

Tax buoyancy jumps in first half of this fiscal

Boosted by improved tax administration, says finance ministry's mid-term review; 'govt's tax performance a success'

Tax collections, especially indirect tax receipts from excise and service tax, have shown a dramatic increase in buoyancy in the first half of the current fiscal on account of improved tax administration, the finance ministry's mid-term economic analysis said, calling Centre's tax performance a success.

The analysis, released by the Department of Economic Affairs, said the indirect tax buoyancy — the growth in receipts in proportion to the growth in the underlying tax base of the manufacturing and service sectors — was better in the first half of this fiscal compared with the average of the preceding three fiscals (FY13-FY 15). This, the analysis said, was in spite of stripping the revenue figures of the impact of the recent revenue-raising measures such as increase in excise duty on auto fuel.

Tax buoyancy for direct taxes went up to 1.5 and for indirect taxes to 1.7 in the April-September period this year, compared with the previous three-year average of 1 for direct taxes and of 0.9 for indirect taxes, respectively, the analysis said. It takes into account the increase in the tax base of both manufacturing and services in nominal terms. Buoyancy went up by 50-80 per cent for direct and indirect taxes taken together during April-September this fiscal.

Direct tax receipts have grown 9.6 per cent in the April-September period, against a full-year growth target of 13 per cent, while indirect tax receipts have grown 12.6 per cent against a full-year target of 19 per cent. Total tax receipts from Customs, excise and service tax during the April-November period this fiscal increased 34.3 per cent from the same period a year ago to Rs 4.38 lakh crore. Finance minister Arun Jaitley expects to mop up Rs 6.46 lakh crore from indirect taxes and Rs 7.97 lakh crore from direct taxes in FY16.

“Tax collections have been buoyant. That, plus the additional revenue measures (Swachh Bharat cess and recent increases in excise duty), will ensure that the central government's (fiscal) targets will be met,” said the analysis.

In order to raise revenues, the government raised excise duty on petrol by Rs 9.65 a litre and on diesel by Rs 7.97 a litre in six installments since November 2014, reducing the leeway oil marketing firms IOC, HPCL and BPCL have in passing on the fall in global prices to consumers. The two percentage point reduction in excise duty on consumer durables to 10 per cent and the 4-6 per cent cut in the duty on cars announced as a stimulus at the beginning of 2014-15 was also withdrawn last December.

The mid-year economic review for 2015-16 noted “potential measurement errors” in the estimation of GDP, especially in the “inappropriate” use of price deflators to derive real GVA in the services sectors, the use of volume indicators as proxies for real value added growth, and the role of indirect taxes in the calculation of the GDP at market prices.

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