



Increase in Direct Tax Collections

Why in News

India's direct tax collections in the first two and a half months (April - June) of **2021-22** stand at nearly **Rs. 1.86 lakh crore**, which is **double the collections over the same period of last year** that was affected by the national lockdown.

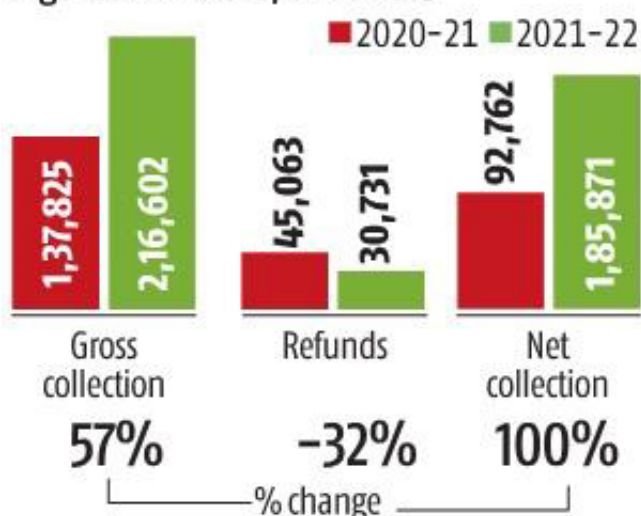
- The collections last year over the same period were Rs. 92,762 crore.



THE BIG JUMP

Direct tax collection

Figures in ₹ crore, till June 15



Breaking up gross direct tax collection

Figures in ₹ crore, for FY22

Advance tax	28,780
Tax deduction at source	1,56,824
Self assessment tax	15,343
Regular assessment tax	14,079
Dividend distribution tax	1,086
Tax under minor heads	490

Gross Direct tax collection **2,16,602**

Advance tax mop-up

2020-21

11,714

2021-22

28,780

% chg
146

Key Points

▪ Surge in Direct Tax Collections:

- It includes **Corporation Tax collections** of Rs. 74,356 crore and **Personal Income Tax inflows**, which include the **Security Transaction Tax** of Rs. 1.11 lakh crore.
- The jump in the direct tax collections **reflects healthy exports** and a **continuation of various industrial and construction activities**.
- It is expected that **GDP (Gross Domestic Product)** will record a **double-digit expansion** in **Quarter 1 of 2021-22**.

▪ Direct Tax:



- A direct tax is a tax that a person or organization pays directly to the entity that imposed it.
- An individual taxpayer, for example, pays direct taxes to the government for various purposes, including income tax, real property tax, personal property tax, or taxes on assets.

▪ **Corporation Tax:**

- Corporation tax is a direct tax **imposed on the net income or profit** that enterprises make from their businesses.
- Companies, both public and privately registered in India under the **Companies Act 1956**, are liable to pay corporation tax.
- This tax is **levied at a specific rate** according to the provisions of the [Income Tax Act, 1961](#).
- In September 2019, India slashed corporate tax rates **to 22% from 30%** for **existing companies** and to **15% from 25%** for new manufacturing companies.

- Including a surcharge and cess, the effective tax rate for existing companies now stands at 25.17%, down from 35%.

▪ **Security Transaction Tax (STT):**

- It is a direct tax **charged on purchase and sale of securities** that are listed on the recognized stock exchanges in India.
- Both purchaser and seller need to pay **0.1% of share value** as STT.

▪ **Advance Tax Collections:**

- Advance tax is **paid by those who have tax liability of Rs. 10,000 or more** in a financial year. It is **paid by both salaried and businesses**, thus including collections from corporate tax and personal income tax.
- Advance tax is paid as and when the money is earned **in four instalments** rather than at the end of the **fiscal year**.
- It is considered an indication **of economic sentiment**.
- The **first instalment** or 15% of the annual tax is to be paid by 15th June, the **second by 15th September (30%)**, the **third by 15th December (30%)**, and the rest by 15th March.

▪ **Dividend Distribution Tax (DDT):**

- **Dividend refers to the distribution of profits to shareholders** of a company.
- Thus, the dividend distribution tax is a type of tax that is payable on the dividends offered to its shareholders by the corporation.
- In the **Union Budget for 2020-2021** the **DDT was withdrawn from the tax paid by the dividend payer**. Instead, from April 2021 on, dividends would be taxed in the hands of the recipients, i.e. shareholders of the distributing company.
- The proposed rate is 10% for dividends paid to shareholders resident in India and 20% if paid to foreign investors.

▪ **TDS/TCS:**

- **Tax Deduction at Source:** A person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government.
- **Tax Collection at Source:** It is an additional amount collected as tax by a seller of specified goods from the buyer at the time of sale over and above the sale amount and is remitted to the government account.

▪ **Government Initiatives to Improve Direct Taxes:**

- **For Personal Income Tax** - The Finance Act, 2020 has provided an option to individuals and co-operatives for paying income-tax at concessional rates if they do not avail specified exemption and incentive.
- **Vivad se Vishwas:** Under [Vivad se Vishwas](#), declarations for settling pending tax disputes are currently being filed.

- This will benefit the Government by generating timely revenue and also to the taxpayers by bringing down mounting litigation costs.
- **Expansion of scope of TDS/TCS-** For widening the tax base, several new transactions were brought into the ambit of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS).
 - These transactions include huge cash withdrawal, foreign remittance, purchase of luxury cars, e-commerce participants, sale of goods, acquisition of immovable property, etc.
- 'Transparent Taxation - Honoring The Honest' **platform:** It is aimed at bringing transparency in income tax systems and empowering taxpayers.

Source: TH

PDF Reference URL: <https://www.drishtias.com/printpdf/increase-in-direct-tax-collections>

