



## International Tax Reforms and Lessons for India's Journey Towards Viksit Bharat 2047

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### Abstract:

*The global architecture of taxation has undergone a fundamental transformation over the past two decades. Intensifying globalization, rapid digitalization, expansion of cross-border capital flows, and increasing public concern over inequality and climate change have collectively reshaped international fiscal governance. Multinational enterprises (MNEs) have leveraged differences in national tax systems to shift profits to low-tax jurisdictions, thereby eroding domestic tax bases. In response, coordinated multilateral initiatives such as the Base Erosion and Profit Shifting (BEPS) project, the OECD/G20 Inclusive Framework, and the Two-Pillar Solution—particularly the Global Minimum Tax under Pillar Two—have emerged as instruments to restore fairness and stability to the global tax regime. Parallely, digital services taxation, environmental fiscal reforms, and enhanced transparency standards have signaled a move toward rules-based international cooperation.*

*For India, aspiring to achieve developed nation status under the national vision of Viksit Bharat 2047, the transformation of international tax norms is not merely a global phenomenon but a strategic opportunity. A developed economy requires a stable, equitable, growth-oriented, and technologically advanced tax system capable of mobilizing adequate revenue while promoting competitiveness and social justice. This research critically evaluates major international tax reforms and analyzes their implications for India's direct and indirect tax frameworks. Using qualitative policy analysis supported by secondary macroeconomic data, the paper identifies structural gaps and proposes a long-term reform roadmap. The study finds that India must strengthen tax base broadening, rationalize GST structures, align with global minimum taxation norms, deepen digital administration reforms, integrate environmental taxation, and reinforce cooperative fiscal federalism. A globally aligned yet domestically adaptive tax strategy will be indispensable in building the fiscal foundations necessary for Viksit Bharat 2047.*

**Keywords** - International Tax Reform; BEPS; Global Minimum Tax; Digital Economy Taxation; GST Reform; Corporate Tax Policy; Environmental Taxation; Fiscal Federalism



## 1. Introduction

Taxation constitutes the institutional backbone of modern statehood. It not only finances public expenditure but also shapes the trajectory of economic development, redistributive justice, institutional credibility, and macroeconomic stability. The capacity of a nation to mobilize resources through an efficient and equitable tax system is closely correlated with its level of development. Developed economies typically exhibit broader tax bases, higher compliance levels, sophisticated administrative mechanisms, and stronger fiscal transparency. Conversely, developing economies often face structural constraints including informality, narrow direct tax bases, high compliance costs, and fragmented administrative structures.

The twenty-first century has introduced unprecedented challenges to traditional tax systems. The globalization of production and finance has increased capital mobility, enabling multinational corporations to structure operations across jurisdictions in ways that minimize tax liabilities. The rise of digital platforms has further complicated matters, as value creation increasingly depends on user participation, intangible assets, and data rather than physical presence. Under traditional tax principles, corporate taxation relied on permanent establishment rules and source-residence distinctions, which are less effective in capturing digital value chains. Consequently, concerns regarding base erosion, profit shifting, and tax competition intensified, compelling international cooperation.

India's developmental aspiration—Viksit Bharat 2047—aims to transform the nation into a high-income, inclusive, and technologically advanced economy by the centenary of independence. Achieving this ambition necessitates sustained economic growth averaging 7–8 percent annually, accompanied by structural transformation, industrial upgrading, enhanced human capital, and large-scale public investment in infrastructure and social sectors. Financing such transformation demands a resilient fiscal framework supported by a robust tax system. While India has undertaken substantial reforms—including the introduction of the Goods and Services Tax (GST), corporate tax rationalization in 2019, faceless assessments, digitized compliance systems, and expansion of direct benefit transfers—the evolving global tax order presents both challenges and opportunities.

International tax reforms now emphasize multilateral coordination, transparency, minimum effective taxation, and environmental sustainability. India must align with these global norms while safeguarding its domestic developmental priorities. This study therefore examines key international

tax reforms and distills lessons relevant to India's fiscal architecture in the journey toward Viksit Bharat 2047.

## **2. Literature Review**

Scholarly and policy discourse on international taxation has expanded considerably in recent decades. One major strand of literature focuses on tax competition and the global decline in corporate tax rates. Empirical studies by Devereux and Griffith (2003) and subsequent analyses by the OECD demonstrate that countries reduced statutory corporate tax rates to attract foreign direct investment. While lower rates may stimulate investment flows, excessive competition erodes fiscal capacity, particularly in capital-importing developing countries. This dynamic created pressures for coordinated minimum standards.

A second body of research addresses base erosion and profit shifting. Zucman (2014) and other scholars estimate that a substantial share of multinational profits is artificially shifted to low-tax jurisdictions through transfer pricing manipulation, intellectual property relocation, and treaty shopping. The resulting revenue losses disproportionately affect developing economies. The OECD's BEPS initiative emerged as a multilateral response to curb such practices.

A third-dimension concerns digital economy taxation. The rise of platform-based enterprises challenged traditional nexus rules. Scholars argue that taxation should consider user participation and market jurisdictions as bases for allocating taxing rights. This debate culminated in proposals for reallocation of profits under Pillar One of the OECD Two-Pillar Solution.

Another significant strand emphasizes environmental fiscal reform. Environmental economists advocate carbon taxation as a market-based instrument to internalize negative externalities. Such taxes can generate revenue while encouraging green transition and innovation.

Finally, literature on developing economies underscores the relationship between tax capacity and state-building. Countries with higher tax-to-GDP ratios generally exhibit stronger public institutions and social outcomes. Strengthening tax administration, expanding formalization, and reducing informality are essential for long-term development.

Collectively, these strands suggest that tax reform is multidimensional, requiring balance among efficiency, equity, competitiveness, sustainability, and administrative feasibility.

### **3. Objectives of the Study**

1. To analyze key international tax reforms in direct and indirect taxation.
2. To examine the OECD/G20 BEPS initiative and Global Minimum Tax framework.
3. To evaluate digital and environmental tax reforms globally.
4. To compare international best practices with India's tax system.
5. To identify policy lessons for strengthening India's fiscal framework.

### **4. Research Methodology**

This study adopts a qualitative, analytical, and comparative research design. It relies primarily on secondary data drawn from international organizations, government publications, and peer-reviewed academic sources. Data from OECD Tax Statistics, IMF Fiscal Monitor reports, World Bank Development Indicators, and Union Budget documents of the Government of India are analyzed to evaluate trends in tax-to-GDP ratios, corporate taxation, and fiscal sustainability.

The analytical framework includes comparative tax ratio analysis, institutional assessment of tax administration, thematic examination of digital and environmental reforms, and policy evaluation of global minimum tax implications. The methodology emphasizes conceptual synthesis rather than econometric modeling, given the study's objective of deriving strategic policy lessons.

### **5. Global Evolution of International Tax Reforms**

#### **5.1 BEPS and Multilateral Coordination**

The Base Erosion and Profit Shifting initiative launched by the Organisation for Economic Co-operation and Development in collaboration with the G20 marked a turning point in international tax governance. The BEPS project introduced fifteen action plans addressing transfer pricing manipulation, treaty abuse, harmful tax practices, hybrid mismatches, and transparency gaps. It also institutionalized Country-by-Country Reporting, requiring multinational corporations to disclose global allocation of income, taxes paid, and economic activity.

For India, BEPS implementation led to significant legislative and administrative reforms. The introduction of General Anti-Avoidance Rules (GAAR), strengthening of transfer pricing regulations, adoption of CbCR requirements, and renegotiation of tax treaties illustrate India's commitment to international standards. Participation in the Inclusive Framework enabled India to



contribute to rule-making while safeguarding its interests as a large market economy. The BEPS experience demonstrates that multilateral coordination can mitigate harmful tax competition and restore fairness in global taxation.

## **5.2 Global Minimum Tax (Pillar Two)**

In 2021, more than 135 jurisdictions endorsed a 15 percent global minimum effective corporate tax under Pillar Two of the OECD/G20 Two-Pillar Solution. The reform aims to ensure that multinational enterprises with global revenues exceeding €750 million pay at least a minimum effective rate, regardless of where profits are booked. The mechanism includes Income Inclusion Rules and Undertaxed Payments Rules to prevent profit shifting to low-tax jurisdictions.

The global minimum tax reduces incentives for aggressive tax competition and strengthens revenue certainty. For India, whose standard corporate tax rate stands at 22 percent (and 15 percent for new manufacturing units), alignment with Pillar Two enhances credibility and limits arbitrage opportunities. However, it also necessitates review of tax incentives, special economic zone benefits, and sector-specific exemptions to ensure compatibility with effective rate calculations. Over the long term, stable and predictable corporate taxation may attract sustainable investment more effectively than ad hoc incentives.

## **5.3 Digital Economy Taxation**

Digitalization has profoundly altered value creation. Companies derive profits from user data, network effects, and digital services without maintaining physical presence in market jurisdictions. In response, several countries introduced unilateral digital services taxes, including France and the United Kingdom, to tax revenues generated from local users.

India introduced an Equalization Levy in 2016 on online advertising services, later expanded in 2020 to cover e-commerce operators. Additionally, Significant Economic Presence provisions were incorporated to redefine nexus thresholds. While these unilateral measures protected domestic revenue interests, they also created risks of double taxation and trade disputes. Pillar One of the OECD solution seeks to reallocate a portion of residual profits of large multinational enterprises to market jurisdictions, replacing fragmented unilateral measures with coordinated rules. For India, participation in this framework ensures recognition of its large consumer market in global profit allocation.

## **6. Environmental Tax Reforms**

Environmental fiscal instruments have gained prominence as countries confront climate change. Sweden pioneered carbon taxation in 1991, demonstrating that environmental taxes can coexist with economic growth. Canada later introduced federal carbon pricing, combining environmental objectives with revenue recycling mechanisms.

Environmental taxation serves dual purposes: internalizing externalities and generating fiscal resources. Revenues can finance renewable energy, green infrastructure, or reduce distortionary taxes elsewhere. India has implemented measures such as coal cess and renewable energy incentives, yet comprehensive carbon pricing remains limited. As India aims for net-zero emissions by 2070, calibrated carbon taxation or emission trading mechanisms may become integral to fiscal strategy. Aligning environmental objectives with revenue mobilization will be crucial for sustainable development under Viksit Bharat 2047.

## **7. Comparative Tax-to-GDP Analysis**

Tax-to-GDP ratio is a key indicator of fiscal capacity. OECD countries maintain average ratios exceeding 33 percent, reflecting broad bases and high compliance. India's combined central and state tax-to-GDP ratio remains around 17–18 percent, significantly lower than advanced economies. This gap highlights untapped potential for revenue mobilization without excessive rate increases.

Low direct tax coverage, substantial informality, and compliance challenges constrain revenue performance. Expansion of formalization through digital payments, GST integration, and information reporting systems can gradually raise tax buoyancy. Strengthening property taxation and rationalizing exemptions also offer avenues for base expansion. Achieving developed-economy status will likely require sustained improvement in tax-to-GDP ratio alongside expenditure rationalization.

## **8. Lessons for Direct Tax Reform in India**

International experience underscores the importance of base broadening over rate escalation. Simplified rate structures combined with reduced exemptions enhance transparency and compliance. India's corporate tax rationalization in 2019 reduced statutory rates but retained multiple incentive regimes. Gradual phase-out of distortionary exemptions can improve neutrality.



Stability and certainty are equally critical. Investors value predictable tax environments more than temporary concessions. Advance Pricing Agreements and dispute resolution mechanisms should be strengthened to reduce litigation. India's historically high volume of tax disputes imposes economic costs and uncertainty. Adopting cooperative compliance models, as practiced in some advanced economies, may foster trust-based administration.

### **9. Lessons for Indirect Tax Reform (GST)**

The Goods and Services Tax represent one of the most ambitious indirect tax reforms globally. By subsuming multiple central and state taxes, GST created a unified national market. However, multiple rate slabs, exemptions, and compliance complexities continue to pose challenges. Rationalizing rate structures toward fewer slabs can reduce classification disputes and compliance burdens.

Input tax credit fraud and fake invoicing remain concerns. Advanced data analytics and cross-verification mechanisms are essential to safeguard revenue. International VAT systems, particularly within the European Union, demonstrate the importance of harmonized rules and strong digital reporting systems. Continuous strengthening of the GST Council's cooperative framework will ensure policy stability and uniformity across states.

### **10. Digitalization of Tax Administration**

Technological advancement is transforming tax administration worldwide. India's GST Network and faceless income tax assessment system represent significant progress in reducing discretion and enhancing transparency. Integration of databases, e-invoicing mandates, and pre-filled returns improve compliance and reduce transaction costs.

Comparatively, advanced economies employ risk-based audit algorithms, extensive third-party reporting, and real-time data analytics. India can further leverage artificial intelligence, machine learning, and blockchain technologies to detect anomalies and prevent evasion. Integration of direct and indirect tax data can provide holistic taxpayer profiles, improving enforcement efficiency while reducing harassment.

### **11. Fiscal Federalism and Cooperative Governance**

India's federal structure necessitates coordination between central and state governments. The GST Council embodies cooperative federalism, enabling joint decision-making on rates, exemptions, and administrative rules. However, revenue-sharing disputes and compensation concerns highlight structural challenges.

International experience suggests that transparent revenue assignment, predictable transfers, and capacity building at subnational levels enhance fiscal stability. Strengthening state tax administration and harmonizing compliance standards are critical for sustained GST performance. A stable federal fiscal framework will underpin long-term developmental planning.

## **12. Strategic Roadmap for Viksit Bharat 2047**

Building a developed economy requires structural modernization rather than incremental adjustments. India should fully integrate with OECD Pillar reforms, rationalize GST rate structures, broaden the income tax base, enhance digital tax administration, introduce calibrated environmental taxation, strengthen treaty networks, and promote tax literacy. Additionally, improving dispute resolution, enhancing transparency, and ensuring policy predictability will strengthen investor confidence.

Over the next two decades, tax reform must align with industrial policy, climate commitments, and social welfare objectives. Fiscal sustainability, equitable burden-sharing, and technological modernization should guide policy choices.

## **13. Findings**

The study finds that international tax governance is increasingly multilateral and rules-based. Minimum taxation mechanisms reduce harmful competition and stabilize revenue expectations. Digital reforms significantly enhance compliance and administrative efficiency. Environmental taxation aligns fiscal and sustainability objectives. India has made commendable progress, yet structural reforms—particularly base broadening, rate rationalization, and administrative modernization—remain essential.

## **14. Conclusion**

International tax reforms provide critical insights for India's developmental journey. Achieving Viksit Bharat 2047 requires a tax system that is efficient, equitable, predictable, technologically



advanced, and globally integrated. India must transition from incremental reform to structural modernization, ensuring that fiscal policy supports inclusive growth, competitiveness, and sustainability. By aligning global best practices with domestic priorities, India can construct a resilient fiscal architecture capable of financing its transformation into a developed economy by 2047.

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