

Direct tax mop up emerges as bright spot for govt

Robust direct tax collection has come to the rescue of the government, after below target goods and services tax (GST) collections and a Rs. 105 billion hit in excise revenue after the duty cut. Direct tax collection, net of refunds, stood at Rs. 4.44 trillion in the first six months of the current financial year (2018-19 or FY19), 14 per cent higher than the corresponding period of the previous year.

This is in line with the Budget Estimates of 14.4 per cent growth in FY19. These collections in six months from 38.6 per cent of the annual budget estimate of Rs. 11.5 trillion. This is in line with the trend of six monthly collections in the last two years. So, the issue is if the pace does not increase, the government may not be able to make up for expected shortfall in the GST collections from direct taxes.

Tax collections, before refunds, rose 16.7 per cent year on year to Rs. 5.47 trillion in the first six months of 2018-19. Refunds were at the record level of over Rs. 1 trillion in the April-September period. Among the constituents of direct taxes, collection of advance corporate income tax showed an impressive growth of 16.4 per cent this year, riding over an 8 per cent growth in the last two years.

Experts have welcomed the data, pointing out that the worries to government finances are external. Pranav Sayta, partner and transaction tax leader, EY India, said: "While the overall growth in direct tax collections for H1 FY19 is encouraging, what is particularly inspiring is the steep increase in the growth rate in Corporate Advance Tax collections compared to last year." Overall advance tax collection was Rs. 2.1 trillion in the period, 18.7 per cent higher than the previous year. "It is pertinent to mention that gross collections of the corresponding period of 2017-18 also included extraordinary collections under the Income Declaration Scheme (IDS), 2016 amounting to Rs. 102.54 billion, which does not form part of the current year's collection," the Central Board of Direct Taxes said in a release.

The yoy growth in both personal as well as corporate income tax has been above 19 per cent. Adjusting for refunds, personal income tax collection grew by 14.9 per cent, while corporate income tax grew by 18.7 per cent. Corporate income tax had grown by a meager 1 per cent in April-June period for 2018-19.

The growth in direct tax collection has to be seen in tandem with the revival in gross domestic product growth, experts said. "Direct taxes collection has to be seen in the perspective of GDP growth, which in turn is influenced by internal and external economic and political developments. It goes to the credit of Indian economy that in spite of adverse external and internal developments healthy growth rate has been maintained," said SP Singh, partner at Deloitte India.

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