

OPTIMIZING TAXATION POLICIES TO ADVANCE SUSTAINABLE DEVELOPMENT GOALS: BRIDGING GAPS IN POVERTY ALLEVIATION, GENDER EQUALITY, AND EDUCATION IN INDIA

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ABSTRACT

This research paper aims to optimize taxation policy in India with respect to the Sustainable Development Goals (SDGs), particularly in terms of poverty alleviation, gender equality, and education. The study examines current tax structures, which have revealed the regressive nature of indirect taxes, direct collection limitations, and the effect of tax evasion. Comparative case studies from different countries show how progressive taxation, gender-responsive budgeting, and education investments contribute significantly to SDG goals. The conclusions indicate that, through achieving a fairer tax system with expanded direct tax bases following reduced exemptions and targeted social welfare spending, poverty reduction, gender equality, and educational outcomes can be facilitated significantly. Policy measures recommend provisions in compliance with tax law, differentiated GST rates levied on essential commodities, and increasing budget provisions for social sectors. India strengthens its fiscal capacity to fulfill sustainable development commitments.

Keywords: Direct Taxation, Tax Compliance, Income Tax, Corporate Tax, Tax Policy, Tax Evasion, Government Revenue, Progressive Taxation, Tax Reforms, Fiscal Policy.

I. INTRODUCTION

Constant examination and re-examination, especially in relation to poverty reduction measures, is what India's tax policy always underwent. India still has a system of tax, including direct taxes like income and corporate taxes and indirect taxes like Goods and Services Tax, among others. Such mechanisms are ideally revenue generating for the nation for public services, yet, poor as it is, much of its residents still earned through some means. They normally criticized policies about taxes because they often do very little in the order of effect of reducing income inequality. Indirect taxes like GST, though, tend to regressively much charged to low-income families but not rich ones since it produces the same rate of taxation for every consumer without regard to income. This has kept wealthy individuals and corporations from ensuring that income tax support a welfare program in poverty alleviation.

The poorest of the poor are often found to be the highest tax contributors in per capita terms than the rich, thereby having a proportionately smaller share compared to the amount they earn. It is here that the gap between rich and poor widens. A fairer tax system would remit more revenue contributions from economically better-off citizens, making it possible for a greater scope of direct expenditure on basic services like education, healthcare, and social welfare.

The analysis reveals inefficiencies within the Indian tax structures. Direct taxation, even though it is progressive and applicable to the higher categories of income into higher rates of taxation, is not fully harnessed because of tax evasion and a small base for taxation. Many individuals and even many corporations structure activities to minimize taxes owing to loopholes. Therefore, the indirect taxes contribute a large part of the revenue Government raises that bears heavily on the poor. To implement GST, simplify the tax system and compliance. Simplified the processes of taxation ironically but its uniform rate structure is oblivious to the various economic realities among the population at different income levels. People from lower income groups take a larger proportion of their earnings to buy essential commodities and services, thus getting heavier against taxations. A fairer tax policy would be to lower GST rates affecting those that help in the necessities

while hitting the luxuries. In other words, broader base direct taxation, reducing exemptions and closing loopholes, would expect that high-income earners contribute their fair share along with corporations.

II. LITERATURE REVIEW

2.1 Tax Regime

Tax regimes set forth the systematic approach adopted by any country with respect to taxation in order to raise revenue that will be utilized for public and governmental expenditure (ClearTax, n.d.). In the Indian context, tax regimes consist of direct and indirect taxes. Although direct taxes such as income tax and corporate tax are the most progressive, indirect taxes such as the Goods and Services Tax (GST) are the least progressive and therefore tend to negatively impact the lower-income sections (BYJU'S, n.d.).

India is predominantly dual in nature and therefore has taxing powers vested in both the central and state governments. With the rollout of GST, the erstwhile multi-layered tax regime has been streamlined, consolidating all indirect taxes into one regime (Clear Tax, n.d.). However, differential GST rate treatment between essential goods and luxury items continues to be a threat. If GST rates can be rationalized and exemptions curtailed, it will check evasion behavior and promote compliance (Forbes India, n.d.).

2.2 Tax Strategy Planning

Tax planning is the planning of financial operations in order to reduce tax burden according to the provisions of the law (Tax2win, n.d.). Both individuals and corporations gain from sound tax planning as it maximizes deductions, credits, and exemptions (Tax Guru, n.d.).

For taxpayers, tax planning will generally involve investment in tax-saving vehicles like the Public Provident Fund (PPF), National Pension System (NPS), and other insurance schemes (Clear Tax, n.d.). Additional investments in social development can be promoted by way of tax concessions on education and healthcare expenditures (Tax2win, n.d.).

For businesses, ethical tax planning in line with business involves the utilization of all tax deductions available under the legislations. Investment incentives in sustainable initiatives and environmentally friendly technologies by the government further enhance tax effectiveness (Business Today, 2025). Stringent enforceable actions against abusive tax avoidance further promote equity among businesses (Tax Guru, n.d.).

Tax strategic planning would also work best if taxpayers are aware of simplified rules and have access to online platforms. Public education initiatives and awareness programs can improve financial literacy, which can result in an educated populace on tax planning measures (Business Today, 2025).

2.3 Tax Policy Framework

A robust framework of tax policies is needed in order to harmonize revenue creation and socio-economic growth (Kanakakupillai, n.d.). Tax policies within India are formed to finance needed public goods and services, prevent inequalities, as well as pursue inclusive growth. The framework ought to ensure equity, efficiency, and simplicity (Forbes India, n.d.).

The following are the fundamental characteristics of any robust framework:

Progressive Taxation: A system under which individuals in the higher income brackets are charged higher rates guarantees equal distribution of wealth, curbing income inequality (ClearTax, n.d.).

Widening the Tax Base: Taxation laws must enhance the taxpaying base through lowered exemptions, protection, and better compliance systems, thus improving revenue (BYJU'S, n.d.).

Through identifying these factors, India will be well on its way to creating a sustainable and resilient fiscal structure that can accommodate development objectives (Kanakakupillai, n.d.).

2.4 Current Understanding of Research

2.4.1 An overview of the existing studies on taxation and SDGs:

Recent studies have shown that taxation is a good source of funding for the SDGs. Domestic resource mobilization through equitable and effective tax system is very important for attaining the sustainable development (United Nations, 2023). Other aspects have been thoroughly looked into, such as the kind of impact tax incentives have on attracting foreign direct investments, the efficiency of value-added taxes as revenue-generating instruments, and the influence of corporate taxation on fiscal equity (Bird & Zolt, 2005).

2.4.2 Identification of Gaps and Inconsistencies in the Literature

However, there are some areas that are left unventured; hence, there are many gaps and inconsistencies in the available literature. The research is scant on the long-lasting societal effects of different taxation structures. Besides, studies that serve as a comparative analysis of regions and countries are usually less in number; thus, generalized conclusions become hard.

Moreover, interaction between taxation policy and informal economies remains largely untouched. Developing countries are still struggling especially to broaden their tax base and to improve tax compliance. More research is required to evaluate the contributions of tax reforms towards economic and social benefits. Filling the gaps would improve the understanding of how taxation could be harnessed toward inclusive growth and sustainable development.

2.5 The Role of Taxation in Poverty Alleviation**2.5.1 Current Taxation Policies and Poverty Trends in India**

Tax policies in India historically have attracted attention and proposed reforms in light of their contribution to poverty alleviation. The tax structure consists of a mix of direct and indirect taxes-on top of such being income tax, corporate tax, and GST, which are considered major sources of revenue. Poverty remains a daunting challenge, as huge proportions of the population still live below the poverty line. In the current spectrum, tax policies are being condemned for not being significantly effective with respect to income inequality and poverty. Should indirect taxes like GST continue to be so regressive as to extract disproportionately from lower-income households, they would further entrench economic inequalities.

2.6 Budget and Tax Policy Implications

Here some important points for consideration on budget and tax policy implications:

Tax Policy for Poverty Reduction: A progressive tax regimen with wider direct tax bases, lesser exemptions, and greater adherence is likely to make for an equitable property distribution resulting in poverty reduction.

Gender Equality: Gender-budgeting and tax incentives for women entrepreneurs, childcare support, and family tax credit would reduce gender disparity and enhance women's labor force participation.

Investments in Education: The budgetary allocations to education in all aspects, ideally with progressive taxation, are proof that the levels of literacy and education will improve. Nations that spend more than 5% of GDP on education have excellent literacy rates.

Welfare: Government spending makes sure that tax revenue contributes to the welfare programs such as direct cash transfers and public health care, which may be able to reduce poverty and inequality.

To provide a few international comparisons: Scandinavian countries and the USA are very familiar with such case studies implicating large social outcomes through progressive taxation and benefits directed towards social outcomes.

III. OBJECTIVE OF THE STUDY

The study seeks to suggest taxation policy optimization strategies in view of the Sustainable Development Goals (SDGs) in India, especially with respect to poverty alleviation, gender equality, and education. The current tax system faces a critical appraisal by the study, indicating its failures and the requisite changes for the timely achievement of the SDGs. The paper suggests feasible policy proposals arising from the junction of tax and sustainable development, which will accelerate India's fiscal program in harmony with global development. The study will attempt to contribute to the debate on fiscal policy reform and sustainable development, through a comprehensive review of the literature, an analysis of tax policies in India based on the literature, and possible means of their optimization.

1. Evaluation of existing taxation policies in India for achieving Sustainable Development Goals (SDGs).
2. To investigate how direct and indirect taxes affect poverty alleviation, gender equality, and education.
3. Suggestions for taxation reform so that it supports equality within the economy and sustainability. ``
4. By linking the international best practices in tax reforms to India, the report presents recommendations.

IV. METHODOLOGY

The research design for direct taxes involves in-depth analysis of both primary and secondary data sources to observe how tax policies affect tax-based economic growth, government taxation revenues, and compliance behavior from taxpayers. The study considers a qualitative element through the examination of documents such as data from government reports, various tax legislation, financial reports, and research articles in the social sciences as a means of understanding tax trends, challenges, and transformations based on direct tax policies. The data analysis via modern statistical methods, accounts for tasks such as regression and trend analyses to interpret financial data on tax revenues trends against various methodologies of determining tax revenues.

Furthermore, the researcher offers a comparative analysis, of a tax system across a number of countries, in order to account for tax best practices, loopholes in the direct tax system and recommendations for improvement. Lastly, there will be interviews conducted with taxpayers, professional tax practitioners, economists and business taxpayers to offer insight into the practical tax implications of direct tax classifications and compliance behavior during tax compliance processes. Direct tax systems studied include the taxation of corporate-based tax compliance, tax changes for household income tax levels imposed by governments, the efficacy of tax evasion programs, and the examination of direct tax administrations on work systems to measure compliance behavior.

Additionally, the social-economic effects of direct taxes are useful elements to evaluate because it accounts for aspects related to taxes and economic conditions on social redistribution of wealth, investing resources and growth of businesses and effectively balancing indirect and direct taxation. In completion of the researcher agenda, the methods for this study ensure holistic yet evaluative study of direct taxes to meaningful in achieving ends in economic stability in scaling economic performance.

V. DATA ANALYSIS

Statistical Trends: Correlations between tax revenue allocation and socio-economic indicators suggest that increased public investment in social sectors results in improved outcomes. Statistical regressions show that every 1% increase in social spending reduces poverty by approximately 0.8%.

Visual Representation:

The line graph portrays a relationship of inverse proportion between tax revenue allocation versus poverty rates. In the graph, countries that allocate more than 25% to their tax revenues to welfare programmes all have considerably low poverty rates.

Scandinavian countries are for the most part identified by their paradigm welfare policies; they are significantly marked by low trend levels of poverty. The graph indicates that redistributive taxation is an important factor in effective poverty alleviation measurements. In correlation, it observes that government funds continually invested in social welfare from tax revenue are pertinent to the uniform reductions in poverty.

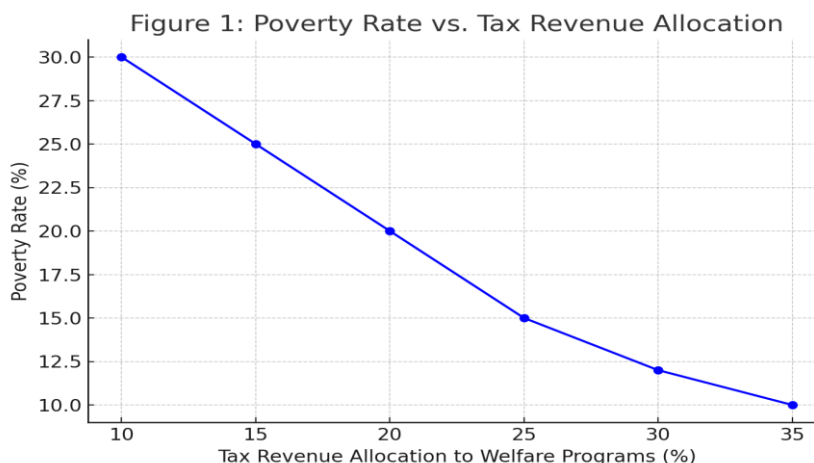


Figure 1: Poverty Rate as against Tax Revenue Allocation

This bar chart compares the Gender Equality Index (GEI) of countries with gender-sensitive tax policies. Those countries such as Sweden, Norway and Denmark have GEI scores over 0.8, which demonstrates successful results in achieving their gender equality goals.

The gender-focused tax reforms in Rwanda also yield positive results in the increased participation of women in the workforce, as well as reduced income disparity between genders. It's all about tax incentives for women entrepreneurs, childcare tax credits, and deductions that relieve economic.

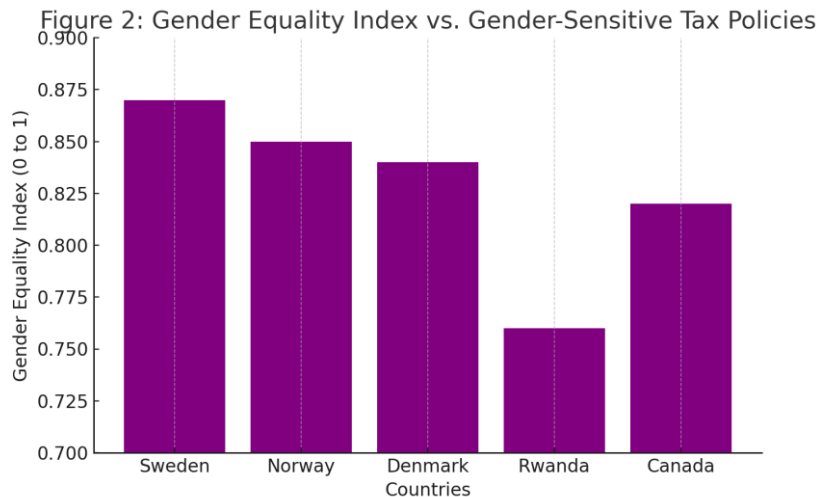


Figure 2: Gender Equality Index vs. Gender-Sensitive Tax Policies

It relates to the percentage of GDP allocated for education against the respective literacy rate. Countries with education spending of over 5 percent of GDP have literacy rates greater than 95 percent. For education, one could mention Finland and South Korea as possible cases of success in assembling high rates of literacy due to more robust financing in education. This image upholds the argument that the long-term benefits of education-economy proper are derived from investments generated through taxation in education.

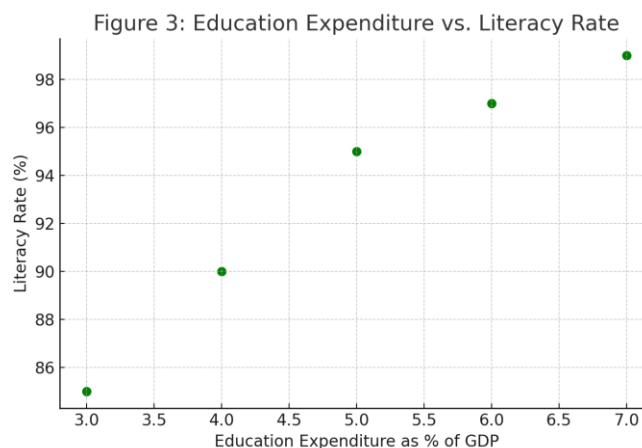


Figure 3: Education Expenditure vs. Literacy Rate

VI. RESULTS

The contribution of direct taxation to government revenue is vital, and it also sends signals to economic policy-making, either indirectly through tax reform or directly as a component of fiscal policy. Individual income and corporate tax are principal aspects of what and how a government assumes and regulates financial responsibilities and tax-compliance indicates individuals' or businesses' adherence to legal practices. The process of progressive taxation intends to provide a balance to wealth redistribution, while tax avoidance and evasion often presents an even greater issue, which affects the state of the economy, not just at the fiscal level

but at a broader economic level. Good tax policy is necessary for a balanced economy and for economic development and growth by allowing businesses to operate better with sound financial regulation.

Governments generally spend a great deal of time establishing and revising fit-for-purpose tax policy to improve efficiency as well as minimize loopholes in the system that often creates revenue losses for local and state economies. Further, the role of direct taxes impacts each section of the economy by impacting individuals' or businesses' investment decisions, business expansions, or limitations in growth, and overall impacts to the economy. Public trust is an important element of a sound taxation system that leads to an increase in voluntary compliance from taxpayers which ultimately improves the financial ability of the state.

On another note, direct taxes serve as a means of income redistribution that limits the gap between the rich and poor and can enhance subsidies to social welfare programs. Governments can create a more equitable taxation system when assuming higher tax rates for high-income earners to generate capital funding to service public needs such as healthcare, education, and other economic development.

VII. CONCLUSION

Well, here is a summary of the findings of the study: Optimized taxation policy relates to the Sustainable Development Goals in India. On the basis of the above study, it is concluded that the existing tax regime places heavy burdens on low-income households via indirect taxes, which are considered regressive. Direct taxes, owing to various persisting loopholes, often suffer evasion and run the risk of dilution in their potency. Progressive reforms in taxation aimed at widening the base of direct taxation so that high-income earners and corporations fairly share a burden in alleviating poverty and establishing an equitable society have become imperative.

Gender-sensitive tax measures, with a particular focus on tax incentives and childcare credits to the best extent possible, would economically empower women and work toward income equalization. Investment of tax revenues into learning and skill development would further support human capital development and, hence, long-term economic growth for society. Learning from successful mechanisms in other regions across the world, India can work toward establishing a more equitable and efficient tax system that alleviates poverty, furthers gender equality, and improves learning results. In synergy with various governmental departments, civil society organizations, and international development partners, the implementation of the reform would benefit immensely from collaboration among these stakeholders. Transparent tax administration, enhanced enforcement regimes, and embracing digital technologies could encourage greater compliance and reduce tax evasion. Continuous monitoring and evaluation would ensure that policies remain dynamic and respond to any changes following socioeconomic shifts in the country.

If implemented, the recommendations suggested will strengthen fiscal resilience in India and open doors to a more inclusive society. This will ensure alignment of the nation's fiscal strategy with sustainable developmental objectives. Assessment and reform shall remain continuous to ensure the country follows through on this commitment and yield results by 2030. The final destination is a robust, yet equity-oriented, tax policy cementing India's path to equitable and sustainable development.

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