

Service tax collections pick up in January

Indirect tax collections achieve close to 70% of budgeted target

Service tax collections in January registered an year-on-year (y-o-y) growth of 8.3 per cent, compared to 5.2 per cent y-o-y growth in the previous month. Services is the biggest sector of Indian economy and service tax constitutes a major part of indirect tax collections.

Excise duty collections, another large contributor to indirect tax, showed a y-o-y growth of 8.7 per cent for the month of January, but it was lower than 17.2 per cent in the previous month. The two components helped the overall indirect tax collection show a growth of 7.4 per cent, giving the government a relief on the fiscal deficit front. Recently, the finance ministry and the revenue department had given out a mandate to tax officials to boost revenue collections, which were muted in the first three quarters.

“The highest revenue collection generally happens in the last quarter of the financial year,” said a tax official.

As in the previous month, the excise duty collection surged ahead of service tax; it is normally the reverse way, in that excise duties lag and service tax brings major numbers for the kitty. For the first 10 months of FY15, indirect tax collections — customs duty, services tax and excise duty - rose 7.4 per cent to Rs 4,27,882 crore compared to Rs 3,98,238 crore in the year-ago period.

The Budget has targeted 20 per cent growth for indirect tax realisation. With the latest number, 68.6 per cent of the target has been met, leaving 30 per cent of the targeted Rs 6,23,244 crore or Rs 2.45,596 crore to be realised in the final two months of FY15 (February and March).

Service tax collections have so far achieved only 60 per cent of the budgeted target as it is for the first time that service tax collections had been targeted to yield the highest revenue among indirect taxes to the exchequer.

According to experts, some of the strategies adopted by the revenue department are working for them and the tax collections are seeing a turnaround.

Customs collections have increased from Rs 1,42,835 crore during April-January in FY14 to Rs 1,55,248 crore during April-January in FY15 - a 8.7 per cent growth - achieving close to 77 per cent of budgeted target.

Central excise collections have achieved 68.3 per cent of the target.

(Business Standard)