

A Study on Tax Structure and Economic Condition of BRICS Countries

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Abstract: *The tax structure of any country plays an important role in boosting the country's economy and increasing revenue. All over the world, each country has a different tax structure policy for increasing the revenue of a particular country. BRICS is a group of developing countries that play an important role in boosting the world economy. In this research article, the researcher tries to figure out the GDP growth, and economic condition of BRICS countries. In this research article, the researcher finds out that India is the faster-growing country in BRICS country and BRICS country, GST is applicable in India only, other BRICS countries used VAT for transfer the goods and services, researcher define that BRICS countries give a big contribution in world GDP.*

Keywords: BRICS Countries, Tax Structure, Tax Rate, economy, GDP Growth

1. Introduction

The term TAX means estimation. The government of any country collects taxes through eligible taxpayers to increase revenue and boost the economy of that particular country. Tax is a liability of the taxpayer. Any country's government collects a tax to develop the country. Each country's tax structure is based on its tax policies, and each country has a different tax structure and policies.

Taxes play an important role in increasing a country's revenue and also helping to develop the respective country. A good tax structure helps a country to strengthen its economy in the global economy.

Any country's tax structure is based on the direct tax structure, indirect tax structure, or both. The government of any country is collecting the tax through fixed tax structure policies to provide services, facilities, or a developed or secured society for their country's citizens.

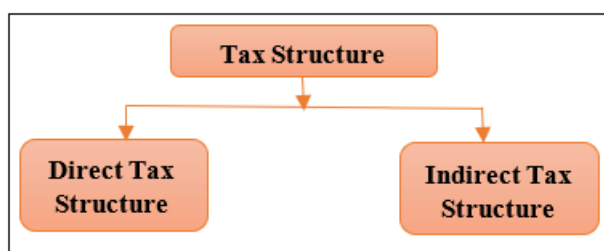


Figure 1: Tax Structure

BRICS

The BRICS is an organization of 5 developed and developing countries i.e. Brazil, Russia, India, China, and South Africa. The BRICS is an international institution for supports developing countries and making an equitable world. The main aim of the BRICS is to reduce the dependency on American Dollar, reform the financial institutions, support sustainability development, enhance the economic corporation, promote peace in the world, promote securities, also promote the development of the whole world. According to O'Neill's report published by Goldman Sachs in 2001, the BRICS member is growing faster than developed countries.

History of BRICS

BRICS is an informal group of 5 developing and developed countries i.e. Brazil, Russia, India, China, and South Africa. Russia took the initiative to establish the BRICS organization. The first meeting was held in 2006 by Russian President Vladimir Putin in New York. In that meeting defense minister of India, and foreign ministers of China, Brazil, and Russia participated and gave attention to developing the various sectors such as economic, financial, cultural, and political sectors.

BRICS Member

After entering South Africa in the year of 2010 the BRICS has a group of a total of 5 countries Brazil, Russia, India, China, and South Africa. All five countries have different GDP growth, different tax structures, and different tax rates.

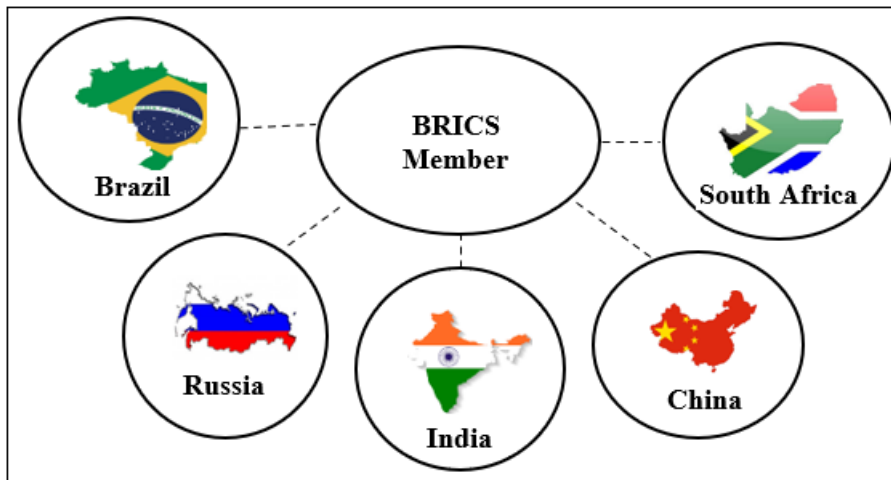


Figure 2: BRICS Member

Egypt, Ethiopia, Iran, and the United Arab Emirates members of BRICS in 2024, and Indonesia will join the BRICS in 2025.

BRICS summit

The BRICS summit is held every year, and the host country is change in every year and the chairmanship is also rotated every year. Host country is organized the BRICS summit.

Table 1: BRICS summit

Summit	Summit year	Host Country	Focus point
1.	2009	Russia	Discuss financial and economic issues from 2008 and focus on International financial institution reformation.
2.	2010	Brazil	Introduced the BRICS- intra-corporative institution, discussion on agriculture development, and also signed the cooperation memorandum is a sign between each country development bank. Give the advice for introduce the Think Tank.
3.	2011	China	South Africa joined the BRICS, discussed reforming the UNSC, and signed new venture in Africa.
4.	2012	India	Focus on establishment of BRICS bank for requirement of finance infrastructure, add some foreign policies, India give the idea for establish a new development bank.
5.	2013	South Africa	In this summit BRICS business council is established. The Think Tank was setup it's also known as eThekwni Declaration, and also propose the Contingent Reserve Arrangement (CRA) with the \$ 100 billion
6.	2014	Brazil	In 6 th summit of BRICS an agreement is signed related with the fund for sustainable development and infrastructure development projects.
7.	2015	Russia	In 7 th BRICS summit accept the proposal of CRA and new development bank agreements and also done the joint summit of Eurasian Economic Union (EAEU) and Shanghai Corporation Organization.
8.	2016	India	Successfully done the joint summit of Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Corporation (BIMSTEC)
9.	2017	China	Discussion on sustainable development agenda 2030 and also focus of discussion on emerging market and development countries dialog.
10.	2018	South Africa	In this summit main focus on 4 th industrial revolution and also done the discussion on climate change and sustainable development.
11.	2019	Brazil	The theme of 11 th BRICS summit is "Economic Growth for an Innovative Future." And BRICS is adopted Brasilia declaration.
12.	2020	Russia	The theme of 12 th BRICS summit is "BRICS Partnership for Global Stability, Shared Security and Innovative Growth"
13.	2021	India	The theme of 13 th BRICS summit is "BRICS@15: Intra-BRICS Cooperation".
14.	2022	China	The theme of 14 th BRICS summit is "Foster High-quality BRICS Partnership, Usher in a New Era for Global Development"
15.	2023	South Africa	The theme of 15 th BRICS summit is "BRICS and Africa: Partnership for Mutually Accelerated Growth, Sustainable Development and Inclusive Multilateralism"
16.	2024	Russia	The theme of 16 th BRICS summit is "Strengthening Multilateralism for Fair Global Development and Security."
17.	2025	Brazil	The theme of 17 th BRICS summit is not declare by the host country i.e. Brazil.

Source (byjus.com)

After analyzing the above summit, the BRICS continually focus on supporting economic development, generating more employment, and also focusing on social development.

2. Literature Review

Yadav (2008), the author of this study, discussed the FDI crises in BRICS countries and explained the financial crises of BRICS countries from 2008 to 2015. This study explained

the FDI inflows and FDI outflows in BRICS countries after the global financial crises and before the financial crises.

Wadhwa and Mishra (2018), explained the tax structure of BRICS countries and also defined the comparison of Indian tax structure with respect to other BRICS country's tax structures after the implementation of GST in India. In this paper, the authors said that India is making a good decision for GST implementation, and now India is growing. The purpose of this paper is to analyze the strengths and weaknesses of BRICS country's tax structure.

Nayyar and Singh (2018), in this research article author have highlighted the concept of GST in India, and also defined the GST tax rate of India as compared with other countries' economic positions. In this article author said that the GST affects all the sectors in India such as manufacturing, services, telecom, etc.

Agarwal (2018), in his study researcher, concluded that GST has a positive impact on all the BRIC countries, in this study author said that GST provides transparency in the Indian Indirect taxation System, and GST is easy to understand in all BRIC Countries. In this research article, the author explained the tax structure rate of BRIC countries and some other countries.

Ghugre and Katdare (2016), in this study authors, explained the tax structure of India as compared with other countries' tax structures and said that the if Indian state and central government work together the economy of India will grow faster, this research article authors were founded that GSP of India is not good, and the Indian tax rate is higher as compared with other countries taxation rate.

Lourdunathan and Xavier (2017), in this study authors, said that the GST is a great decision taken by the Indian government to improve the tax structure. This study defines the challenges faced by the Indian government at the time of implementation of GST and introduces the date of GST in all states all over India.

Brazil Tax Reform Overview

Brazil has a very complex tax structure after the implementation of traditional VAT in 1965. To reduce the complexity the Brazilian government has been trying to pass legislation since 1988, and the Brazilian government got success in the year 2023. Then IBS (Goods and Services Tax), CBS (Contribution Tax on Goods and Services), and IS (Selective Tax) taxes were introduced after replacing all the previous taxes. In 2027, the Excise tax will be added to those products which are not environmentally friendly. These new taxes do not cover the telecommunication and electricity sectors. After the analysis, the new tax will not be completely imposed up to 2033. (<https://www.trade.gov/market-intelligence/brazil-tax-reform>)

Russia Tax Reform Overview

Russia's government imposed the 3 levels of taxation such as federal, regional, and local taxes. The Federal tax covers the VAT, individual income tax, corporate profit tax, special tax regimes, and all other taxes, on the other hand, regional and

local taxes cover the assets. Regional tax is imposed on vehicle tax, corporate property tax, etc. whereas local tax is imposed on individual property tax and land tax. In 2019, the Goods and Service Tax (VAT) is 20% of the tax rate on the purchase of goods and services. In 2021 Russian government implemented a progressive tax of up to 13% or 15% on those taxpayers who earn over 5 million rubles. And non-residents pay up to 30% tax rate. For the first 183 days, the non-resident tax rate is 30%. And if you sign a 12-month contract then you reduce the tax liabilities. (<https://www.expat.com/ru/finance/taxes/taxes-in-russia-104125/>)

India Tax Reform Overview

India follows the progressive tax system and imposes mainly taxes i.e. direct tax, corporate tax, and Indirect tax. Direct tax is imposed on the income of individuals, corporate income, capital gain tax, property tax, and other taxes, whereas indirect tax is imposed in the form of GST (Goods and Service Tax). The corporate tax is levied on business in India, whereas the tax rate is 35% approximately. The government of India is reforming the indirect tax structure in the year of 1st July 2017 and implementing GST after replacing all the previous indirect taxes. Both taxes have different tax rates based on the income of the individual or corporation. In India, direct tax is imposed from 0% to 30% according to the income of the individual, and in India indirect imposed from 0% to 28 % in different sectors.

China Tax Reform Overview

In China, IIT (Individual Income Tax) is imposed on all resident and non-resident taxpayers. Tax Rate in China from 3% to 45%. Since 1994 VAT has been imposed in China, after the amendment from 2009 to 2023, the Chinese government is again passing the law related to VAT (Goods and Service Tax) on 25 December 2024 and it will be implemented on 1 January 2026 with the new tax rate i.e. 6%, 9% and 13%. (<https://www.china-briefing.com/doing-business-guide/china/taxation-and-accounting>)

South Africa Tax Reform Overview

South Africa's tax structure is a progressive tax structure which levied in 3 tiers i.e. national, provincial, and local levels. The tax rate under the direct taxation system lies between 18% to 45% based on the income of the individual, and the tax rate under the indirect tax structure lies between 0% to 15%. Now South Africa has a residence-based system. (<https://www.sars.gov.za/about/sars-tax-and-customs-system/>)

Objective of the Study

- To Study the tax structure of BRICS Countries.
- To evaluate the Tax Rate of BRICS Countries.
- To find out the GDP growth of BRICS Countries.

Methodology

In this study, research had done a descriptive analysis. The researcher collected the secondary data through various authentic sources such as the government's official website, international journals such as Scopus, science Direct, etc., books, newspapers, and many other authentic secondary data sources.

3. Result and Discussion

Researchers found the comparison of BRICS country's tax structure and also made the comparison between the tax rate,

GDP growth rate. The researcher defined the BRICS tax structure

Tax Structure of BRICS Countries

Table 2: BRICS Countries Tax Structure Detail

S. No.	BRICS Countries	Tax Structure Type	Tax reformed Year
1.	Brazil	Progressive tax system, income tax and VAT for good and service	2021(Proposal for reduce tax complexity)
2.	Russia	VAT as an indirect tax, corporate tax, flat income tax rate 13% to 15%	2020 (corporate tax reform)
3.	India	GST as an indirect tax, progressive tax system, corporate tax	2019 (cut the 15% corporate tax for new manufacturing companies)
4.	China	Corporate tax, VAT for indirect tax, income tax	2019 (higher exemption threshold)
5.	South Africa	VAT for indirect tax, income tax, corporate tax.	2020 (Corporate tax reform)

Source: Various authentic Website (worldwide-tax, GST council of India, SOVOS)

According to this table all BRICS Countries done the tax reform recently for update their tax structure. This table shown that Brazil and Russia are follow the Federal Tax and Indirect Tax structure. And India, China and South Africa taxation system is based on the Direct and Indirect Taxation System. But each country has a different tax policy for collecting a tax. And in BRICS Member only India is introduced the Goods and Service Tax (GST) tax in the year of July 1st 2017.

BRICS Countries Tax Rate

Table 3: Tax Rate in BRICS countries

Country Name	Income tax Rate	Indirect Tax Rate	Corporate Tax Rate
Brazil	0% - 27.5%	17% - 19%	15% - 34%
Russia	13% -15%	20%	15.5% - 20%
India	0% - 30%	0% - 28%	30% - 35%
China	3% -45%	6% - 13%	25%
South Africa	18% -45%	0% - 15%	27%

Source: IMF Data

According to this tax information, the BRICS countries continually change the tax rate for both types of taxes: income tax is also called a direct tax, which is collected by the country's government directly, and other taxes are indirect taxes, which are collected by the government indirectly. Each country has a different tax rate for growing its economy on an international platform.

(in billion U.S. dollars)

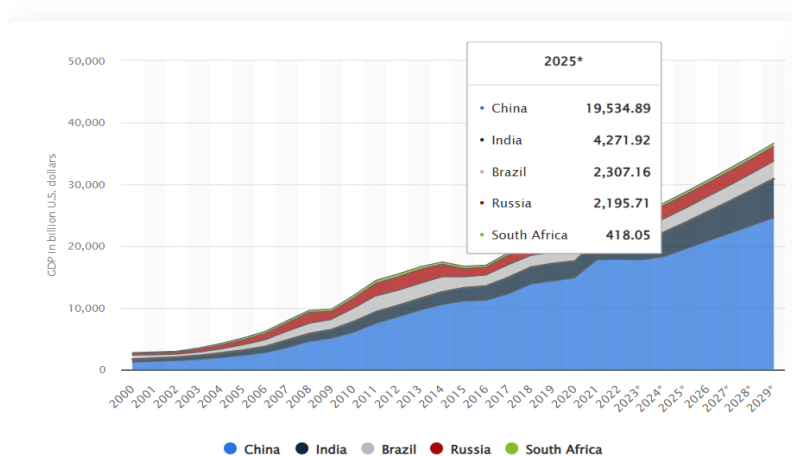


Figure 3: GDP of BRICS Countries

GDP of BRICS countries

Table 4: GDP of BRICS Countries

Country Name	2024 GDP	2025 GDP
Brazil	\$5453.82	\$5573.80
Russia	\$8310.69	\$8418.63
India	\$21928.78	\$23354.15
China	\$40973.30	\$42817.09
South Africa	\$1293.23	\$1312.62

Source – www.worldeconomics.com

After analyze the above data the China has a highest GDP of 2024 is \$40973.30 and GDP of 2025 is \$42817.09 as compare with other BRICS countries, and South Africa has the lowest GDP \$1293.23 in the year of 2024 and expected GDP is \$1312.62 in 2025.

Annual GDP Rate2024 of BRICS Countries

Country Name	GDP Rate2024
Brazil	2.20%
Russia	3.20%
India	6.80%
China	4.60%
South Africa	0.90%

Source: www.imf.org

Chart of BRICS countries GDP from 2000 to 2029 (expected)

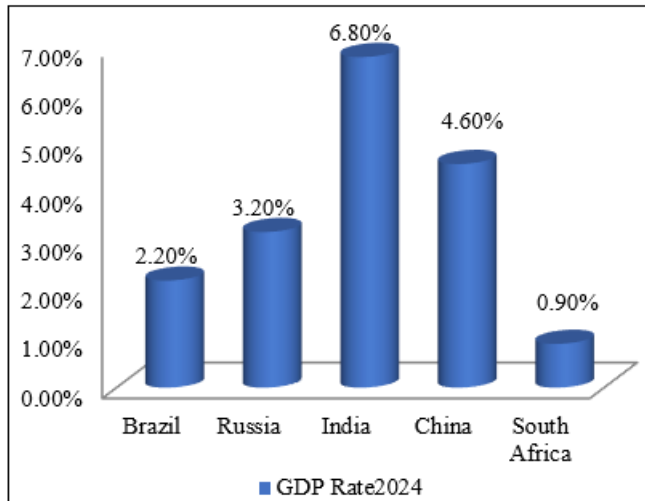


Chart 1: BRICS Countries GDP Growth Rate

Source: www.imf.org

The BRICS Countries are growing faster as compared with developed countries. All BRICS Countries are developing countries. Among all BRICS Countries comparison, India is the fastest-growing country nowadays. The BRICS Countries GDP Growth rate is good all over the world, and they developing our nation very quickly.

4. Finding of the Study

After the analysis of the above figure and facts, the researcher defined some key highlights such as –

- After joining new members (Egypt, Ethiopia, Iran, United Arab Emirates, and Indonesia), the GDP of BRICS is approximately 29% of the global GDP.
- The aim for establish the BRICS for social and economic development and also increase the job creation in respective countries.
- India is a faster faster-growing country as compared with other BRICS countries.
- India and Brazil levy the highest tax as compared with other BRICS countries.
- Russia levy the lowest tax on their taxpayers as compared with other BRICS countries.
- The BRICS countries expected GDP contribution is 37.3% of the world economy.

5. Conclusion

The BRICS Countries help to increase the economy of the world; In the BRICS group all the countries are not developed countries, in the year of 2010 South Africa joined the BRICS and in the year of 2024 BRICS joined the new member countries i.e. Egypt, Ethiopia, and Iran and the United Arab Emirates countries, and Indonesia is joining the BRICS in January 2025. According to the IMF report the BRICS economy is continually growing and is estimated at 37.3% of GDP contribution in the world economy, whereas China contributes 19.5%, and India contributes 8.23% in the world economy.

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