

# Direct tax mopup took a hit in Oct

Festival month saw 12% dip in direct tax revenue to ₹88,293 cr

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October this year, as always, fell in the festival season but that did not manifest in high tax numbers, particularly direct taxes.

For instance, corporation tax was down 16 per cent at ₹26,356 crore in the month year-on-year (Y-o-Y), while personal income tax fell 12 per cent at ₹61,937 crore.

This resulted in a decline of 11.9 per cent at ₹88,293 crore in direct taxes in the month.

As such, corporation-tax collection rose by just 1.2 per cent till October this financial year while the Budget has projected this tax to rise almost 12 per cent during FY25.

Personal income tax was up 16.8 per cent during the first seven months of FY25, which is much higher than the 13.6 per cent projected by the Budget for the year, show figures released by the Controller General of Accounts (CGA).

Direct taxes rose 11.1 per cent at slightly over ₹11 trillion during April-October on a yearly basis while the Budget has projected them to rise 12.8 per cent. In the previous year too, corporation-tax collection fell 13 per cent in October but then Diwali fell on November 13, which meant festivities were for a few more days. However, personal income tax rose almost 24 per cent in October in FY24.

Corporation tax was up 14.8 per cent till October last financial year, while personal income tax rose almost 24 per cent. Besides these two taxes, excise duty was down 12



## TAX BOOK

FY24 collection (in ₹ cr)

	Oct	Y-o-Y chg in%	Apr-Oct	Y-o-Y chg in%	
Corporation tax	30,686	-13	481,969	14.8	
Personal income tax	69,583	23.7	521,211	23.7	
Excise duty	25,457	-1.3	150,215	-9.3	
Overall taxes	215,247	-1.2	1,834,518	12.3	

FY25 collection (in ₹ cr)

	Oct	Y-o-Y chg in %	Apr-Oct	Y-o-Y chg in %	
Corporation tax	26,356	-16.4	487,862	1.2	
Personal income tax	61,937	-12.3	626,454	16.8	
Excise duty	22,724	-12	151,190	0.6	
Overall taxes	218,792	1.6	2,032,634	9.7	

Note: Individual taxes will not add up to overall taxes since all taxes are not given; Source: Controller General of Accounts

per cent in October this financial year. This led to a rise of just 0.6 per cent of excise duty till October whereas the Budget has projected a rise of 4.5 per cent for the year.

It should be noted that the decision of scrapping the windfall tax on crude oil, aviation turbine fuel (ATF), petrol, and diesel exports would further impact excise duty collection unless lower tax raises consumption.

Overall tax collection was up only 1.6 per cent in October against a fall of 1.2 per cent in the previous year's same month. The mopup rose 9.7 per cent in the first seven months this financial year against the Budget projection of 10.8 per cent for the entire year.

Amit Maheshwari, partner at tax and consulting firm AKM Global, said the economy was visibly slowing, which was reflect-

ed in the gross domestic product (GDP) numbers. "Corporate results and the guidance provided have further confirmed this," he said.

Maheshwari, however, said this seemed to be more of a cyclical slowdown rather than a structural one and should go on for the next few quarters. "This has led to a decline in corporation-tax numbers and we expect tax collection to remain low, considering the slowdown in the economy," he said.

With government spending expected to rise, the trend might reverse after a few quarters, Maheshwari said.

GDP growth fell to a seven-quarter low of 5.4 per cent during July-September this financial year.

Experts, however, caution interpreting this data. For instance, ICRA Chief

Economist Aditi Nayar said it might not be appropriate to correlate trends in October for direct taxes with the festival season.

"In particular, this tends to be a month with a very small base for corporation tax and trends related to the release of arrears could distort Y-o-Y growth."

Growth in GST collection in November (for the transactions in October) might provide a better benchmark, she said.

Gross GST collection grew 8.5 per cent to over ₹1.82 trillion in November year-on-year, while net GST mopup, after adjusting for refunds, increased 11 per cent to ₹1.63 trillion. However, both gross GST and net GST declined compared to ₹1.87 trillion and ₹1.68 trillion in October, respectively.

Experts attribute this to the tendency of companies to pay arrears in the last month of a quarter.