



Contribution and Changing Trends of Direct and Indirect Taxes in India's Union Tax Revenue (2015–16 to 2025–26)

¹Pro. Archana S. Patil

¹Research Scholar, KBCNMU, Jalgaon

ABSTRACT

This paper examines changes in the contribution of direct and indirect taxes to India's Union tax revenue between 2015–16 and 2025–26. It uses official tax statistics and Union Budget documents, distinguishing historical collections, provisional figures, budget estimates, and revised estimates. Percentage shares, nominal growth, and institutional comparisons reveal a fluctuating but ultimately stronger direct tax contribution. The historical series shows direct taxes accounting for 51.03 percent of combined collections in 2015–16, falling to 46.84 percent in 2020–21, and recovering to 58.81 percent in provisional 2024–25 data. The discussion examines corporate taxation, income taxes, the Goods and Services Tax, customs, excise duties, and fiscal transfers. Illustrative examples explain tax credits, distributional effects, and differences between gross collections and government spending resources. Findings support predictable taxation, broader compliance, transparent reporting, and careful evaluation of exemptions. Revenue growth alone cannot establish improved equity or identify the independent effects of individual reforms. The results highlight the importance of comparable statistics and cautious policy interpretation.

Keywords: Direct Taxes, Indirect Taxes, Union Budget, Tax Revenue, Goods and Services Tax, Corporate Taxation, Income Tax, Tax Composition, Fiscal Federalism, Revenue Mobilization.

1. INTRODUCTION

Taxation finances public services, infrastructure, and redistribution while influencing consumption, investment, and economic behaviour. India's Union tax structure changed substantially during 2015–16 to 2025–26 through GST implementation, corporate tax reform, income tax changes, and pandemic disruption. Understanding these developments requires examining both revenue amounts and relative contributions. This paper analyses the changing balance between direct and indirect taxation, explains major institutional shifts, and evaluates implications for revenue stability, fairness, administrative efficiency, and evolving relations between the Union and state governments.

2. SCOPE AND ANALYTICAL METHOD

The study uses descriptive secondary analysis rather than an econometric test of reform effects. Table 1 reproduces collection amounts from the Central Board of Direct Taxes historical series, with shares recalculated consistently. Its 2024–25 observations remain provisional in that publication. Table 2 separately examines the original and revised 2025–26 budget estimates. The endpoint is therefore a budget comparison, not a claim about final audited receipts.

Direct taxes principally cover corporate and noncorporate income, alongside smaller levies. Indirect taxes principally cover GST, customs, and Union excise. All monetary comparisons are nominal. A tax category's share equals its receipts divided by the relevant combined total, multiplied by one hundred. Growth calculations must use comparable classifications and periods.

The CBDT collection series and Receipt Budget aggregates have different coverage and reconciliation adjustments. Consequently, they are not mechanically spliced into one continuous total. National GST announcements also include state receipts and cannot substitute for Union GST revenue. These distinctions prevent an apparently precise calculation from answering the wrong fiscal question. Illustrative examples below explain mechanisms; they are not observations from surveyed households or businesses. [1-3]

Table 1: Historical direct and indirect tax collections

Financial Year	Direct Taxes ₹ Crore	Indirect Taxes ₹ Crore	Direct Share %	Indirect Share %
2015–16	741,945	711,885	51.03	48.97
2016–17	849,713	861,515	49.66	50.34
2017–18	1,002,738	915,256	52.28	47.72
2018–19	1,137,718	937,322	54.83	45.17
2019–20	1,050,681	953,513	52.42	47.58
2020–21	947,176	1,074,809	46.84	53.16
2021–22	1,412,422	1,289,662	52.27	47.73
2022–23	1,663,686	1,381,935	54.63	45.37
2023–24	1,960,166	1,496,114	56.71	43.29
2024–25 P	2,226,375	1,559,596	58.81	41.19

Source: CBDT, Table 1.3 [1]. P = provisional in the cited publication. Shares are calculated from unrounded rupee amounts, the recalculated 2016–17 direct share is 49.66%, compared with 49.65% printed in the source. These departmental totals are kept separate from Receipt Budget gross tax totals.

3. HISTORICAL CHANGES IN THE TAX MIX

Table 1 shows alternating periods of direct and indirect tax strength rather than an uninterrupted transition. Direct taxes exceeded half of combined collections in most years, but indirect taxes were larger in 2016–17 and 2020–21. The pandemic year therefore interrupts any narrative of steadily increasing direct tax dependence.

Between 2015–16 and provisional 2024–25, direct receipts increased from ₹7.42 lakh crore to ₹22.26 lakh crore, while indirect receipts increased from ₹7.12 lakh crore to ₹15.60 lakh



crore. Calculated compound annual growth was 12.99 percent and 9.11 percent respectively across nine intervals. The direct share increased by about 7.78 percentage points.

A declining share does not necessarily indicate falling collections. If one revenue category grows more slowly than another, its relative contribution falls even while its rupee receipts increase. Similarly, a temporary increase in indirect taxation's share may reflect weakness in profits and incomes rather than uniformly stronger consumption. The evidence establishes a compositional change, but identifying its causes requires information on taxable bases, refunds, policy changes, and compliance. Nominal growth must not be interpreted as equivalent growth in real purchasing power. [1]

4. CORPORATE AND NONCORPORATE INCOME TAXATION

The balance within direct taxation is as important as its overall share. The historical data show noncorporate collections exceeding corporate collections in 2022–23 and remaining larger afterward. Noncorporate tax includes individuals, firms, Hindu undivided families, other specified entities, and securities transaction tax. It should not be described simply as taxation collected from salaried employees. The September 2019 reform offered eligible domestic companies a 22 percent base rate when specified exemptions and incentives were forgone. Eligible new manufacturing companies were offered a 15 percent base rate, subject to conditions. Surcharge and cess increased effective rates above these headline figures.

For illustration, applying a 22 percent base rate to ₹100 lakh of taxable profit gives ₹22 lakh before surcharge and cess. However, a firm surrendering deductions may face a different taxable base. Comparing headline rates alone therefore cannot establish its saving. Corporate revenue reflects profitability, eligible deductions, refunds, and the timing of payments. A rate reduction may encourage investment, but the observed revenue path cannot isolate that effect from economic conditions. Evaluation should compare investment and revenue outcomes against credible alternative scenarios. [1,4]

5. GST AND THE REORGANIZATION OF INDIRECT TAXATION

GST began in July 2017, replacing several central and state levies with a framework. This creates a classification break: declining service tax or excise receipts after implementation cannot be interpreted as lost taxation. Much of the underlying activity moved into GST. Input tax credit is central to the system. Consider an illustrative registered trader purchasing inputs worth ₹1,000 with ₹180 tax, then selling output worth ₹1,500 with ₹270 tax. Assuming full credit eligibility, the trader remits ₹90 after offsetting ₹180 paid. The example uses an assumed 18 percent rate, not a current classification for a particular product.

Credit links transactions across businesses and reduces taxation cascading through successive production stages. Nevertheless, blocked credits, refund delays, classification disputes, and compliance costs can affect outcomes. Records improve traceability but do not themselves prove that every reported transaction is genuine. GST also changed during the final year, including reforms effective from September 2025. Annual revenue comparisons must therefore consider changes in rates and coverage alongside demand and enforcement. A revision in expected GST receipts cannot be attributed to one factor without further evidence. [5,8]



6. CUSTOMS AND EXCISE REMAIN SIGNIFICANT

GST did not eliminate customs or Union excise. In the revised 2025–26 budget, customs stood at ₹2.58 lakh crore and Union excise at ₹3.37 lakh crore. These remain substantial revenue sources alongside Union GST, estimated at ₹10.46 lakh crore. The combined importance of these categories shows why indirect taxation cannot be equated with GST alone. Customs revenue depends on import values, product composition, exemptions, and applicable rates. In a simplified example, a ten percent duty on imports valued at ₹100 crore yields ₹10 crore. If the taxable import value falls to ₹80 crore with the same rate, revenue becomes ₹8 crore. This illustration excludes other charges and valuation complications.

Excise collections can similarly respond to changes in quantities and duty structures. Revenue movements must therefore be interpreted alongside policy and market conditions. Raising a consumption levy can potentially support revenue but may also increase production or transport costs where taxed inputs are widely used. The relevant question is not merely how much a levy collects, but how its design affects prices, competitiveness, household budgets, and the resilience of public finances. [3]

7. ECONOMIC SHOCKS AND REVENUE INTERPRETATION

The pandemic demonstrates the risks of interpreting tax composition without economic context. A company experiencing lower profits may pay less income tax, while taxes on continuing purchases can still generate receipts. Differences in sectoral exposure and policy responses can therefore change the tax mix during a downturn. Recovery creates another problem: high growth from a depressed base may overstate the strength of the longer trend. Comparing several years, rather than one annual percentage, provides a useful picture. Refund timing also matters because net receipts change when gross payments remain strong. Tax buoyancy measures the percentage change in tax receipts relative to the percentage change in nominal GDP. It differs from tax elasticity, which attempts to separate discretionary policy changes. Neither indicator is calculated here from mismatched series. A hypothetical ten percent increase in nominal GDP and fifteen percent increase in receipts implies buoyancy of 1.5. Even this result would not prove improved enforcement. Inflation, changes in income composition, taxable profits, and legislation could contribute. Research should therefore distinguish descriptive association from causal explanation and should report assumptions behind every ratio.

8. THE 2025–26 BUDGET AND ITS REVISION

The 2025–26 budget projected gross Union taxes of ₹42.70 lakh crore. The subsequent Receipt Budget revised this to ₹40.78 lakh crore, 4.51 percent lower. Corporation tax rose between these estimates, whereas taxes on income and Union GST were revised downward. These movements show why targets should not be presented as realised collections. Corporation tax and taxes on income together represented approximately 59.01 percent of original gross tax estimates and 59.37 percent of revised estimates. These are shares of two major direct heads, not a complete classification of every minor levy. The increase in their combined share coexisted with a fall in their combined amount.

Budget 2025 also announced enhanced rebates under the new personal income tax regime for eligible income up to ₹12 lakh, excluding special rate income such as capital gains. For qualifying salaried taxpayers, the standard deduction extended the stated salary threshold to ₹12.75 lakh. These provisions illustrate how relief and revenue growth can coexist if taxable income expands elsewhere. However, the budget revision alone cannot establish whether the relief increased consumption or explain the entire revenue shortfall. [2,3,6]

Table 2: Union tax receipts for 2025-26

Receipt Category	2025-26 ₹ Lakh Crore	BE 2025-26 ₹ Lakh Crore	RE 2025-26 ₹ Lakh Crore
Corporation tax	10.820		11.090
Taxes on income	14.380		13.120
Customs	2.400		2.583
Union excise duties	3.170		3.366
Union GST including compensation cess	11.780		10.465
Other taxes and duties	0.051		0.058
Taxes of Union Territories	0.101		0.096
Gross tax revenue	42.702		40.778
Centre's net tax revenue	28.374		26.747

Sources: Receipt Budgets 2025–26 and 2026–27 [2,3]. BE = budget estimates, RE = revised estimates. Values are rounded independently. Gross revenue includes all heads shown above it. Net revenue is after states' shares and specified adjustments, and is not an additional tax category. RE is not a final actual outcome.

9. EQUITY AND THE DISTRIBUTION OF TAX BURDENS

Direct taxation can support progressivity when liability rises with ability to pay. Indirect taxation reaches a broader consumption base, including people outside the income tax system. Its distributional effect depends on expenditure patterns, exemptions, rates, and whether businesses pass taxes into prices.

Consider two hypothetical households purchasing identical taxable goods worth ₹10,000, with ₹1,000 tax fully passed through. If their monthly incomes are ₹20,000 and ₹1,00,000, the tax equals five percent and one percent of income respectively. This example demonstrates a potential regressive effect, not an estimate of India's actual household incidence.

Conversely, exemptions for necessities and higher taxation of selected discretionary purchases can alter the distribution. Government spending financed by taxes also affects the



overall fiscal outcome. A higher direct tax share is therefore informative but insufficient evidence of improved equality.

Corporate taxation presents additional incidence questions because shareholders, workers, or consumers may ultimately bear parts of the burden. Administrative categories identify who remits taxes, not necessarily who bears their economic cost. Evaluating fairness requires household and business evidence beyond aggregate receipts, together with analysis of public expenditure benefits.

10. FISCAL FEDERALISM AND THE REVENUE DENOMINATOR

Gross Union tax revenue is not identical to the money retained by the Centre. The Receipt Budget subtracts states' shares and specified adjustments before reporting the Centre's net tax revenue. For 2025–26, the revised figures were ₹40.78 lakh crore gross and ₹26.75 lakh crore net. Using one denominator for some taxes and another for others would produce misleading contribution estimates.

The divisible pool is also different from all gross taxes. Cesses and surcharges are outside the divisible pool, a distinction discussed by the Sixteenth Finance Commission. Consequently, increasing these receipts can affect the relationship between gross collections and resources shared with states.

For illustration, a levy raising ₹100 through a shareable tax has different intergovernmental implications from an equal amount raised through a levy excluded from sharing. The total collected is identical, but the allocation differs. This example abstracts from specific sharing percentages and collection adjustments.

Fiscal assessment should therefore examine revenue composition and distribution together. Transparency about cesses, transfers, and accounting adjustments enables meaningful debate about responsibilities for education, health, infrastructure, and other public services across levels of government. [3,7]

11. FINDINGS AND POLICY IMPLICATIONS

The analysis supports three conclusions. Direct taxation became more prominent over the historical comparison, indirect taxation remained indispensable, and institutional changes altered the meaning of individual revenue headings. Neither category can be evaluated solely through a target share. A sustainable system requires adequate receipts, predictable rules, compliance, and reasonable distributional outcomes.

Policy should favour broader compliance and better information over repeated reliance on higher rates for compliant taxpayers. Smaller businesses need accessible guidance, proportionate procedures, and timely refunds. Data matching should be accompanied by correction mechanisms so that errors do not automatically become disputes.

GST evaluation should consider credit availability and administrative costs alongside collections. Income tax concessions should be assessed through transparent estimates of revenue costs and examined behavioural responses. Customs and excise changes should be reviewed for their effects on input costs and household purchasing power.

Finally, future research should reconcile departmental and budget series before estimating buoyancy or reform effects. Publishing annual tables, revision histories, and clearly defined



denominators would improve accountability. Detailed distributional analysis would help establish whether stronger revenue mobilisation also supports fairer economic development.

12. CONCLUSION

India's tax structure during 2015–16 to 2025–26 combined stronger direct tax contributions with the continuing importance of indirect taxation. Historical collections show that this change was uneven, with a pandemic interruption followed by recovery. GST reorganised the indirect tax framework, while corporate and personal income tax reforms changed incentives and the composition of direct receipts. The distinction between original budget targets and revised estimates remains essential for interpreting the final year.

The evidence does not support treating higher nominal collections as automatic proof of greater fairness, stronger compliance, or successful reform. Revenue outcomes also depend on economic conditions, inflation, refunds, and changes in taxable activity. Likewise, gross Union collections do not measure resources retained by the Centre because tax sharing and other adjustments intervene.

A balanced strategy should strengthen compliance, simplify procedures, protect legitimate credits, evaluate concessions, and improve fiscal transparency. Future research should use reconciled data and distributional evidence to assess who ultimately bears taxation. Sustainable mobilisation requires both dependable public revenue and public confidence in a predictable, equitable system. Its legitimacy also depends on accessible remedies for taxpayers.

REFERENCES

1. Central Board of Direct Taxes. (n.d.). Income Tax Department time series data: Financial year 2000–01 to 2024–25. Tables 1.1 and 1.3, pp. 2 and 5. Official source
2. Ministry of Finance. (2025). Receipt Budget 2025–2026. Abstract of Receipts and Tax Revenue. Government of India.
3. Ministry of Finance. (2026). Receipt Budget 2026–2027. Abstract of Receipts and Tax Revenue. Government of India.
4. Ministry of Finance. (2019, September 20). Corporate tax rates slashed to 22% for domestic companies and 15% for new domestic manufacturing companies and other fiscal reliefs. Press Information Bureau.
5. Central Board of Indirect Taxes and Customs. (2019). GST: Input tax credit mechanism. Directorate General of Taxpayer Services.
6. Ministry of Finance. (2025, February 1). No income tax on annual income up to Rs. 12 lakh under new tax regime. Press Information Bureau.
7. Sixteenth Finance Commission. (2025). Report of the Sixteenth Finance Commission, Volume I. Chapter 7, Sharing of Tax Revenues: Vertical Devolution, paragraphs 7.31–7.38.
8. Press Information Bureau. (2025, September 4). GST reforms 2025: Relief for common man, boost for businesses. Government of India.