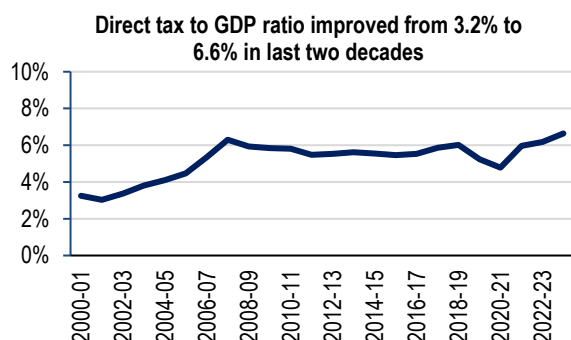


# Vital Stats

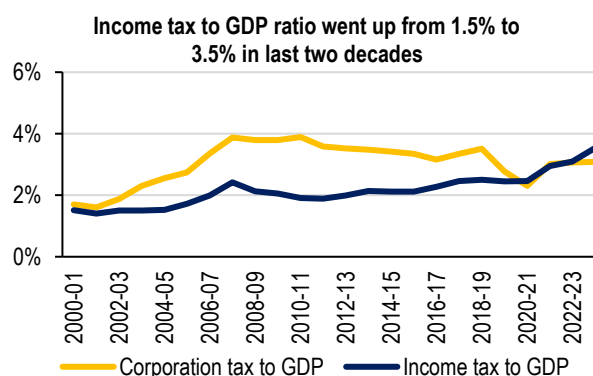
## Direct Taxes in India

The Income-Tax Bill, 2025 was introduced in Lok Sabha in February 2025. It seeks to replace the Income-Tax Act, 1961. In this context, this note looks at trends in collection of direct taxes, which includes income tax (paid by individuals) and corporation tax (paid by companies).

### Direct tax to GDP ratio has gone up, income tax collections have outpaced corporation tax



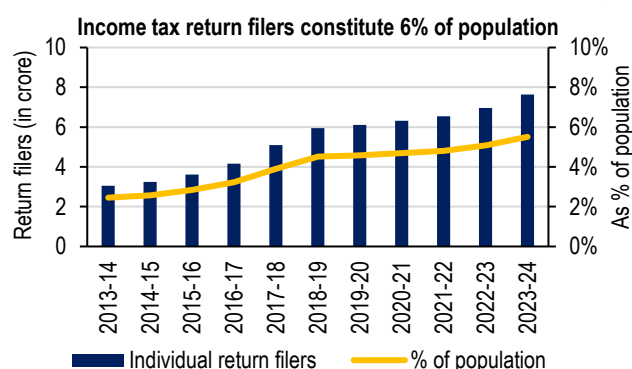
Sources: Time series data from FY 2000-01 to 2023-24, CBDT; PRS.



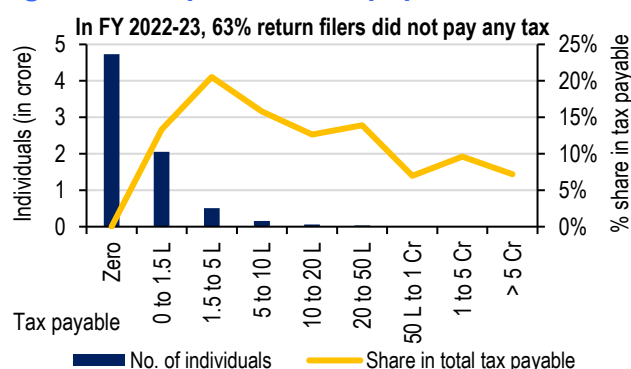
Corporation tax to GDP Income tax to GDP

- Between 2000-01 and 2023-24, corporation tax has grown at an annualised rate of 15% and personal income tax at the annualised rate of 16%. The contribution of income tax to the total direct tax has increased during this period. In 2023-24, it constituted 53% of the total direct taxes, up from 47% in 2000-01.

### Number of individual return filers has risen, though still comprises 6% of population



Sources: Time series data from FY 2000-01 to 2023-24, CBDT; PRS.

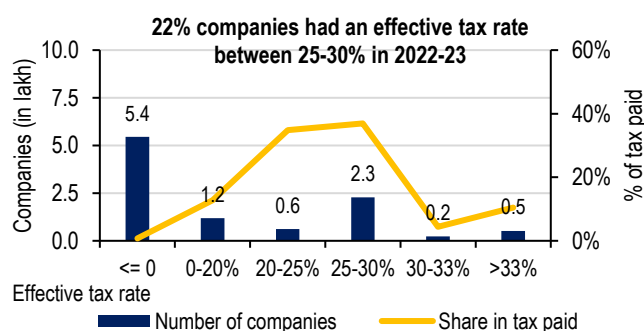


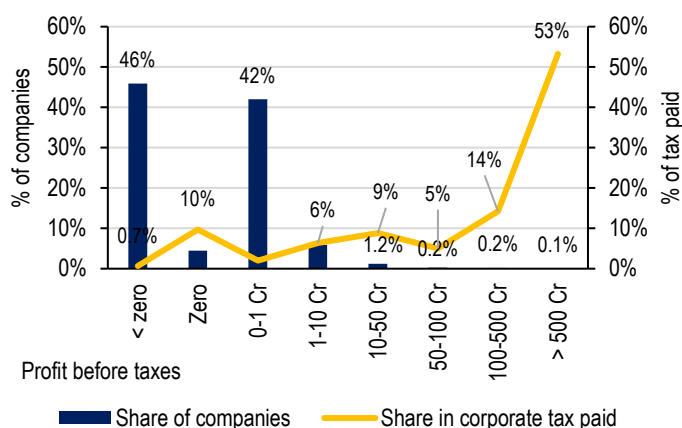
Sources: Income tax return statistics, AY 2023-24, CBDT; PRS.

- Between 2013-14 and 2023-24, the number of individuals filing income tax returns has grown at an annualised rate (CAGR) of 10%. Their share has grown from about 2% of population in 2013-14 to about 6% in 2023-24. However, majority of individuals who file income tax returns do not effectively pay any taxes. Of the 7.5 crore individuals who filed returns for financial year 2022-23, 63% (4.7 crore) had zero tax liability.
- In 2020, a New Income Tax Regime was introduced with fewer exemptions and deductions. The Finance Ministry has noted that for 2023-24, 72% of return filers opted for the New Regime. This figure may further rise with increased rebate announced in the 2025-26 Union Budget.

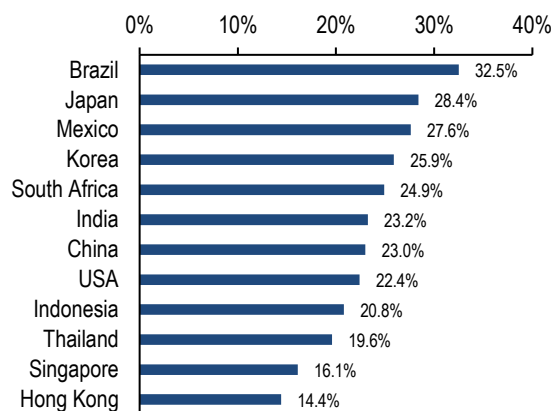
### Effective corporate tax rate 23%; 0.1% companies contribute more than 50% of corporate tax

- In 2019, base tax rate for existing companies was reduced from 30% to 25%. Companies may also avail exemptions and pay surcharges. As per the Union Budget, the effective corporate tax rate for 2022-23 was 23.2%. Companies accounting for 37% of tax liability had an effective tax rate between 25-30%.
- In 2022-23, of the 10.7 lakh companies, 743 companies (0.1%), which had a profit of more than Rs 500 crore, accounted for 53% of corporate tax paid.



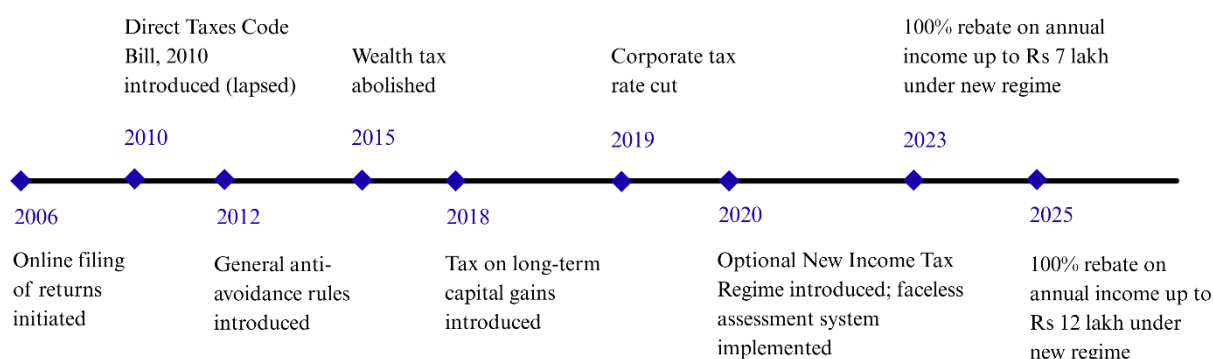
**0.1% companies accounted for 53% tax paid in 2022-23**

Sources: Receipt Budget, 2025-26, Ministry of Finance; PRS.

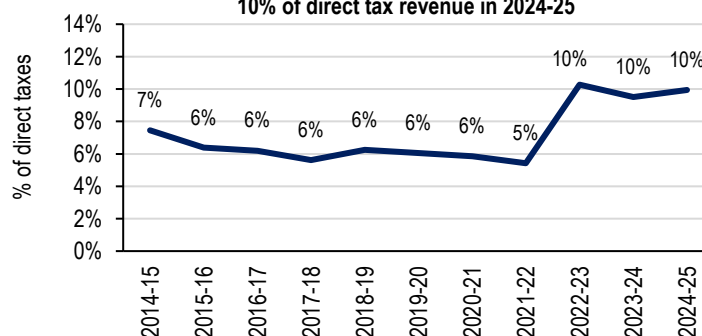
**Effective corporate tax rate (2022)**

Sources: OECD Database; PRS.

- The Economic Survey (2022-23) noted that measures such as simplified return filing and faceless assessment and appeal processes have led to higher compliance and efficiency in tax administration. Major changes and reforms in direct taxes are shown below:

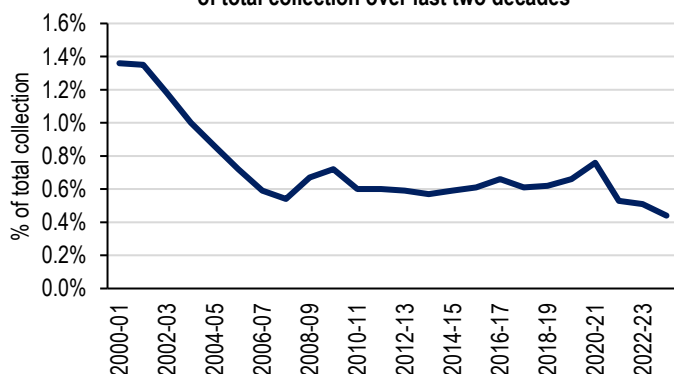
**Share of cesses and surcharges has risen in direct tax revenue**

- Between 2014-15 and 2024-25, the proportion of income from cesses and surcharges have grown from 7% of direct taxes revenue to 10%.
- Revenues from these cesses and surcharges do not come under the divisible pool of income that the Centre shares with states. Therefore, the Centre retains a larger proportion of the total direct tax revenue.

**Cess and surcharges estimated to make up 10% of direct tax revenue in 2024-25**

Note: Revised estimates have been used for 2024-25.

Sources: Starred Question No 231, Lok Sabha, March 17, 2025; Budget documents; PRS.

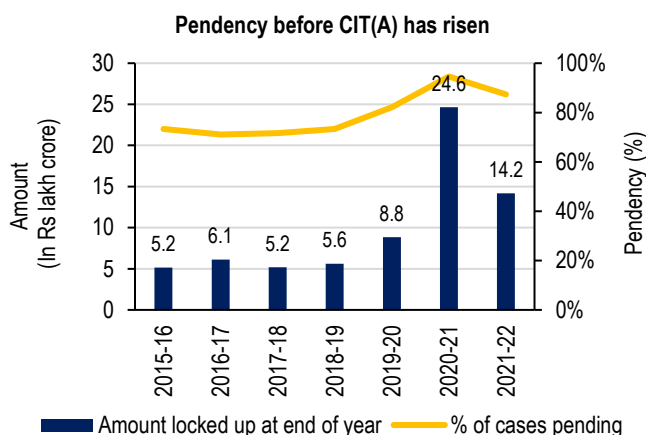
**Cost of collection has come down; voluntary compliance is improving****Cost of collection has reduced from 1.4% to 0.4% of total collection over last two decades**

Sources: Time series data from FY 2000-01 to 2023-24, CBDT; PRS.

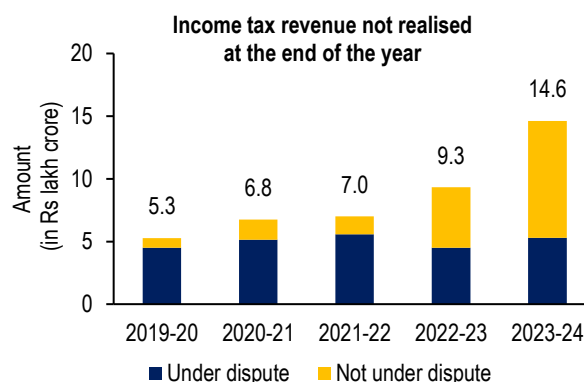
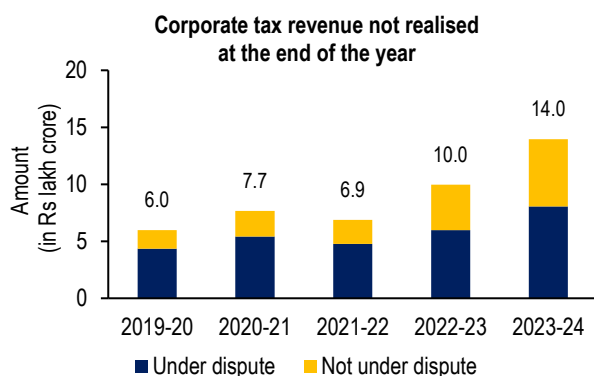
- Taxpayers are expected to self-assess and pay their taxes. Tax is also deducted while making payments (TDS) and collected at source (TCS).
- As of 2022, about 93% of income tax collection was at the pre-assessment stage. These involved collection through TDS, advance tax, and self-assessment tax. Further, 89% of corporate tax collection was during the pre-assessment stage, a rise from 2017-18 (83%).

## High pendency of income tax appeal cases, revenue remains locked up

- If a tax payee is not satisfied with their tax assessment, they may file an appeal before the Commissioner of Income Tax (Appeals) [CIT(A)]. In 2020, the Central Board of Direct Taxes introduced the Faceless Appeal Scheme for online filing and adjudication of these appeals. At the end of 2021-22, about five lakh (87% of appeals at the end of the year) were pending before CIT(A), with about Rs 14 lakh crore locked up in such cases.
- Further, one may challenge CIT(A) order at the Income Tax Appellate Tribunal. The Tribunal's order could be challenged before the High Court and the High Court order may be challenged in the Supreme Court. At the end of 2021-22, 51,567 appeals were pending before these Tribunals and the Courts with about Rs 6.6 lakh crore locked up.



## About 58% of unrealised corporate tax revenue in dispute, 20% for more than five years

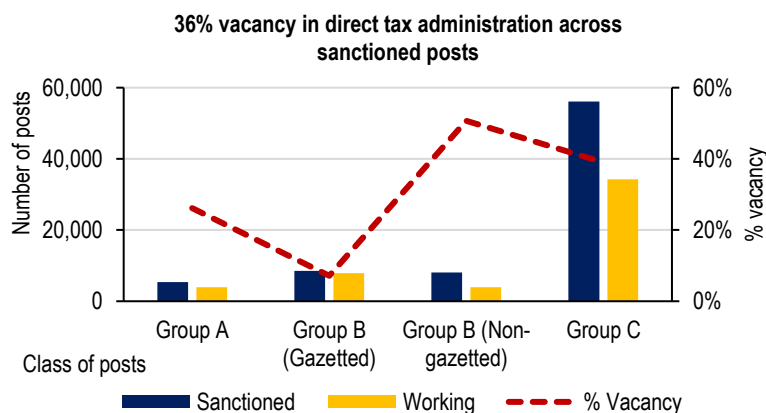


Sources: Receipt Budget, Union Budget documents for various years, Ministry of Finance; PRS.

- According to the Union Budget, as of 2023-24, there remained an unrealised revenue of about Rs 14 lakh crore in corporation taxes and Rs 14.6 lakh crore in income taxes. This refers to taxes that have been assessed but have not been collected due to dispute or otherwise. Of the corporation taxes, 58% of unrealised revenue was under dispute, while 36% of unrealised income tax revenue was under dispute.
- Of the unrealised corporation and income tax revenue under dispute, about 20% were under dispute for over five years. About 54% of unrealised corporation tax revenue and 48% of unrealised income tax revenue were under dispute for over two to five years. The CAG had observed that as of 2021-22, about 97% of arrears of demand had been classified as difficult to recover.

## 36% of sanctioned positions under direct tax administration vacant

- The Central Board of Direct Taxes (CBDT) is responsible for ensuring efficient direct tax administration through the Income Tax Department.
- As of September 2024, out of 78,032 sanctioned posts in direct tax administration, 27,963 were vacant. This amounted to a vacancy of 36%. The vacancies ranged from 8% in case of tax inspectors to 41% for tax assistants.



Sources: Second Report of Standing Committee on Finance on Demand for Grants (2024-25), Department of Revenue, December, 2024, Lok Sabha; PRS.

Note: In certain figures, crore and lakh have been abbreviated as Cr and L. Further, Financial Year and Assessment Year have been abbreviated as FY and AY respectively.

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