

Personal I-T drives 40% rise in direct tax mop up

Centre collected over a third of direct tax target for FY23 in the April-July period

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NEW DELHI: The Union government has achieved over a third of the direct tax collection target for this fiscal year during the April-July period, with personal income tax collection exceeding corporation tax mop-up amid tightened enforcement and compliance measures, official data showed.

Overall direct tax collections, net of refunds, comprising corporation tax and personal income tax, grew by 40% in the four months up to July to ₹5 trillion, or about 35% of the full year's target of ₹14.2 trillion.

The robust tax performance will provide the government with additional spending muscle amid global uncertainty and tighter monetary policy regime, which could weigh on private investment and growth outlook.

Direct tax refunds rose 38% to ₹67,000 crore.

Robust collections are likely



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to help bridge gap caused by the shortfall in indirect taxes, particularly excise duty, as the government cut taxes on petrol and diesel to control spiralling retail prices following a spike in global crude prices.

Personal income tax collection at ₹2.67 trillion has exceeded corporation tax collection by ₹45,000 crore, posting a 52% growth over the previous year.

This comes despite the ministry of finance not extending the income tax filing deadline

beyond 31 July for the first time in nine years.

Government officials attributed it to tightened enforcement and compliance using technology, including the introduction of annual information statement (AIS) last year.

AIS gives a taxpayer a comprehensive view of financial transactions carried out during a financial year, including interest, dividend, securities transactions, mutual fund transactions and foreign remittances.

"We have seen a sharp

increase in self assessment tax mop up, which could be a result of the introduction of AIS and data collection from different source agencies," said a government official.

With that, the self-assessment tax, which is part of personal income tax, jumped 275% to ₹43,500 crore in the period up to July. Personal income tax has touched 38% of the FY23 budget target of ₹7 trillion.

Corporation tax collection rose 32% to ₹2.22 trillion. It is 31% of FY23 budget target of ₹7.2 trillion.

In 2021-22, corporation tax collection stood at ₹7.12 trillion, against ₹6.73 trillion in case of personal income tax.

Queries emailed to the central board of direct taxes and the finance ministry remained unanswered till press time.

Aravind Srivatsan, tax leader, Nangia Andersen LLP said the latest Q1 earnings season showed that most corporates delivered better profits due to pent-up demand, leading to higher advance taxes.

"Services sector has also witnessed significant pay hikes and job creation post pandemic, which could explain the tax growth phenomenon," Srivatsan said.

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The robust tax performance will provide the government with additional spending muscle

Nisha Seth & Gireesh Chandra Prasad
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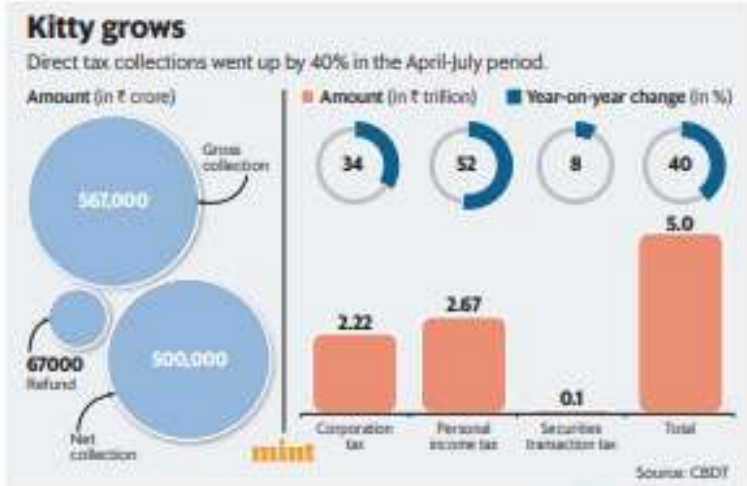
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Direct tax refunds rose 38% to ₹67,000 crore.

Robust collections are likely to help bridge the shortfall in indirect taxes, particularly excise duty, as the government cut taxes on petrol and diesel to control spiralling retail prices following a spike in global crude prices.

Personal income tax collection at ₹2.67 trillion has exceeded corporation tax collection by ₹45,000 crore, posting a 52% growth over the previous year. This comes even as the ministry of



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Aravind Srivatsan, tax leader, Nangia Andersen LLP said the latest Q1 earnings season showed that most corporates delivered better profits due to pent-up demand, leading to higher advance taxes. "Services sector has also witnessed significant pay hikes and job creation post pandemic, which could explain the tax growth phenomenon," he said. The Indian economy is likely to have grown in double digits in the June quarter led by a strong rebound in consumption, recovery of the services sector, and a low base of last year. Recovery in contact-intensive services like travel, tourism, etc after receding of the pandemic and withdrawal of lockdown conditions in several states have contributed positively to jobs availability, reflecting in personal income tax collections.

Sudhir Kapadia, partner at EY, said the income tax department's AIS that reminds taxpayers about transactions in a particular financial year is a key factor enhancing compliance. He also said that the scope of taxes collected and deducted at source (TCS and TDS) has increased over the years and it has become an important source of tax revenue receipts. The government from July this year introduced a 1% TDS on virtual digital assets for transactions of more than ₹10,000. Securities transaction tax grew by 8% to ₹10,000 crore in the April-July period.

ROBUST PERFORMANCE

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INDIAN economy has grown in double digits in Q1 led by strong rebound in consumption