

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

**LOK SABHA
UNSTARRED QUESTION NO. 295
TO BE ANSWERED ON MONDAY, FEBRUARY 5, 2024
MAGHA 16, 1945 (SAKA)**

TAX TO GDP

295. DR. SHASHI THAROOR:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government plans to take any steps which would expand the tax base by including the informal sector in the taxable base;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government is planning to take any steps to increase the Tax to Gross Domestic Product (GDP) growth of India; and
- (d) if so, the details thereof ?

**ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a) to (d) : The Government has undertaken several steps to boost tax collection and expand tax base by curbing tax evasion, widening/deepening of tax base, promoting voluntary compliance by use of technology and promoting digital transactions.

Some of the steps taken by the Government are as follow:

Direct Tax

- (i) Simplification of the Personal Income-tax - Finance Act, 2020 provided an option to individual taxpayers for paying income-tax at lower slab rates if they do not avail specified exemptions and incentives. Finance Act, 2023 has further increased the scope and reduced the rates applicable in case of individuals by providing that with effect from assessment year 2024-25, the rates provided under section 115BAC(1A) of the Income-tax Act, 1961 (the Act) shall be the default rates.
- (ii) Reduction in the Corporate tax rate - Starting from the Finance Act, 2016, the corporate tax rates have been gradually reduced while phasing out the exemptions and incentives available to the corporates so as to increase the tax base. In order to promote growth and investment, the Government has brought in a historic tax reform through the Taxation Laws (Amendment) Act, 2019 which provided a concessional tax regime of 22% (plus surcharge & cess) for all existing domestic companies. Further, in order to attract investment in manufacturing sector, the tax rate for new manufacturing domestic company (incorporated on or after 01.10.2019 and which commences manufacturing on or before 31.03.2024) has also been reduced to 15% (plus surcharge & cess). In line with the Government's stated policy of removing exemption/deductions, these reduced rates are applicable for only those companies which do not avail exemptions/deductions. These companies have also been exempted from Minimum Alternate Tax (MAT).

- (iii) New Form 26AS - This new form contains all information of deduction or collection of tax at source, specified financial transaction (SFT), and payment of taxes, demand and refund etc. Further, details of SFT data in the Form 26AS makes taxpayer aware about their transactions beforehand and encourages them to disclose their true income.
- (iv) Pre-filling of Income-tax Returns - In order to make tax compliance easier pre-filled Income tax Returns (ITR) have been provided to individual taxpayers. The scope of information for pre-filling includes information such as salary income, bank interest, dividends, etc.
- (v) Updated Return - Section 139(8A) of the Act facilitates the taxpayer to update his return anytime within two years from the end of the relevant assessment so that he can file an updated return by voluntarily admitting omissions or mistakes and paying an additional tax as applicable.
- (vi) e-Verification Scheme- e-Verification Scheme launched by the Department is another component of the digitalized tax administration, to enable the authorities to collect information for the purpose of accurate and comprehensive determination of income of a taxpayer to reduce tax evasion. Through this Scheme, the taxpayers are provided all the relevant financial information pertaining to them, collected from various sources.
- (vii) Simplification of compliance norms for Start-ups - Start-ups have been provided hassle-free tax environment which includes simplification of assessment procedure, exemptions from Angel-tax, constitution of dedicated start-up cell.
- (viii) Setting up of Dispute Resolution Committee (DRC)- For reducing litigation and to give an impetus to the dispute resolution for small taxpayers, Dispute Resolution Committee has been constituted. A taxpayer having taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh shall be eligible to approach the Committee. For ensuring efficiency, transparency and accountability, the procedure of the Committee will be conducted on a digital platform under the e-Dispute Resolution Committee Scheme, 2021.
- (ix) Expansion of scope of TDS/TCS - For bringing new tax-payers into the income-tax net, scope of TDS/TCS was expanded by including huge cash withdrawal, foreign remittance, purchase of luxury car, e-commerce participants, sale of goods, acquisition of immovable property, purchase of overseas tour program package etc.

Indirect Taxes

GST rates/ rate slabs applicable on goods and services are prescribed on the recommendations of the GST Council which is a constitutional body comprising representatives of states and centre. Based on the recommendations of the 47th GST Council, various exemptions on services such as services provided by operators of the common bio-medical waste treatment facility to a clinical establishment etc., exemption on hotel accommodation priced at less than Rs 1000 rupees per unit per day etc., exemptions and concessional rates on various products including e-waste, goods related to petroleum operations, scientific and technical instruments supplied to public funded research institutes, cheques, maps and hydrographic charts etc., were withdrawn thus expanding the tax base.

Similarly, 45th GST Council recommended to bring brick kilns under Special Composition Scheme with threshold limit of Rs. 20 lakhs as against the standard threshold limit of Rs 40 lakhs, with GST at the rate of 6% without ITC and GST rate of 12% with ITC would otherwise apply to bricks.
