A look at tax collections

What is the issue?

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- Widening tax net and increased tax collections are achievements of the recent government initiatives.
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- However, declining non-individual returns and rising cost of collections call for a closer examination.
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What are the recent developments?

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- Various policy measures have ensured bringing more people under the **direct tax net** in the recent past.
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- The number of **tax returns** filed recently went up by about 24.6 per cent.
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- The latest **direct tax collections** were marginally higher than that presented in the Revised Estimates in the last Budget.
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- **Personal income tax** collections rose by 21 %, compared to 8% in the previous year.
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- **Corporation tax** collections rose by 7%, compared to 6% in the previous year.
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- **Indirect tax** net is also getting wider because of a rise in the number of entities getting registered under the goods and services tax (GST).
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What are the points to be noted?

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- While individual tax returns went up, **returns filed by non-individuals saw a drop** of about 10 per cent during the same period.
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- This includes firms, companies, associations of persons, bodies of individuals and Hindu undivided families.
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- The drop could be due to -
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1. the crackdown on shady or non-operating companies, used largely for engaging in questionable transactions in post-demonetisation phase.
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2. the cancellation of over a million duplicate or multiple permanent account numbers has excluded a larger portion of the earlier tax filing firms.
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- **States** like Haryana, Karnataka, Tamil Nadu, West Bengal, Gujarat accounted for a considerable rise in tax collection in the post-demonetisation phase.
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- However, states like Maharashtra's and Delhi's growth in collections are much lower in percentage in comparison to the states above.
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- This is despite the fact that the two states together account for almost half of the country’s total direct tax collections.
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- Tax deduction at source and advance taxes as a share of total direct tax receipts of the Centre raises the question on the increased **cost of collections**.
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What is to be done?

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- Government has to analyse deeper into the reasons for 10 per cent drop in filing of returns by non-individuals and the disparity among states.
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- Also, the impact of GST on the tax net is to be seen in the long run.
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- With the spread of digitisation and technology, efforts to ensure lower tax collection cost is of importance.
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Source: Business Standard

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