

Govt has its task cut out as direct tax, GST mop-up slows

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In April-Oct of FY20, direct tax collection at 38 per cent of BE; GST around 50 per cent

The Government will have to push hard to achieve the tax collection target for 2019-20, if the data presented in the Lok Sabha on Monday is any indicator.

During the first seven months of the current fiscal, the net collections from direct taxes and the Goods and Services Tax (GST) are 38 per cent and 49.21 per cent, respectively, of the Budget Estimates (BE) for the full fiscal year.

Anurag Singh Thakur, Minister of State for Finance, informed the Lok Sabha in a written reply that the BE for direct taxes for 2019-20 is Rs.13.35-lakh crore. Between April 1 and October 31, the net collection of direct taxes was Rs.5.18-lakh crore. This is little over 38 per cent of the BE while during the corresponding period of 2018-19, it was 44 per cent.

The tax collection growth rate needs to be more than 30 per cent per month for the rest of the fiscal year (November-March) to achieve the Budget target. As of now the rate of growth has been in single digit.

Corporate tax cut effect

Also, the government has already said that the corporate tax cut, announced on September 20, could result in revenue forgone of Rs.1.45-lakh crore. This makes double-digit growth in direct taxes collections imperative.

GST mop-up

On GST collection, the Minister said the actual net mop up for the Centre (CGST) was around Rs.3.26-lakh crore during the April-October period against the BE of Rs.6.63-lakh crore. This means the share of CGST alone should be more than Rs.67,000 crore a month during the remaining five months of the current fiscal. If the States' share is taken into account, then the average monthly collection should be more than Rs.1.10-lakh crore a month for the rest of the year, which is quite challenging.

Making Corporate India Comply

The big question is what will be the shortfall? Thakur's reply was that the shortfall or excess in collection of GST with respect to the BE, if any, is calculated only at the end of the financial year. But some experts believe the shortfall in tax collection could be more than Rs.2-lakh crore after taking into account the estimated Rs.1.45-lakh crore foregone on account of corporate tax rate cut.

One reason for the lower tax collection is the slowdown in the economy. Consumption is down affecting GST collection. Since profitability of the corporate sector has also been hit, this has resulted in low or no increment in salary for employees. This along with fear of job loss, experts said, had resulted in lower collection of both direct and indirect taxes.