

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3313
ANSWERED ON:13.08.2010
REVENUE GENERATION AND TRADE
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Will the Minister of FINANCE be pleased to state:

- (a) Whether the revenue received by the Government as income tax has not been in proportion to expansion of trade and industry in the country;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government has conducted any survey/inquiry in this regard;
- (d) if so, the details thereof; and
- (e) if not, the reason therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI. S. S. PALAMMANICKAM)

(a)&(b) Considering numerous factors affecting the chargeability and quantum of income chargeable to tax, such as exemptions/deductions allowed to specific trade/industry/area, special incentives/allowances to certain activities, relevant tax slabs(including surcharge) applicable to the particular years, global economic situation, rebates/deferrals/credits allowed etc; it is not necessary that the revenue received by the government as income tax is in proportion to expansion of trade and industry in the country.

However, the net direct collections have shown growth over a number of years, which is given hereunder:

Financial Year Net Collection of Direct Taxes (Rs. In crores)

2004-05 132771

2005-06 165208

2006-07 230181

2007-08 312213

2008-09 333828

Figures for tfae F.Y. 2009-10 are provisional.

Moreover, over a period of time, the rise in net direct tax collections has been consistently greater that the rise in the GDP. As a result, the contribution of Direct Taxes as percentage of GDP at current market prices has increased from 4.1 percent in F.Y. 2004-05 to 6. 11 percent (on advanced estimates) in F.Y. 2009-10.

(c) to (e) Considering the variety of factors affecting the Direct Taxes, it is not practically feasible to conduct comprehensive survey/inquiry in this regard. However, while formulating the budget proposal a `Statement of Revenue Foregone1` is drawn to estimate the likely impact of various proposals of the Finance Bill on the revenues for the next year.