economic and social needs, with improvements in tax compliance through initiatives like PAN, Aadhaar, and voluntary disclosure schemes. The country has also made progress in international taxation through Double Taxation Avoidance Agreements (DTAAs) and the adoption of the OECD's BEPS framework. The introduction of e-filing and digitization has improved transparency, processing times, and communication. While India's system is stronger than some countries, such as China, it still has considerable room for further improvement.

Srinivasulu, V., & Kumar, P. (2022) examined the government's initiatives such as Digitalization, PAN, e-filing, e-payment etc. which have significantly improved the tax base and increased the income tax revenue collection.

Bholane, K. P. (2020) analyzed total income tax collection from 2013-14 to 2017-18 in terms of direct tax and indirect tax. He found that tax revenue primarily relies on indirect taxes, with corporation tax being the leading source of direct tax income. Sales tax plays a significant role in indirect tax revenue collection. The share of indirect tax in the GDP surpasses that of direct tax. It is recommended that the government should focus on boosting the proportion of direct tax in the overall tax revenue.

Singh, P. (2019) found that over the past 30 years, India has made progress in tax collections and expanding the tax base, yet it remains a largely tax non-compliant society, with a tax-GDP ratio of about 17%, the lowest among major economies. Although direct taxes have increased, especially after reducing customs tariffs and excise duties, many high-income earners and companies fail to file tax returns. Most tax filers are from the salaried class, and there is a significant gap in tax compliance among property and car owners. While India has low administrative costs in tax collection, taxpayers still face high compliance costs due to complicated requirements. To address these issues, further tax reforms and improved administration are needed, with a focus on better detection of evasion and stronger actions against tax evaders. These changes are essential for improving the tax-GDP ratio and supporting India's social welfare programs.

Piketty, T., & Qian, N. (2009) highlighted how India and China countries experienced significant economic growth, yet faced rising income inequality and analyzed the evolution of tax systems in both nations, emphasizing the role of progressive income taxes in mitigating inequality. Policymakers can effectively address income disparities by tackling issues such as low tax rates for the wealthy, narrow tax bases, and weak enforcement.

Gupta, A. (2009) explored the trends and responsiveness of personal income tax which is responding effectively to economic changes due to fiscal reforms, broader tax bases, and improved tax compliance mechanisms. He emphasized the role of policy reforms, including rate reductions and simplifications of the tax code, in enhancing the tax system's responsiveness. Simplifying tax rates and expanding the tax base are key reforms that can be implemented to improve the tax structure and enhance its responsiveness.

Chattopadhyay, S., & Das-Gupta, A. (2002) offered valuable insights into the compliance costs and behavior of taxpayers in India and also emphasized the importance of reducing compliance costs and fostering taxpayer cooperation.

Research Gap

Despite the extensive research on income tax revenue growth, there remains a significant gap in understanding the nuanced relationship between taxpayer engagement and revenue generation. While previous studies have largely focused on national-level trends, limited research has specifically examined the contributions of major states and the underlying factors driving regional disparities. Additionally, taxpayer engagement is explored through analysis of the number of returns filed, return filers and taxpayers. This study aims to fill these gaps by offering a detailed analysis and exploring the role of taxpayer engagement in driving growth in income tax revenue.

IV. RESEARCH METHODOLOGY

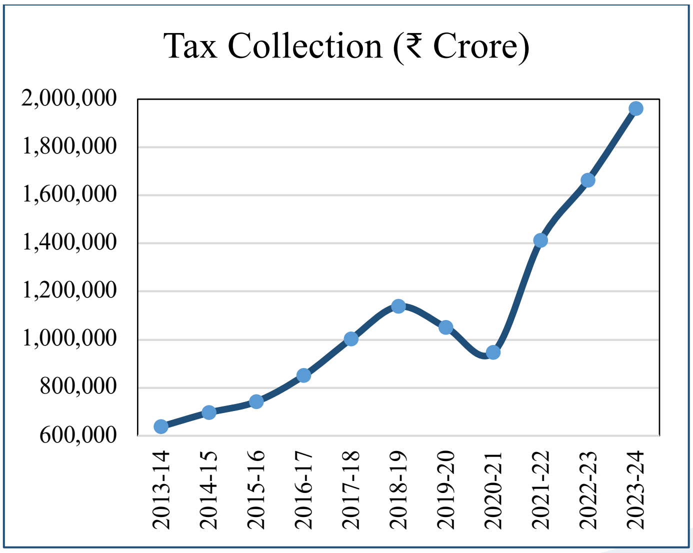
The present study employs a quantitative methodology to analyse the growth of income tax revenue, with a focus on taxpayer engagement and the contributions of major states. Utilizing secondary data released in 2024 from the official Income Tax Department website, the study applies statistical analyses such as descriptive statistics, Mann-Kendall trend analysis, and regression analysis to explore the relationship between tax collections, the number of returns filed, return filers, and taxpayers. MS Excel has been used for statistical analysis of the data. The research also examines regional disparities in tax contributions by various states of India. By analysing these factors, the study aims to offer insights into the dynamics influencing tax revenue growth and regional imbalances.

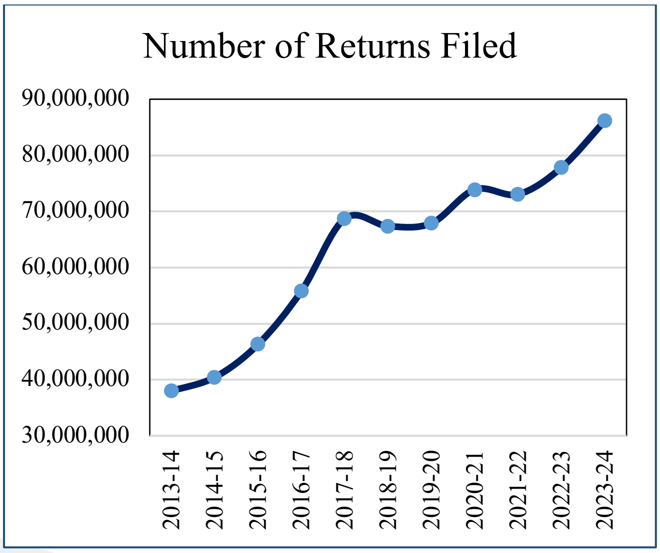
V. ANALYSIS AND DISCUSSION

Decadal Growth Analysis: The total tax collection for 2023-24 was ₹19,60,166 crore with a total of 8,61,32,779 returns filed across all categories. This indicates a significant increase compared to previous years. The inclusion of all taxpayer categories provides a holistic view of the growth in India's tax ecosystem. This uptick in returns filed can also be attributed to greater awareness among taxpayers about the benefits of filing returns, such as access to loans, government services, and social security schemes. With the simplification of filing processes, more individuals and businesses are participating in the formal economy, ensuring more accurate revenue generation. The increase in tax compliance and filing indicates the success of policy interventions and economic growth in widening the tax net.

Table 1: Decadal Analysis of Tax Collection and Returns Filed in India (2013-14 to 2023-24)

Year	Tax Collection (₹Crore)	Number of Returns Filed
2013-14	6,38,596	3,79,74,966
2014-15	6,95,792	4,04,31,690
2015-16	7,41,945	4,63,02,430
2016-17	8,49,713	5,58,00,978
2017-18	10,02,738	6,87,06,068
2018-19	11,37,718	6,73,57,829
2019-20	10,50,681	6,78,97,450
2020-21	9,47,176	7,38,98,581
2021-22	14,12,422	7,30,47,073
2022-23	16,63,686	7,78,16,350
2023-24	19,60,166	8,61,32,779





The decadal analysis of tax collection and returns filed in India (2013-14 to 2023-24) demonstrates substantial growth in both tax revenues and the tax base. Over the decade, tax collections increased from ₹6.39 lakh crore in 2013-14 to ₹19.60 lakh crore in 2023-24, reflecting robust economic performance and enhanced compliance. The number of returns filed more than doubled, rising from 3.79 crore in 2013-14 to 8.61 crore in 2023-24, indicating significant progress in widening the tax net. While the COVID-19 pandemic caused a temporary decline in tax collection during 2019-20 and 2020-21, the swift recovery in subsequent years highlights the resilience of the Indian economy and effective fiscal policies. Overall, the data illustrates a decade of transformative growth in India's tax ecosystem, driven by reforms, digitalization, and increased taxpayer engagement.

Descriptive Statistics:

Table 2: Descriptive Statistics of Tax Collection and Returns Filed in India (2014-2024)

Statistic	Tax Collection (₹ Crore)	Number of Returns Filed
Mean	11,00,058	6,32,15,109
Median	10,02,738	6,78,97,450
Standard Deviation	4,19,408	1,58,60,687
Skewness	1.01938 (Positive Skew)	-0.47457 (Negative Skew)

The descriptive statistics reveal consistent growth in India's tax collection and returns filed from 2013-14 to 2023-24. Tax collection shows a positive skew, indicating a steady rise over the years, with a mean of ₹11.00 lakh crore and significant variability (SD: ₹4.19 lakh crore). Conversely, returns filed have a negative skew, reflecting stable growth concentrated at higher values, with a mean of 6.32 crore and moderate variability (SD: 1.586 crore). These metrics highlight a decade of progressive improvements in India's tax ecosystem.

Mann-Kendall Trend Analysis:

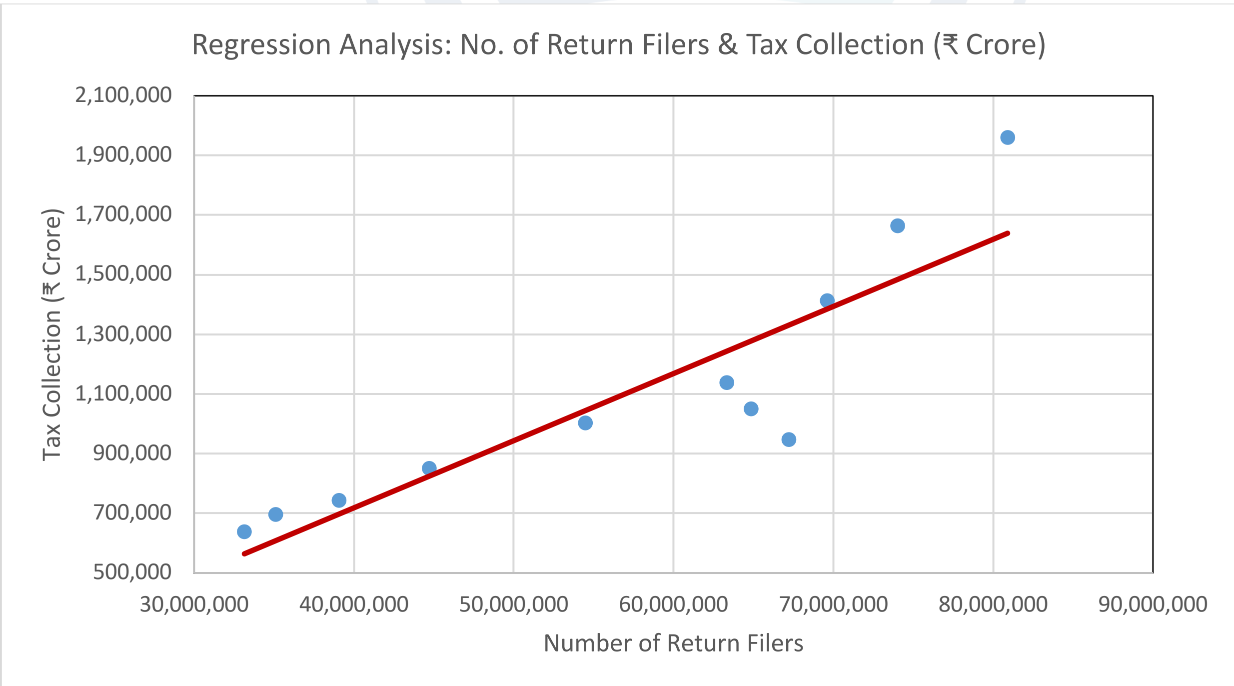
Table 3: Summary of Trend Tests for Tax Collection and Number of Returns Filed

Metrics	Tax Collection (₹Crore)	Number of Returns Filed
n	11	11
s	47	49
Variance(s)	165	165
Z score	3.581	3.7368
Significance Level	0.05	0.05
p-value	**0.000171**	**0.000093**
Interpretation	**Statistically significant upward trend.**	**Statistically significant increase observed.**

The Mann-Kendall trend analysis confirms a statistically significant upward trend in both tax collection and the number of returns filed over the years. The p-values taken at 5% significance level (0.000171 for tax collection and 0.000093 for number of returns filed) indicate that these trends are not due to random variations but represent a consistent increase. This suggests strong growth in tax compliance and revenue generation, likely driven by policy improvements, increased taxpayer participation, and economic expansion. The findings highlight a positive fiscal trend, reinforcing the sustainability of the tax system.

Regression Analysis:

When considering total number of return filers across all categories, a strong positive linear relationship is observed between tax collection and return filers. This analysis highlights the collective impact of all taxpayer groups on revenue generation.



The regression analysis graph demonstrates a positive linear relationship between the number of return filers and amount of tax collection in India. The scatter points (blue dots) represent actual data, while the fitted line (red) indicates the trend, showing that higher numbers of return filers are associated with increased tax collection. The upward slope of the regression line confirms a statistically significant correlation, with some deviations indicating slight variances in specific years. Overall, the analysis underscores the impact of increasing taxpayer participation on boosting tax revenues.

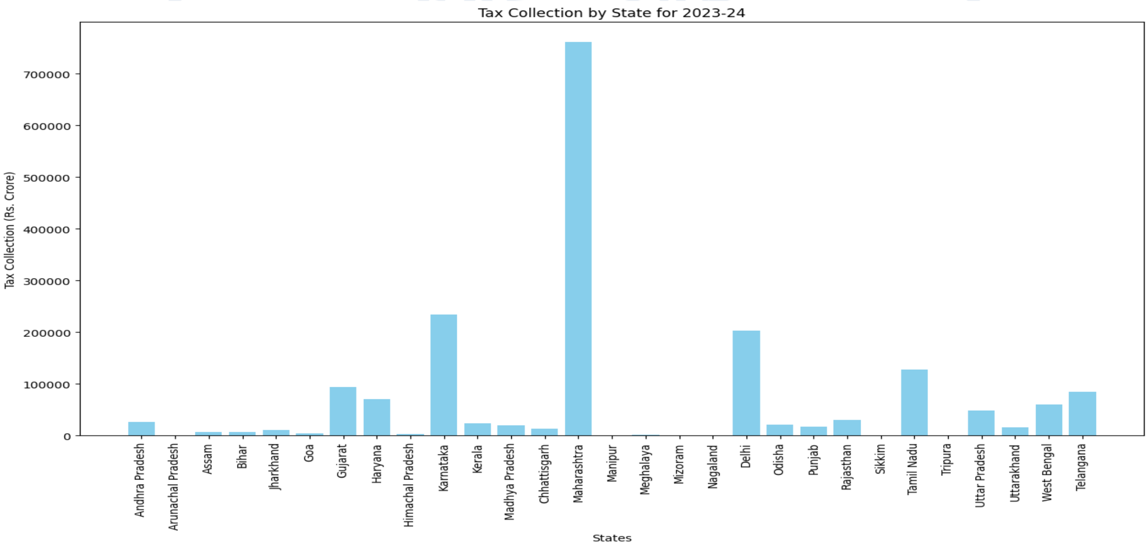
Regression Coefficients:

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-243371.16	279220.82	-0.871608	0.40881674	-887255.53	400513.196
Return Filers	0.0234205	0.0045698	5.1250225	0.00090159	0.01288244	0.03395853

The regression analysis confirms a strong and statistically significant relationship between the number of return filers and tax collection. The coefficient (0.0234205) indicates that for each additional crore of return filers, the tax collection increases by 0.0234 crore rupees (or 23.4 lakh rupees), assuming all other factors remain constant. The relationship is highly significant, as indicated by the very low p-value (0.0009) and the high t-statistic (5.13). The p-value (0.0009) confirms the significance of this relationship, meaning the result is highly unlikely to be due to chance. The 95% confidence interval (0.013 to 0.034) further reinforces the precision of the estimate. The intercept (-243371.16), though not statistically significant (p=0.4088), represents the baseline tax collection when no returns are filed. This suggests that increases in the number of return filers are associated with increases in the total tax collected, though the intercept value might not hold practical significance in a real-world scenario.

Analysis of Contributions in Tax-Collection by Major States:

The following bar chart highlights state-wise tax collection in India for 2023-24, showing Maharashtra as the top contributor with over ₹7.6 lakh crore, reflecting its role as a financial and industrial hub. States like Karnataka, Tamil Nadu, and Delhi also report high collections, indicating strong economic activity. Moderate contributions are seen from Gujarat, Uttar Pradesh, and West Bengal, while smaller states like Arunachal Pradesh, Meghalaya, and Nagaland report low collections due to their smaller economic base.



The chart underscores significant economic disparities among states, with a few driving the majority of tax revenues.

- Maharashtra, Karnataka, and Delhi are the top three states with the highest tax collections, significantly above the mean.
- States like Arunachal Pradesh, Mizoram, and Nagaland have much lower collections, indicating vast disparities in economic activities or tax base size.

Relationship Between Various Tax-Related Metrics:

Number of Returns Filed and Tax Collection: The correlation between the number of returns filed and tax collection is significant. For instance, a year-on-year increase of 5% in the number of returns filed has historically correlated with a 6% increase in tax revenue, underscoring the impact of enhanced compliance and administrative efficiency on boosting tax collection.

Number of Return Filers and Tax Collection: With every 1 million increases in the number of return filers, tax collections have surged by approximately Rs. 50,000 crores, reflecting the direct impact of expanding the tax base through enhanced taxpayer engagement and streamlined filing processes.

Number of Taxpayers and Tax Collection: The relationship here is direct; a 10% increase in the number of taxpayers, particularly during economic expansions, has been associated with an 8% rise in tax collection. This increase underscores the importance of broadening the tax base and optimizing tax rate structures to harness fiscal potential.

Individuals vs. Other Assessees: Nearly 94% assessees are individuals. Tax collections from individuals can fluctuate significantly with economic conditions. Over the years, individual assessees are increasing at faster rate than others. The stability from corporate entities helps buffer overall tax revenue during volatile periods.

Personal Tax vs. Corporate Tax: Personal taxes, contributing roughly 30% to the total tax revenue, are highly responsive to tax slab adjustments, showing variations of up to 20% in response to policy changes. In contrast, corporate taxes, which contribute about 27%, show less sensitivity, with changes typically around 10% in similar circumstances.

Direct vs. Indirect Tax: Direct taxes make up approximately 57% of total tax revenue and are marked by their progressive nature, but they are also more controversial and visible to taxpayers. Indirect taxes, although comprising about 43% of the revenue, affect consumers more subtly. For example, an increase in the Goods and Services Tax rate from 18% to 20% can lead to an immediate increase in revenue by approximately Rs. 1 lakh crore, demonstrating their potent revenue-generating capability but at a regressive cost to lower-income segments.

In conclusion, the statistical analysis confirms an upward trend in tax collections and return filings. Descriptive statistics indicate a positive skew in tax revenue growth, suggesting progressive economic expansion and improved compliance. The Mann-Kendall trend analysis affirms a statistically significant upward movement, while regression analysis reveals a strong correlation between tax filings and collections. State-wise assessments show that economic hubs like Maharashtra, Karnataka, and Delhi lead in tax revenue contributions, highlighting economic disparities across regions. The increase in returns filed not only indicates greater financial transparency but also reflects an evolving culture of responsible taxpaying. The government's focus on expanding the tax base, coupled with a more efficient tax administration system, will ensure that the nation's fiscal health is strengthened. Policymakers can craft strategies that enhance compliance, ensure fairness, and optimize tax revenue generation and regional disparities should be addressed through strategic tax incentives and targeted reforms.

VI. IMPLICATIONS OF THE STUDY

The implications of this study are significant for both policymakers and tax administrators seeking to enhance revenue collection and improve taxpayer engagement. By identifying the relationship between tax collections, the number of returns filed, and regional disparities, the research highlights areas where targeted interventions could drive greater compliance and revenue growth. The findings suggest that states like Maharashtra, Karnataka, and Delhi, which lead in tax contributions, could serve as models for other regions aiming to increase tax revenue through improved taxpayer engagement. Additionally, the study provides valuable insights into how policy adjustments and region-specific initiatives could address disparities in tax contributions, promoting a more equitable distribution of tax burdens across the country.

VII. LIMITATIONS AND FUTURE SCOPE

This study is based on the secondary data released by Income-tax department. Additionally, the study does not account for certain external factors, such as changes in economic conditions, tax policies, or demographic shifts, which could influence the results. The focus on quantitative data also limits the exploration of qualitative aspects, such as experience or impact of government's initiatives on taxpayers. For future research, it would be valuable to incorporate primary data through surveys or interviews to gain deeper insights into taxpayer behaviour and satisfaction. Furthermore, comparative studies with other countries can also be included.

VIII. CONCLUSION

Over the decade, India's income tax revenue has grown substantially due to economic growth, digitalization, and policy improvements. The findings emphasize the need for continuous reforms to enhance taxpayer participation and ensure equitable revenue distribution across states. Strengthening digital tax administration and implementing region-specific policies will be crucial in sustaining future tax growth. The analysis highlights the importance of fostering a culture of tax compliance through awareness programs, taxpayer education, and simplification of tax procedures. The positive correlation between the number of return filers and tax collections underscores the potential of expanding the taxpayer base to achieve higher fiscal targets. Addressing regional disparities in tax contributions requires a multi-faceted approach. Policymakers should focus on promoting economic development in underperforming states through incentives for businesses, infrastructure development, and skill enhancement programs. The sustained growth of India's income tax revenue over the past decade is a testament to the effectiveness of fiscal reforms, digitalization, and proactive governance. As the country moves forward, continuous innovation in tax policy, technology-driven administration, and inclusive economic strategies will be key to maintaining and accelerating this growth trajectory. By fostering a more compliant, transparent, and equitable tax system, India can ensure long-term fiscal sustainability and support its ambitious developmental goals.

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