

Tax-GDP ratio at 15-yr high during FY23

Tax buoyancy falls compared to FY22

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The share of direct taxes in gross domestic product (GDP) rose to a 15-year high of 6.11 per cent during 2022-23 (FY23), but their buoyancy fell to 1.18 from 2.52 in the previous year, according to official data released on Tuesday.

This means that while the tax-to-GDP ratio registered a record high during FY23 since 2008-09, the economic growth at current prices could not result in as high a rise in direct tax collections during the year as witnessed during 2021-22 (FY22).

However, direct tax collections rose higher than economic growth during FY23. While nominal GDP rose 15.11 per cent during the year, direct tax collections rose 17.79 per cent, revealed data released by the Central Board of Direct Taxes.

A year earlier, nominal GDP grew by 19.51 per cent, but direct tax collections rose by 49.12 per cent. Thus, direct taxes grew at a rate which was 2.52 times the GDP growth rate in nominal terms.

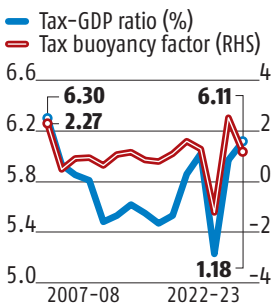
Direct taxes rose by 160.52 per cent to ₹16.64 trillion during the concluding year of the Narendra Modi government 2.0 (2022-23) over ₹6.38 trillion during the last year of the Manmohan Singh government 2.0 (2013-14).

On the other hand, gross direct tax collections registered an increase of more than 173 per cent at ₹19.72 trillion during FY23 over ₹7.22 trillion during 2013-14 (FY14).

Direct taxes contributed 54.62 per cent to the overall tax kitty during FY23 against 52.27 per cent in the previous year. However, this share was higher at 56.32 per cent during FY14. The decrease in contribution to direct tax col-



TAX BOOST



Source: CBDT

lections in the overall tax kitty could be attributed to robust goods and services tax (GST) collections during FY'23. However, subdued excise duty collections came in the way of the indirect taxes' share remaining less than half of the total tax kitty.

Central GST, the main segment of GST collections on Union government books, rose 21.53 per cent at ₹7.18 trillion, while Union excise duty mop-up declined 18.37 per cent at ₹3.19 trillion during FY23 year-on-year.

Corporation tax at ₹8.26 trillion was slightly less than ₹8.33 trillion from personal income tax during FY23.

The cost of collections of direct taxes declined to 0.51 per cent, the lowest since 2000-01, the data showed. This implies that the administrative machinery to collect direct taxes has become more efficient over the years.