

**Government of India  
Ministry of Finance  
Department of Revenue**

**LOK SABHA  
UNSTARRED QUESTIONS NO. 938  
TO BE ANSWERED ON FRIDAY, JULY 21, 2017  
ASHADHA 30, 1939 (SAKA)**

**REVENUE FORGONE**

938: SHRIMATI POONAM MAHAJAN:

Will the Minister of Finance be pleased to state:

- (a) the total amount of revenue that has been foregone as a result of tax incentives for Corporate sector, none-Corporate sector, individual taxpayers and charitable entities under the Central Tax System over the last fifteen years, State, category and year-wise;
- (b) whether the Government has devised a new methodology to calculate the revenue impact of tax incentives under the Central Tax system; and
- (c) if so, the details thereof?

**ANSWER  
MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SANTOSH KUMAR GANGWAR)**

(a):

**Direct Tax**

Revenue impact of direct tax incentives was laid before Parliament for the first time during Budget 2006-07 as Annex-12 of the Receipts Budget 2006-07 by way of a Statement of Revenue Foregone. Thereafter, it was placed every year before Parliament from Budget 2008-09 to 2014-15. From the year Budget 2015-16 onwards, it has been termed as the "Statement of Revenue Impact of Tax Incentives under the Central Tax System", since what is actually being analysed is the revenue impact. Therefore, amount of revenue impact of direct tax incentives has been estimated from financial year 2004-05 onwards and the figures for corporate sector, non-corporate sector, individual taxpayers is as below:

(in ₹ Crore)

<b>Financial Year (FY)</b>	<b>Corporate Income-tax</b>	<b>Non-corporate Income-tax</b>	<b>Individual Income- tax</b>
2004-05	57,852	N.E	11,695
2005-06	34,618	N.E	13,550
2006-07	45,034	3,013	29,130
2007-08	62,199	4,779	33,278
2008-09	66,901	4,354	33,216
2009-10	72,881	4,845	40,297
2010-11	57,912	6,173	30,653
2011-12	61,765	7,145	32,230
2012-13	68,720	5,909	27,627
2013-14	57,793	4,482	30,772
2014-15	65,067	4,320	49,206

2015-16	76,858	4,780	57,020
2016-17(P)	83,492	5,850	74,184

**N.E : Not estimated**

Under the Income-tax Act, Charitable trusts registered under section 12A/12AA have been completely exempted from tax subject to certain conditions specified in the Act. Revenue Foregone for such charitable trusts have not been estimated. Further no state or category wise details are maintained, however, section wise details of revenue impact of direct tax incentives is presented before Parliament with Budget every year in the form of document titled, "Statement of Revenue Impact of Tax Incentives under the Central Tax System. "

### **Indirect Tax**

The details of revenue foregone due to indirect tax incentives had been provided since Budget 2006-2007 (starting with actual figures for 2004-05) under the Receipts Budget.

The figures of revenue foregone due to indirect tax incentives during 2004-05 onwards of customs and excise duties is as below:

(in ₹ Crore)

<b>Financial Year</b>	<b>Customs</b>	<b>Excise</b>
2004-05	92,561	30,449
2005-06 (P)	127,730	66,760
2006-07	137,105	75,475
2007-08	153,593	87,468
2008-09	225,752	128,293
2009-10	1,95,288*	169,121
2010-11	1,72,740*	192,227
2011-12	236,852	195,590
2012-13	254,039	209,940
2013-14	260,714	196,223
2014-15	238,967	196,789
2015-16	69,259	79,183
2016-17 (P)	77,978	76,844

P- Provisional

\*Customs duty foregone less export credit related

(b) & (c):

### **Direct Tax**

No, there has been no change of methodology to calculate the revenue impact of direct tax incentives under the Central Tax System.

## **Indirect Tax**

Till Budget 2016-17, revenue impact of tax incentives on customs and central excise side was estimated by taking into consideration the effective rate prescribed under any exemption notification, conditional or unconditional, vis-à-vis the tariff rates prescribed under the First Schedule to the Customs Tariff Act, 1975 and Central Excise Tariff Act, 1985 respectively or under the Finance Act concerned. It had been observed that the above methodology resulted in over estimation of revenue impact of tax incentives, as it treated unconditional and conditional exemptions alike.

During the Budget 2017-18, methodology to calculate the revenue impact of tax incentives on the customs and central excise side has been modified wherein, the rates imposed by unconditional notifications have been considered as de facto tariff rates. Accordingly, the revenue impact of tax incentives in central excise, has been estimated as the revenue foregone on account of conditional exemptions which granted reduced rates vis-a-vis the tariff rates (prescribed by Central Excise Tariff Act, 1985) or the de-facto tariff rate (prescribed by unconditional notifications) and the revenue implication of tax incentives on the customs side has been calculated as below,-

- (a) Sum total of revenue impact of tax incentives for all the chapters has been calculated from EDI data (after making corrective adjustments);
- (b) From the sum total, the revenue impact of tax incentives captured in the EDI on account of certain duties which are no longer levied viz. Additional Duty on Goods of Special Importance [GSIA] (exempt from March, 2006), Additional Duty on Textiles and Textile Articles [TTA] (exempt from July, 2004) and Special Excise Duty [SED] (exempt from March, 2006) has been deducted;
- (c) From the amount arrived at (b) above, the total BCD and CVD impact of account of unconditional exemptions and exemptions for FTAs/PTAs/ITA has been reduced.
- (d) The revenue impact of tax incentives ascertained at (c) above for all the chapters has been extrapolated so as to reflect both EDI and non-EDI clearances.
- (e) From the amount arrived at (d) above, the revenue impact of input tax neutralization schemes for exports has been deducted to arrive at the final revenue impact of tax incentives.

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