

DIRECT TAX BASE WIDENS SHARPLY OVER 4 YEARS, COMPLIANCE RISES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Taxation & Black Money

The direct tax base has significantly widened in the last few years, according to new back series data released by the government.

The data showed a growth of more than 80% in the number of returns filed in the last four financial years from 3.79 crore in financial year (FY) 2013-14 to 6.85 crore (these figures include revised returns) in FY 2017-18.

Further, the number of persons filing income tax returns also increased by about 65% during this period from 3.31 crore in FY 2013-14 to 5.44 crore in FY 2017-18.

“Continuing the practice of placing key statistics relating to direct tax collections and administration in public domain, the Central Board of Direct Taxes (CBDT) has further released time-series data as updated up to FY 2017-18 and income-distribution data for assessment year (AY) 2016-17 and AY 2017-18,” the government said.

“There has been continuous increase in the amount of income declared in the returns filed by all categories of taxpayers over the last three assessment years,” the release added. “For AY 2014-15, corresponding to FY 2013-14 (base year), the return filers had declared gross total income of Rs. 26.92 lakh crore, which has increased by 67% to Rs. 44.88 lakh crore for AY 2017-18, showing higher level of compliance resulting from various legislative and administrative measures taken by the government, including effective enforcement measures against tax evasion.

“There may be four reasons for increase in the number of tax returns,” S.P. Singh, partner at Deloitte India said. “One, the effect of demonetisation, two, the increase in the use of information being collected digitally and being used by the tax department. Three, the movement towards digital assessment and decrease in the number of cases being picked up for scrutiny, and four, the ease of getting refund, majorly by small and medium taxpayers.

“The last two have reduced fear of the tax department among these sections of taxpayers,” Mr. Singh added. The data also showed that the direct tax-GDP ratio rose to 5.98% in FY 2017-18, the highest it has been in the last 10 years.

Further, the statement said that the overall number of taxpayers (including corporates, firms, and Hindu Undivided Families) declaring an income above Rs. 1 crore a year also saw a sharp growth over the three years under consideration.

“While 88,649 taxpayers disclosed income above Rs. 1 crore in AY 2014-15, the figure was 1,40,139 for AY 2017-18 (growth of about 60%),” the government said.

Income over Rs. 1 crore

“Similarly, the number of individual taxpayers disclosing income above Rs. 1 crore increased during the period under reference from 48,416 to 81,344, which translates into a growth of 68%.” The data also shows an improvement in the compliance of salaried taxpayers. During the four-year period under reference, the number of salaried taxpayers increased from 1.70 crore for AY

2014-15 to 2.33 crore for AY 2017-18, an increase of 37%. The average income declared by these salaried taxpayers has also gone up by 19% from Rs. 5.76 lakh to Rs. 6.84 lakh.

“During the same period, there has been a growth of 19% in the number of non-salaried individual taxpayers from 1.95 crore to 2.33 crore and the average non-salary income declared rose by 27% from Rs. 4.11 lakh in AY 2014-15 to Rs. 5.23 lakh in AY 2017-18,” said the government.

Sign up to receive our newsletter in your inbox every day!

Please enter a valid email address.

Our existing notification subscribers need to choose this option to keep getting the alerts.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

crackIAS.com