Gross tax receipts remain robust

Upward trend mainly due to spike in corporation tax mop-up

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FISCAL MATHS

Apr-Sept FY24 (in ₹trn)		Y-o-Y in %
Gross tax revenue	16.19	16.3
Net tax revenue (to centre)	11.6	14.6
Non-tax revenue	2.36	50.2

(as a % of BE)

	Apr-Sept FY23	Apr-Sept FY24
Total expenditure	46.2	47.1
Revenue expenditure	46.3	46.5
Capital expenditure	45.7	49.0
Fiscal deficit	37.3	39.0

BE: Budget Estimates
Source: CGA and Finance Ministry

India's gross tax receipts, comprising both direct and indirect taxes, increased by 16.3 per cent to ₹16.19 trillion on an annual basis in the first half (H1) of 2023–24 (FY24). This upward trend persists after August, primarily driven by a surge in corporation tax collections following a challenging start to the financial year.

During this period, net tax revenue reached ₹11.6 trillion, representing 49.8 per cent of the budgetary target, according to data released by the Controller General of Accounts on Tuesday.

Net tax collection amounted to 52.3 per cent of the previous year's annual Budget Estimates (BE) in 2022-23 (FY23).

In September alone, net tax revenue stood at ₹3.56 trillion. This is primarily attributed to a 26.6 per cent increase in corporation tax to ₹2.12 trillion and a 15.6 per cent rise in personal income-tax (I-T) to ₹91,247 crore.

"With a 27 per cent increase in corporation tax collections in September 2023, coupled with healthy advance tax inflows, nearly 49 per cent of the FY24 BE has been collected, which is an encouraging trend. Moreover, half of the personal I-T target for the financial year has been achieved in H1FY24," said Aditi Nayar, chief economist at ICRA.

Meanwhile, the Centre's fiscal deficit reached 39.3 per cent of the full-year target in the first half up to September, marginally higher than the 37.3 per cent recorded during the same period in the previous year. In absolute terms, the fiscal deficit (the gap between expenditure and revenue) widened to ₹7.02 trillion during this period.

The government aims to reduce the fiscal deficit to 5.9 per cent of gross domestic product (GDP) in FY24. The fiscal deficit for FY23 was 6.4 per cent of GDP, lower than the earlier estimate of 6.71 per cent.

On the expenditure front, the expansion in capital expenditure (capex) continued, with investments increasing by 43.1 per cent during April and September, reaching ₹4.91 trillion, which accounts for 49 per cent of the capex target.

Total expenditure reached ₹21.19 trillion, or 47.1 per cent of the BE for FY24, slightly higher than the 46.2 per cent recorded for FY23.

Of the total revenue expenditure, ₹4.84 trillion was allocated to interest payments and ₹2.06 trillion for major subsidies.

While tax devolution in September 2023 was in line with the previous month, it was 25 per cent higher than the level from a year ago.

The Centre's fiscal deficit reached 39.3% of the full-year target in the first half of this financial year, higher than 37.3% logged in year-ago period

The government has transferred ₹4.55 trillion to state governments as their share of taxes until September, which is ₹79,338 crore higher than the previous year. It's worth noting that these transfers to states reduce the Centre's net tax collections.

"The higher than budgeted dividend surplus transfer of ₹874.2 billion from the Reserve Bank of India is likely to provide some cushion to address any undershooting in other revenue streams, including disinvestment, or potential overspending in expenses relative to the respective BE, such as the Mahatma Gandhi National Rural Employment Guarantee Act and liquefied petroleum gas subsidy," the economist pointed out.