

Going after the non-filers: Personal I-T mop-up surges

While the economic slowdown hit corporation tax collection this year, personal income tax helped the government get the much-needed revenue. The growth in the latter category was aided by the massive exercise in sending notices to persons who'd high-value transactions but did not file their I-T returns.

Corporation tax collections rose only about 10 per cent this year. That from personal income tax is up by about 20 per cent, show the Revised Estimates (RE) in the interim Budget documents. In 2014-15, personal income tax receipts are projected to grow 27 per cent, against 14.5 per cent growth expected in corporate tax collection.

“For the past two-three years, personal income tax is showing a better growth. The drive against stop-filers and non-filers this year has helped further. It is being scaled up and that will help improve tax revenue,” a department official told Business Standard.

Last year, the finance ministry sent notices to 1.2 million Permanent Account Number (PAN) holders who'd not filed their returns. The exercise resulted in 536,220 people filing returns and paying self-assessment tax of Rs 1,018 crore and advance tax of Rs 898 crore. The department has now identified another 2.17 million potential non-filers. It has sent letters to 50,000 of these in the first batch and more will be sent during the year.

Another official said a reason corporate collections took a beating was battered manufacturing, which shrank the profit margins of India Inc. Personal income tax, on the other hand, mainly comprises salary income and as wages increased because of high inflation, so did the collections from this category.

According to the RE, corporate tax receipts will be Rs 393,667 crore this year, a shortfall of Rs 25,843 from the Budget Estimate (BE). Personal income tax receipts will fall short of the target by only Rs 5,948 crore, at Rs 241,691 crore. The gap will narrow further next year. The 2014-15 BE for corporate tax collection and personal income tax collection is Rs 451,005 crore and Rs 306,466 crore, respectively.

SHORING UP (tax collection in ₹ cr)							
	'12-13 Actual	'13-14 (BE)	'13-14 (RE)	Shortfall	'14-15 (BE)	Increase	(in %)
Corporation tax	356,326	419,520	393,677	25,843	451,005	14.56	
Income tax	201,486	247,639	241,691	5,948	306,466	26.80	
Wealth tax	845	950	950	0	950	0.00	
Total direct tax	558,657	668,109	636,318	31,791	758,421	19.19	

“The only way fiscal consolidation can take place is revenue augmentation. That will happen with increase in personal income tax receipts, made possible with the IT network

created by the department. The scope of leakage has been reduced,” said Devendra Pant, chief economist, India Ratings.

The 10 per cent surcharge on persons with annual income above Rs 1 crore also contributed this year. There were 42,800 people with such income and they contributed 20 per cent to the total personal income tax collections.

(Business Standard)