

## 'WE COULD PROVIDE RELIEF TO PEOPLE IF TAX BASE WAS WIDER'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

*It would be much easier for the government to provide relief to people if the tax base was wider, says Revenue Secretary Tarun Bajaj , noting that four crore people don't file returns though the tax department gets some TDS collections on their account. With customs duty rationalisation done and corporate tax settled, the government hopes to finish some pending reforms in personal income tax and GST, creating a stable tax regime for the next decade. Excerpts:*

### **How do you respond to rating agencies' concern about the lack of new revenue ideas in the Budget?**

The only new tax we have is the crypto tax. I don't know how much it will bring but the tax regime has been explained. We are hoping as the economy keeps recovering and GDP keeps growing, the revenues should come as the capex kicks in.

We are also better placed now on both, direct and indirect taxes, in ensuring compliance and getting information on tax payers. This Budget introduces certain clauses — if a person has not filed his return even for one year and has a TDS (tax deducted at source) of Rs. 50,000 in a year, that TDS will double. If you get a perk from a company which claims it as business expense, it must be added to the recipient's income. We have taken care of bonus, and dividend, stripping, tapped by high-income groups and corporates. So, we are looking at the lanes taxpayers are using and as we close that lane, he takes another. With all the information that we have, and are sharing with the taxpayer as we have no intention of giving him surprises or trouble him, our revenues should be fine. If you ask me what is the new tax, I don't want to tinker with my tax every year. That itself is not good and is complained about. I can't have my tax policy being dictated by rating agencies.

### **India's tax-to-GDP ratio has stagnated. Do we have a mid-term target and strategy to grow the tax base?**

We were at 9.88% in 2019-20, 10.11% in 2020-21. This year, I wouldn't be surprised if it touches 11%. That's significant. Tax-to-GDP cannot grow by 5% in a year. Compared with similar countries, this is not good and must improve, no doubt about it. Compliance is an issue... but now, we have a lot of information and are providing a facility to come within two years to pay your taxes. So, I think things should change in the next few years. The Income Tax department is thinking of where to track the expenditure that can be compared with incomes. Provisions like the TDS on luxury cars over Rs. 10 lakh, are to ensure that people know that we know. There are about four crore people in this country who don't file returns, but we collect TDS on something from them. It is much easier to give relief to people if the base is wide. When I look at the returns this year, this should improve this year... because we've also got more revenue from personal income tax. While the rich would have paid more, I presume the others also would have.

### **What was FM meaning when she spoke of aspiring to meet some challenges that still remain in the GST regime?**

The [high] GST collection data mentioned by the Finance Minister has come on account of the

economy, but also because of a lot of technology, policy and other reforms. This will continue on the IT front as we have so much more data. We have arrested more than 600 people since November 2020, because now we know [evaders] and when we check, they admit the problem. We have reached that level of technology where we are able to catch. The second aspect is basically saying there is a need to rationalise the GST and if you are able to do that in the next one year, if we have the will to do it, we would have set the taxation part in order. On customs, corporate tax, we've already done a lot. On personal income tax, some more tinkering may be required. So once we do this, then exemptions can go and we are home.

**Petroleum prices are on hold here even as they have gone up globally. Do you foresee another round of excise duty cuts?**

Let us see. The Economic Survey assumes \$70 to \$75 a barrel. If it remains around that, we can live with it. When we reduced the duty, it was \$83 or \$84 and now it is \$88. A lot of geopolitical issues are active and once they settle down, it should help.

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