

- Reasons for faster increasing personal income tax compared to other taxes

Information Sharing Between Government Departments

One reason for the increase in personal income tax collection is the sharing of information between government departments. The income tax department can now estimate the income of a taxpayer by analyzing their GST returns. This has reduced the ability of taxpayers to evade taxes, resulting in higher tax collection.

GST Growth and Improved Tax Administration

GST collection has been growing at a faster pace than GDP, despite a lower tax rate. The average tax rate on all GST items is around 11.6%, and the effective rate is 11%. The use of improved tax administration, including artificial intelligence, has helped in predicting personal tax liability from GST resources. The broader tax base has resulted in higher tax collection despite a fall in tax rates.

Reasons for Decrease in Non-Tax Revenue

The non-tax revenue of the government has decreased as compared to the previous year. This can be attributed to the decrease in disinvestment receipts and loans received by the government. The government has not been able to meet its disinvestment targets due to reasons like administrative hurdles, lack of buyers, political pressure, and larger NPAs.

Reasons for Disinvestment Targets Not Being Met

One major reason for disinvestment targets not being met is the economic pressure to sell assets at a certain value. Market conditions determine the value of assets, and if they are unfavorable, the government may not be able to realize the expected value of the assets from the market. This is a real pressure that cannot be overcome by political or employee pressure. For example, if the government wants to sell SBI and reduce its ownership from 80% to 70%, but market conditions are not good, the price of SBI shares may drop, and the government will not be able to sell at the desired price.