Net Direct Tax Collection grows 21% in FY'25

STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

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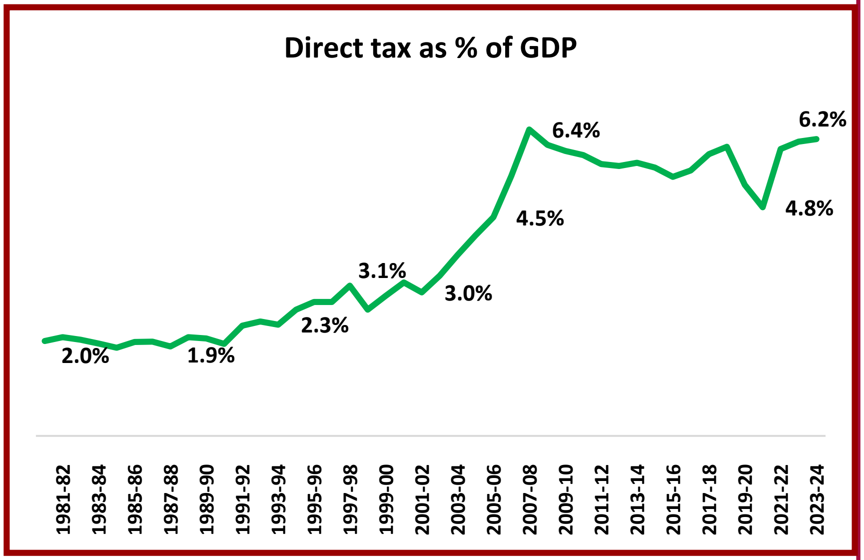
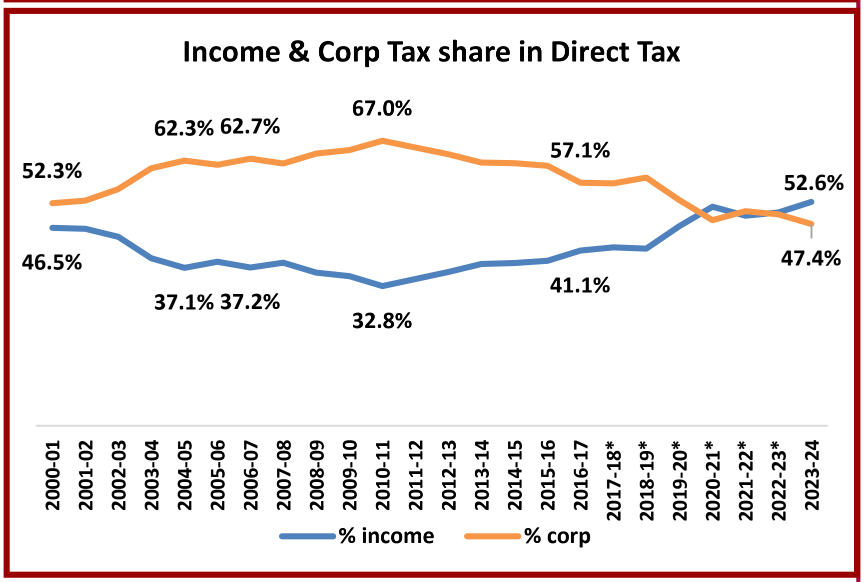
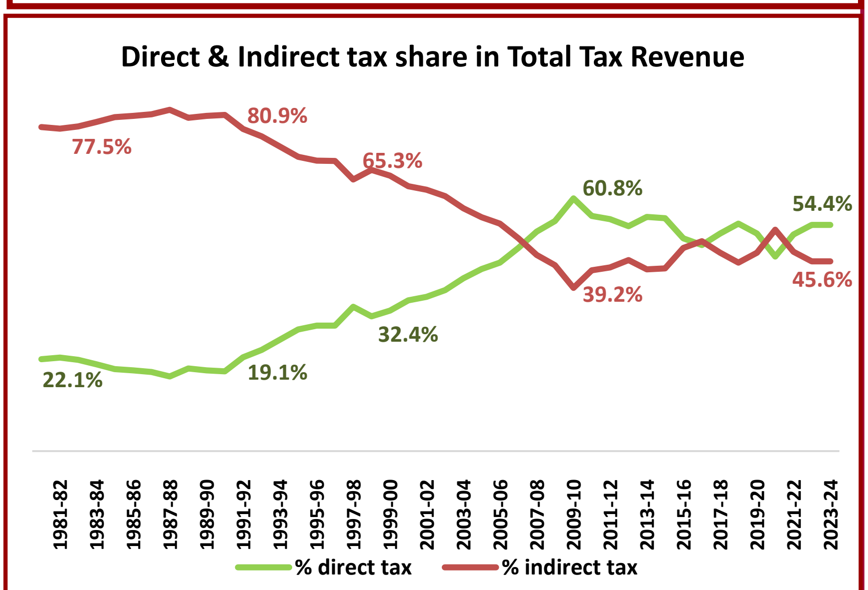
Central Govt. collected Rs.4.62 trillion in FY'25 so far







- A **robust growth in India's direct tax collections** witnessed for the financial year 2024-25, with **net collections increasing by 21%** on yearly basis to reach **Rs.4.62 lakh crores.**
- The **direct tax-to-GDP (Gross Domestic Product) ratio reached at 16 year high of 6.2%** at the end of FY'24. Previous highest of direct taxes-to-GDP ratio was 6.4% in 2007-08.
- The improvement in the **direct tax-to-GDP ratio is likely to remain a permanent fiscal buffer** for the government.
- The **share of income tax in direct taxes has increased in the past few years and that of corporate taxes has reduced.** The sharp fall in corporate tax after FY'19 can be attributed to the deep corporate tax cuts introduced by the ruling government in September 2019.
- Following are the reasons for surge in direct tax:-

✓ Increase in personal income levels

✓ Boost to corporate sector profitability amid low commodity prices.

✓ Effective use of technology, especially since 2021 and enhanced transparency around various sources of income generated both by individuals and by corporates

✓ Formalisation of the economy

✓ Expansion of scope of TDS & TCS

✓ Surge in digital transactions

- Over the past decades, the **share of direct taxes has surpassed the share of indirect taxes in total tax revenues**. This is good for the Indian economy as indirect taxes are regressive in nature.
- **India's tax buouancy stood at 1.4 in FY'2023-24.** Tax Buouancy of Indian economy has been continuously above 1 since past few years, signifying that growth in tax revenues was higher than the growth of GDP. This **implies that the tax system in India is efficient and tax base has widened.**
- There is a scope for **rationalisation in the corporate and personal income tax rates in the upcoming Budget** as it would not only attract foreign investors but would also propel local population to move towards tax compliance as non-compliance would increasingly become less attractive.