



## A look at tax collections

### What is the issue?

\n\n

\n

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

\n

\n\n

### What are the recent developments?

\n\n

\n

- Various policy measures have ensured bringing more people under the **direct tax net** in the recent past.
- The number of **tax returns** filed recently went up by about 24.6 per cent.
- The latest **direct tax collections** were marginally higher than that presented in the Revised Estimates in the last Budget.
- **Personal income tax** collections rose by 21 %, compared to 8% in the previous year.
- **Corporation tax** collections rose by 7%, compared to 6% in the previous year.
- **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).

\n

\n\n

## What are the points to be noted?

\n\n

\n

- While individual tax returns went up, **returns filed by non-individuals saw a drop** of about 10 per cent during the same period.

\n

- This includes firms, companies, associations of persons, bodies of individuals and Hindu undivided families.

\n

- The drop could be due to -

\n

\n\n

\n

1. the crackdown on shady or non-operating companies, used largely for engaging in questionable transactions in post-demonetisation phase.
2. the cancellation of over a million duplicate or multiple permanent account numbers has excluded a larger portion of the earlier tax filing firms.

\n

\n\n

\n

- **States** like Haryana, Karnataka, Tamil Nadu, West Bengal, Gujarat accounted for a considerable rise in tax collection in the post-demonetisation phase.

\n

- However, states like Maharashtra's and Delhi's growth in collections are much lower in percentage in comparison to the states above.

\n

- This is despite the fact that the two states together account for almost half of the country's total direct tax collections.

\n

- 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**.

\n

\n\n

## What is to be done?

\n\n

\n

- 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.  
\n
- Also, the impact of GST on the tax net is to be seen in the long run.  
\n
- With the spread of digitisation and technology, efforts to ensure lower tax collection cost is of importance.  
\n

\n\n

\n\n

**Source: Business Standard**

\n



**IAS PARLIAMENT**  
*Information is Empowering*  
A Shankar IAS Academy Initiative