

## **Revenue foregone under the Central Tax System: Financial Years 2012-13 and 2013-14.**

The primary objective of any tax law and its administration is to raise revenue for the purpose of funding Government expenditure. The amount of revenue raised is primarily dependent upon the collective tax base and the effective tax rates. The determinants of these two factors are a range of measures which include special tax rates, exemptions, deductions, rebates, deferrals and credits. These measures are collectively called as 'tax preferences'. They have an impact on Government revenues and also reflect a significant policy of the Government.

The tax policy gives rise to tax preferences and such preferences can also be viewed as an indirect subsidy to preferred tax payers. Such implicit subsidy payments are also referred to as 'tax expenditures'. It is often argued that such implicit payments should appear as expenditure items in the Budget. The reason being that tax policy should not only be efficient but also transparent. This means that programme planning requires that policy objectives be addressed explicitly and transparent budgeting calls for inclusion of such outlays (tax expenditures) under the respective programme headings. Tax expenditures per se are spending programs embedded in the tax statute.

Tax expenditures can also be termed as revenue foregone. Tax expenditure or revenue foregone statement was laid before Parliament for the first time during Budget 2006-07 by way of Annex-12 of the Receipts Budget 2006-07. It was well received by all quarters and gave rise to a constructive debate on the entire gamut of issues concerning fiscal policy. It also lent credence to the Government's intention of bringing about transparency in the matter of tax policy and tax expenditures. The second edition of this statement was placed before Parliament during Budget 2007-08 by way of annexure-12 of the Receipts Budget and also by way of a separate budget document titled "Statement of Revenue Foregone". Thereafter, it was placed before Parliament during Budget 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14.

As in the earlier eight years, this Statement seeks to list the revenue impact of tax incentives or tax subsidies that are a part of the tax system of the Central Government. The revenue foregone on account of such tax incentives has been estimated in respect of most of the "tax preferences". The estimates are for financial year 2012-13, the most recent year for which data is available. However, an attempt has also been made to estimate the revenue to be foregone during financial year 2013-14 on the basis of the revenue foregone figures of the financial year 2012-13.

The estimates of the tax expenditures have been made on the basis of the following assumptions:-

- (a) The estimates and projections are intended to indicate the potential revenue gain that would be realised by removing exemptions, deductions, weighted deductions and similar measures. The estimates are based on a short-term impact analysis. They are developed assuming that the underlying tax base would not be affected by removal of such measures. As the behaviour of economic agents, overall economic activity or other Government policies could change along with the elimination of the specific tax preference, the revenue implications could be different to that extent.
- (b) The cost of each tax concession is determined separately, assuming that all other tax provisions remain unchanged. Many of the tax concessions do, however, interact with each other. Therefore, the interactive impact of tax incentives could turn out to be different from the revenue foregone calculated by adding up the estimates and projections for each provision.

The assumptions and methodology adopted to estimate the revenue foregone on account of different tax incentives are indicated at the relevant places in this Statement.

### **Direct Taxes**

The Income-tax Act, inter alia, provides for tax incentives to promote savings by individuals; exports; balanced regional development; creation of infrastructure facilities; employment; donations for charity and rural development; scientific research and development; and the cooperative sector. Accelerated depreciation is also provided as an incentive for capital investment. Most of these tax benefits can be availed of by both corporate and non-corporate taxpayers. This statement attempts to estimate the major tax expenditures or the revenue foregone in respect of the aforesaid sectors separately for : (A) Companies ; (B) Firms , Association of Persons, Body of Individuals etc and; (C) Individuals and HUFs. Details of entities engaged in activities having a charitable or a social purpose has also been given in Part (D). The heads under which the revenue foregone has been estimated are broadly similar for the companies and firms etc. However, in the case of individuals, certain other heads have also been included as these are specific to them only. The statement for the corporate sector also analyses the spread of effective tax rates for companies in different profit slabs. A sectoral analysis of effective tax rates has also been attempted.

#### **A. Corporate Sector**

Large business is mainly organised as companies. The Income-tax Department has received 618806 corporate returns electronically up to 31.3.2014 for the financial year 2012-13 [i.e. assessment year 2013-14]. Every company is required to file its

return of income electronically. These returns, therefore, constitute all corporate returns filed in the financial year 2013-14. These companies reported corporate tax payable as ₹.2,43,921 crore [inclusive of surcharge and education cess] for their income of financial year 2012-13. They also reported ₹ 19,996 crore as Dividend Distribution Tax payable during the financial year 2012-13.

For the purposes of estimating the tax expenditure, data pertaining to these 618806 companies<sup>1</sup> was culled from the database for analysis and is detailed in Tables 1 to 5 and Appendix to this statement. **Table 1** profiles these companies across profit ranges. The following facts emerge from an analysis of the data:-

- 334109 companies ( 53.99 % ) reported ₹ 10,87,160 crore as profits before taxes and a total income (taxable income)<sup>2</sup> of ₹ 7,49,901 crore for the financial year 2012-13.
- 250865 companies (40.54 %) reported ₹ 3,58,896 crore as losses.
- 33832 companies ( 5.47 %) reported Nil profit.

The **effective tax rate<sup>3</sup> of the entire sample was 22.44 per cent<sup>4</sup>** [as against the rate of **22.85** per cent reported in 2011-12] while the statutory tax rate was 32.445 per cent. Companies with profits before taxes [PBT hereafter] of ₹ 500 crore and above, accounted for a total of 61.28 percent of the total PBT and a total of 57.27 per cent of the total corporate income tax payable. However, their effective tax rate was 20.97 per cent, while the effective tax rate was 26.73 per cent for companies with PBT up to ₹ one crore. This rate of effective tax of 26.73 per cent for smaller companies, which is close to the statutory rate in companies, is the result of the gradual phasing out of profit linked deductions and the levy of Minimum Alternate Tax on companies. The effective rate for the entire sample of 22.44 per cent, is however, marginally lower than the effective rate of 22.85 per cent in the F.Y 2011-12. In addition to this, it is seen that the profile of companies in the data of 618806 companies indicates that the number of companies showing a loss has gone up from 184653 (37.34 per cent of the sample) in 2011-12 to 250865 (40.54 per cent of the sample) in 2012-13.

The ratio of total income to PBT is much higher (87.88 per cent) for companies with PBT up to ₹ one crore than that for the total sample (68.98 per cent). This is also reflected by the average effective tax rate of 26.73 per cent, being much higher for smaller companies. This indicates lesser deviance from PBT in the case of relatively smaller companies as compared to larger companies and that higher tax concessions are being availed of by the larger companies.

**Table 1: Profile of sample companies across range of profits before taxes  
(Financial Year 2012-13) (Sample size – 618806)**

Sl. No.	Profit Before Taxes	Number of Companies	Share in Profits Before Taxes (in %)	Share in Total Income (in %)	Share in Total Corporate Income Tax Payable (in %)	Ratio of Total Income to Profits Before Taxes (in %)	Effective Tax Rate (in %)
1.	Less than Zero	250865	0.00	0.44	0.44	-	-
2.	Zero	33832	0.00	3.21	2.05	-	-
3.	₹ 0-1 Crore	302637	3.02	3.70	3.59	87.88	26.73
4.	₹ 1-10 Crore	25029	6.89	7.64	7.78	79.34	25.33
5.	₹ 10-50 Crore	4657	9.27	9.47	9.64	73.16	23.33
6.	₹ 50-100 Crore	742	4.77	4.72	4.83	70.84	22.72
7.	₹ 100-500 Crore	772	14.77	14.01	14.40	67.90	21.86
8.	Greater than ₹ 500 Crore	272	61.28	56.81	57.27	66.36	20.97
<b>9.</b>	<b>All Companies</b>	<b>618806</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>68.98</b>	<b>22.44</b>

1 The sample size for financial year 2011-12 was 494545.

2 The term "total income", in income-tax returns, represents taxable income as would be implied in common parlance.

3 Effective tax rate in case of companies is the ratio of total taxes paid [including surcharge and education cess but excluding Dividend Distribution Tax] to the total profits before taxes [PBT] and expressed as a percentage.

4 Effective tax rate including dividend distribution tax was 24.27 percent.

**Table 2** profiles the sample companies across effective tax rates. 341382 companies with average effective tax rates upto 20 per cent accounted for 39.70 per cent of total profits before taxes, 17.83 per cent of total taxable income and 15.99 per cent of total taxes paid. In other words, a large number of companies (341382) i.e 55.16 per cent of the total companies contributed a disproportionately lower amount in taxes in relation to their profits. Interestingly, 33000 companies accounting for 4.19 percent of the total profits and 9.26 percent of the total taxes, had an effective tax rate greater than the statutory rate. This is apparently on account of certain expenses debited in profit and loss account being disallowable under the Income-tax Act. This shows that the tax liability across companies is unevenly distributed. This is primarily due to the various tax preferences in the Statute.

**Table 2: Profile of sample companies across range of Effective tax rates\***  
(financial year 2012-13) [sample size – 618806]

Sl. No.	Effective tax rate (in %)	Number of Companies	Share in Total profits (in %)	Share in Total Income (in %)	Share in Total Tax Payable (in %)
1.	Less Than Zero and Zero	307,632	10.20	0.55	0.44
2.	0-20	33,750	29.50	17.28	15.55
3.	20-25	18,688	15.16	15.06	15.30
4.	25-30	32,844	11.59	13.74	14.14
5.	30-33	159,060	29.36	41.78	43.26
6.	>33	33,000	4.19	8.38	9.26
7.	Indeterminate [PBT=0]	33,832	0.00	3.21	2.05
8.	<b>All companies</b>	<b>618,806</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

\* effective tax rate is inclusive of surcharge and education cess.

**Table 3** compares the effective tax rate of public companies [PSUs only] with that of private companies. While the rate is lower than the statutory rate for both categories, the private sector companies pay a slightly larger proportion of their profits as tax than the public sector companies.

**Table 3: Effective tax rate\* of sample companies in the public and private sectors**  
(financial year 2012-13) [sample size – 618806]

Sl. No.	Sector	Number of Companies	Share in total profits (in %)	Share in total tax payable (in %)	Effective tax rate (in %)
1	Public	227 <sup>#</sup>	26.71	25.59	21.49
2	Private	618579	73.29	74.41	22.78
	<b>Total</b>	<b>618806</b>	<b>100.00</b>	<b>100.00</b>	<b>22.44</b>

\* effective tax rate is inclusive of surcharge and education cess.

<sup>#</sup> Based on the information given by the assessee companies (as PSUs) in their respective returns.

**Table 4** shows a comparison between the effective tax rate of the manufacturing sector and the service sector in respect of the sample companies. The service sector has a higher effective tax rate of 23.71 per cent. as compared to manufacturing sector 21.10 per cent. Both the sectors have an effective tax rate that is well below the statutory rate of 32.445 per cent.

**Table 4: Effective tax rate\* of sample companies in the manufacturing and service sectors**  
(financial year 2012-13) [sample size – 618806]

Sl. No.	Sector	Number of Companies	Share in total profits (in %)	Share in total tax payable (in %)	Effective tax rate (in %)
1	Manufacturing	151875	48.79	45.89	21.10
2	Service	466931	51.21	54.11	23.71
	<b>Total</b>	<b>618806</b>	<b>100.00</b>	<b>100.00</b>	<b>22.44</b>

\* effective tax rate is inclusive of surcharge and education cess.

**Table 5** gives details of the major tax expenditures on corporate tax payers in terms of the revenue foregone during the financial year 2012-13 and 2013-14. The analysis is based on the corporate returns filed up to 31<sup>st</sup> March 2014, i.e. the returns filed in the financial year 2013-14. The tax foregone on each tax concession claimed by these companies has been calculated by applying the corporate tax rate of 32.445 per cent (inclusive of 5 per cent surcharge and 3 per cent education cess) on the amount of each deduction. The revenue foregone on account of accelerated depreciation, deduction/weighted deduction for expenditure on scientific research, and deduction for expenditure on eligible projects/schemes for social and economic uplift of the public, has been calculated by first determining the difference between the depreciation/deduction debited to the profit and loss account by companies and the depreciation/deduction allowable under the Income-tax Act. Thereafter, the corporate tax rate of 32.445 per cent has been applied to this difference to arrive at the revenue foregone figure.

Another aspect of revenue foregone is tax deferral. Tax deferral occurs when the taxpayer, on account of being allowed higher deductions under the tax statute is able to defer his tax liability by claiming an allowance (e.g. depreciation allowance) as a deduction over shorter time period whereas he may be spreading the same depreciation claim over a number of years in his own accounts. As depreciation does not entail cash outgo, this is a tax deferral. On the other hand, the Minimum Alternate Tax (MAT) on companies under the tax statute fastens a liability (for 2012-13, at the rate of 20 per cent inclusive of cess and surcharge on book profits), on the profit reported by the company to its shareholders (subject to some adjustments), if this liability is in excess of the tax liability computed at normal rates (for 2012-13, at the rate of 32.445 percent on taxable income). The excess liability on account of MAT is allowed as a credit (upto 10 years) in a subsequent year in which the normal tax liability is in excess of MAT. The additional tax paid on account of MAT is, therefore, an advance payment of future tax liability. It restricts the period of deferral of taxes on account of claims of depreciation and moderates the tax foregone on other deductions such as profit linked deductions by spreading the same claim over a longer period of time.

Based on the revenue foregone figures for financial year 2012-13, the revenue foregone for the financial year 2013-14 has been projected. The estimation for 2013-14 has been made by multiplying the revenue foregone on each tax incentive in 2012-13 by the corporate tax growth in 2013-14 as per the actual collections (provisional). Table 5 depicts the major tax expenditures on corporate taxpayers in terms of revenue foregone during the financial year 2012-13 and projection for the financial year 2013-14.

**Table 5: Major tax expenditures on corporate taxpayers during the financial years 2012-13 and 2013-14; [sample size 618806]**

Sl. No.	Nature of incentive	Revenue Foregone (in ₹ Crore) [2012-13]	Projected Revenue Foregone (in ₹ Crore) [2013-14]
1.	Deduction of export profits of units located in SEZs (section 10A and 10AA)	13535.2	14992.0
2.	Accelerated Depreciation (section 32)	38122.7	42225.8
3.	Deduction/weighted deduction for expenditure on scientific research (section 35 (1), (2AA) &(2AB))	6447.8	7141.8
4.	Deduction for expenditure on eligible projects or schemes for the social and economic uplift of the public (section 35AC)	84.2	93.3
5.	Deduction for expenditure on specified Business (section 35AD)	2473.4	2739.6
6.	Deduction on account of donations to charitable trusts and institutions (section 80G)	399.1	442.1
7.	Deduction on account of donations for scientific research or rural development (section 80GGA)	0.8	0.9
8.	Deduction on account of contributions to political parties (section 80GGB)	10.7	11.9
9.	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	3661.1	4055.1
10.	Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks (section 80-IA)	273.0	302.4
11.	Deduction of profits of undertakings engaged in providing telecommunication services (section 80-IA)	1102.6	1221.3
12.	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	8871.2	9826.0

Sl. No.	Nature of incentive	Revenue Foregone (in ₹ Crore) [2012-13]	Projected Revenue Foregone (in ₹ Crore) [2013-14]
13.	Deduction of profits of undertaking engaged in revival of power plant (section 80-IA)	33.4	37.0
14.	Deduction of profits of undertakings engaged in development of SEZs pursuant to SEZ Act, 2005 (section 80-IAB)	1258.3	1393.7
15.	Deduction of profits of industrial undertakings operating in the small-scale sector (section 80-IB)	19.7	21.8
16.	Deduction of profits of industrial undertakings located in Jammu & Kashmir (section 80-IB)	211.2	233.9
17.	Deduction of profits of industrial undertakings located in industrially backward States other than Jammu & Kashmir (section 80-IB)	213.1	236.0
18.	Deduction of profits of industrial undertakings located in backward districts (section 80-IB)	32.0	35.4
19.	Deduction of profits of industrial undertakings derived from development of scientific research (section 80-IB)	60.5	67.0
20.	Deduction of profits of industrial undertakings derived from production of mineral oil and natural gas (section 80-IB)	8143.5	9020.0
21.	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	504.2	558.5
22.	Deduction of profits of industrial undertakings derived from operating a cold chain facility (section 80-IB)	0.2	0.2
23.	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	20.1	22.3
24.	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	166.0	183.9
25.	Deduction of profits of industrial undertakings derived from hospital in rural area (section 80-IB)	5.9	6.5
26.	Deduction of profits of undertakings set-up in North Eastern States (section 80-IC)	889.7	985.5
27.	Deduction of profits of undertakings set-up in Sikkim (section 80-IC)	478.5	530.0
28.	Deduction of profits of undertakings set-up in Uttarakhand (section 80-IC)	3764.9	4170.1
29.	Deduction of profits of undertakings set-up in Himachal Pradesh (section 80-IC)	1568.3	1737.1
30.	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	20.7	22.9
31.	Deduction in respect of employment of new workmen (section 80JJAA)	238.3	263.9
32.	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Centre [IFSC] (section 80LA)	23.3	25.8
33.	Deduction in respect of hotels ,convention centres in specified areas(section 80-ID)	2.4	2.7
34.	Total	92636	102606.4
35.	<b>Less Additional Tax Liability on account of MAT= 29474</b>		
	<b>Reduced By MAT credit claimed = 5558</b>		
	<b>Net Additional Tax due to MAT = 23916</b>	23916	26490.1
	<b>Total Revenue Foregone</b>	<b>68,720</b>	<b>76116.3</b>

While the projected revenue foregone figure for 2012-13 (exclusive of additional tax due to MAT payment) was estimated in the last year's statement to be ₹ 89446.6 crore, it has now been actually calculated at ₹ 92,636 crore. Taking into account the additional tax collected as a result of MAT, the actual revenue foregone is slightly higher at ₹ 68720 crore against the projected revenue foregone of ₹ 68007.6 crore. One reason for this is that in the revenue foregone statement for this year the deduction for expenditure on specified business has also been included and the revenue foregone due to this head is ₹ 2473.4 crore.

Accelerated depreciation accounts for the head under which the highest amount of tax revenue (₹ 38122.7 crore) has been forgone. Across various sectors, deductions availed by undertakings engaged in production of mineral oil, undertakings engaged in generation, transmission and distribution of power, undertakings engaged in development of infrastructure facilities and units located in SEZs accounted for a substantive portion of the total tax forgone.

Revenue foregone of export profits of units located in SEZs for financial year 2012-13 was projected at ₹ 12,033.1 crore in the previous year's statement. However, based on the data now available, the actual revenue foregone during 2012-13 on these units is now calculated at ₹ 13,535.2 crore. For financial year 2013-14, revenue foregone on account of these units has been estimated at ₹ 14,992 crore. Keeping in view the increase in actual revenue foregone in financial year 2012-13 over the estimated revenue foregone for 2012-13, the actual revenue foregone in financial year 2013-14 in respect of units located in SEZs may be even higher than the estimate.

The industry-wise distribution of effective tax rate of companies is given in the table in the Appendix to this statement. At the lower range, the effective tax rate for the sugar and the power and energy sector is at 9.98 per cent and 13.67 per cent respectively. The effective tax rate of mining contractors is also quite low at 6.98 percent. Similarly the effective tax rate of leasing companies is also very low at 1.5 percent.

## **B. Non-Corporate [Firms/AOPs/BOIs] Sector**

Apart from the corporate sector, large business is also organised as partnership firms and Association of Persons [AOPs] or Body of Individuals [BOIs]. The tax expenditure on these is not as large as that in case of companies. The Income-tax Department has received 849178 returns filed electronically upto 31st March for income of the financial year 2012-13. For the purposes of estimating the tax expenditure, data pertaining to these 849178 firms/AOPs/BOIs was culled out from the database of the Income-tax Department. They account for a substantial part of the tax paid by the universe of firms/AOPs/BOIs in financial year 2012-13.

The data was analysed and the following facts emerged:-

- The sample firms/AOPs/BOIs reported ₹ 91,042 crore as profits before taxes and declared a total income (taxable income) of ₹ 78,577 crores for the financial year 2012-13. Losses were reported by about 85,458 returns which is 10.06 per cent of the sample.
- These sample firms/AOPs/BOIs reported ₹ 23,490 crore as income tax payable [inclusive of education cess] for the financial year 2012-13. The effective tax rate\* in their case works out to 25.80 per cent.

The tax foregone on each tax concession claimed by the sample firms/AOPs/BOIs has been calculated by applying the income tax rate of 30.90 per cent (30% plus cess of 3%) on the amount of each deduction. The revenue foregone on account of accelerated depreciation; deduction/weighted deduction for expenditure on scientific research; and deduction for expenditure on eligible projects/schemes for social and economic uplift of the public has been calculated by first determining the difference between the depreciation/deduction debited to the profit and loss accounts by firms/AOPs/BOIs and the depreciation/deduction allowable under the Income-tax Act. Thereafter, the income tax rate of 30.90 per cent has been applied to this difference to arrive at the revenue foregone figure.

Based on the revenue foregone figures for financial year 2012-13, the revenue foregone for the financial year 2013-14 has been estimated. The estimation for 2013-14 has been done by calculating the ratio of the actual income tax collections (provisional) in 2013-14 to the actual income-tax collected in the year 2012-13 and then applying the same ratio to the revenue foregone on account of each tax incentive in 2012-13. Table 6 depicts the major tax expenditures on non-corporate taxpayers in terms of revenue foregone during the financial years 2012-13 and 2013-14. The highest tax expenditure is on account of deduction of profits of cooperative societies which accounts for 25.35 per cent of the total revenue forgone in this sector. The tax expenditure on account of deduction of profits derived from Housing Projects is 16.96 per cent of the total revenue forgone. The deduction for expenditure on specified business has also been included in this year's statement and this accounts for the third largest chunk of revenue foregone at ₹ 683.30 crore.

\* Effective tax rate in case of firms/AOPs/BOIs is the ratio of total taxes paid [including education cess] to the total profits before taxes [PBT] and expressed as a percentage.

**Table 6: Major tax expenditure on firms /AOP / BOI tax payers during financial years 2012-13 and 2013-14 [sample size - 849178 ]**

<b>Sl. No.</b>	<b>Nature of incentive/deduction</b>	<b>Revenue Foregone (in ₹ Crore) [2012-13]</b>	<b>Projected Revenue Foregone (in ₹ Crore) [2013-14]</b>
1.	Deduction of export profits of units located in SEZs (section 10A and 10AA)	383.8	462.5
2.	Accelerated Depreciation (section 32)	579.3	698.1
3.	Deduction/weighted deduction for expenditure on scientific research (section 35 (1), (2AA) &(2AB))	28.3	34.1
4.	Deduction for expenditure on eligible projects or schemes for the social and economic uplift of the public (section 35AC)	13.4	16.2
5.	Deduction for expenditure on specified Business (section 35AD)	683.3	823.4
6.	Deduction on account of donations to charitable trusts and institutions (section 80G)	43.5	52.4
7.	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	23.0	27.7
8.	Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks (section 80-IA)	85.4	103.0
9.	Deduction of profits of undertakings engaged in providing telecommunication services (section 80-IA)	0.4	0.5
10.	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	127.9	154.1
11.	Deduction of profits of undertaking engaged in revival of power plant (section 80-IA)	4.0	4.8
12.	Deduction of profits of undertakings engaged in development of SEZs pursuant to SEZ Act, 2005 (section 80-IAB)	8.6	10.4
13.	Deduction of profits of industrial undertakings operating in the small-scale sector (section 80-IB)	7.0	8.4
14.	Deduction of profits of industrial undertakings located in Jammu & Kashmir (section 80-IB)	63.4	76.5
15.	Deduction of profits of industrial undertakings located in industrially backward States other than Jammu & Kashmir (section 80-IB)	14.1	16.9
16.	Deduction of profits of industrial undertakings located in backward districts (section 80-IB)	10.3	12.4
17.	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	1002.1	1207.6
18.	Deduction of profits of industrial undertakings derived from operating a cold chain facility (section 80-IB)	0.7	0.9
19.	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	2.6	3.1
20.	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	14.4	17.4
21.	Deduction of profits of industrial undertakings derived from hospital in rural area (section 80-IB)	1.8	2.1

Sl. No.	Nature of incentive/deduction	Revenue Foregone (in ₹ Crore) [2012-13]	Projected Revenue Foregone (in ₹ Crore) [2013-14]
22.	Deduction of profits of undertakings set-up in North Eastern States (section 80-IC)	286.3	345.0
23.	Deduction of profits of undertakings set-up in Sikkim (section 80-IC)	371.0	447.1
24.	Deduction of profits of undertakings set-up in Uttarakhand (section 80-IC)	253.8	305.8
25.	Deduction of profits of undertakings set-up in Himachal Pradesh (section 80-IC)	397.2	478.6
26.	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	3.7	4.5
27.	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Centre [IFSC] (section 80LA)	0.1	0.2
28.	Deduction in respect of hotels, convention centers in specified areas (section 80-ID)	1.4	1.7
29.	Deduction in respect of profits of cooperative societies (Section 80P)	1498.1	1805.4
<b>TOTAL</b>		<b>5908.9</b>	<b>7120.8</b>

### (C) Individual Taxpayers

Chapter VI-A of the Income-tax Act primarily provides for deduction on certain payments and deduction on certain incomes. Individual taxpayers are eligible to claim these deductions and have a wide range of tax preferences available to them. However, since approximately 50 per cent of the individual taxpayers derive their income primarily from salaries, the profit-linked deductions [i.e. deduction on certain business incomes] are not claimed by them. On the other hand, the group of non-salaried individuals claims both types of deductions.

The estimates of revenue foregone on account of the various tax benefits granted to individual taxpayers is presented in Table 7. The revenue foregone under various sections of Chapter VI-A of the Income-tax Act has been estimated on the basis of various claims for tax preferences in the 2,31,49,112 returns filed electronically by individuals with the Income-tax Department till 31st March 2014. Apart from Chapter VI-A, the other major tax expenditure on individual taxpayers in the financial year 2012-13 was on account of the higher basic exemption limits for senior citizens (individuals aged 60 years or more) , and enhanced exemption limit of ₹ 5,00,000 for very senior citizens (individuals aged eighty years or more).

Based on the figures of the sample of 2,31,49,112 returns of income, the revenue foregone for the entire population of tax payers has been estimated as under:-

- (i). The revenue foregone on account of higher basic exemption limits, as aforesaid ( Sl. No. 23 and 24 of table 7), has been calculated by multiplying the revenue foregone per senior citizen and very senior citizen with their respective numbers. Their respective numbers have been estimated by calculating the percentage of sample returns filed by them. Thereafter, this percentage has been applied to the estimate of total number of returns filed by individuals for financial year 2012-13. The total sample returns filed electronically with the Income-tax Department till 31st March 2014 is 2,31,49,112. The total number of returns filed by individuals for financial year 2012-13 is estimated to be 3,39,72,584 by assuming a growth rate of 5 percent over the estimate of returns filed for the financial year 2011-12 which was 3,23,54,842. According to the sample returns, 8.59 per cent of the returns were filed by senior citizens and 0.3 per cent of the returns were filed by very senior citizens. Further, the revenue foregone on account of a senior citizen has been calculated by taking into account the difference between the higher basic exemption limit [i.e. ₹ 2,50,000] as compared to the general exemption limit of ₹ 2,00,000 and applying the lowest tax rate of 10 per cent. (plus cess) on the difference. The revenue foregone for each senior citizen is ₹ 5,150. For a very senior citizen the exemption limit is ₹ 5,00,000 and the tax computed on such income amounting to ₹ 30,900 (inclusive of cess) is payable by an individual who is below the age of sixty years. This has been taken to be the revenue foregone for each very-senior citizen. Thereafter, the revenue foregone on account of each such taxpayer (senior citizen and very-senior citizen) has been projected on the total estimate of the number of such tax payers above the general exemption limit of ₹ 2,00,000.

- (ii) Specifically, in the case of deduction under sections 80-IA, 80-IAB, 80-IB 80-IC and 80-ID (Sr. No. 13 to 17 of table 7) the revenue foregone has been calculated on the assumption that the actual figure reflect the total claims made by individuals under these sections as all tax audited returns for income of F.Y. 2012-13 were subject to compulsory e-filing.
- (iii) In all other cases, the revenue foregone for the entire population of taxpayers is worked out by-
- First calculating the average revenue foregone for a particular incentive per taxpayer for each income slab which has a separate tax rate in the sample returns.
  - Secondly, multiplying the average revenue foregone for each incentive by the estimated number of individual taxpayers in that income slab in the total number of returns filed by individuals for financial year 2012-13 .

This gives the revenue foregone for that income slab for a particular incentive. The sum of the revenue foregone for all the slabs gives the revenue foregone for the entire population on account of the particular tax incentive.

- (iv) Based on the revenue foregone figures for financial year 2012-13, the revenue foregone for the financial year 2013-14 has been estimated. The estimation for 2013-14 has been done by calculating the ratio of the personal income tax collections as per the actual collection (provisional) of 2013-14 to the actual personal income-tax collected in the year 2012-13 and then applying the same ratio to the revenue foregone on account of each tax incentive in 2012-13 .

As detailed above, Table 7 depicts the major tax expenditures on individual tax payers, in terms of revenue foregone, during the financial years 2012-13 and 2013-14.

**Table 7 :Major tax expenditure on individual tax payers during  
financial years 2012-13 and 2013-14**

<b>Sl. No.</b>	<b>Nature of incentive/deduction</b>	<b>Revenue Foregone (in ₹ Crore) [2012-13]</b>	<b>Projected Revenue Foregone (in ₹ Crore) [2013-14]</b>
1.	Deduction on account of certain investments and payments (section 80C)	23192.4	27949.2
2.	Deduction on account of contribution to certain pension funds (section 80CCC)	135.2	162.9
3.	Deduction on account of contribution to the New Pension Scheme (section 80CCD)	50.5	60.9
4.	Deduction on account of investment in RGESS(section 80CCG)	8.3	10.0
5.	Deduction on account of health insurance premium (section 80D)	770.7	928.8
6.	Deduction on account of expenditure for medical treatment of a dependent who is disabled (section 80DD)	133.6	161.0
7.	Deduction on account of expenditure for medical treatment of specified diseases (section 80DDB)	58.0	69.9
8.	Deduction on account of interest on loan taken for higher education (section 80E)	238.1	286.9
9.	Deduction on account of donations to charitable trusts and institutions (section 80G)	293.5	353.7
10.	Deduction on account of rent paid for housing accommodation (section 80GG)	113.8	137.1

<b>Sl. No.</b>	<b>Nature of incentive/deduction</b>	<b>Revenue Foregone (in ₹ Crore) [2012-13]</b>	<b>Projected Revenue Foregone (in ₹ Crore) [2013-14]</b>
11.	Deduction on account of donations for scientific research or rural development (section 80GGA)	28.1	33.9
12.	Deduction on account of contributions given to political parties (section 80GGC)	16.9	20.4
13.	Deduction of profits of undertakings engaged in development of infrastructure facilities, SEZs and Industrial Parks, generation of power, and providing telecommunication services (section 80-IA)	58.2	70.2
14.	Deduction of profits of undertakings engaged in development of SEZs pursuant to SEZ Act, 2005 (section 80-IAB)	2.3	2.8
15.	Deduction of profits of industrial undertakings derived from housing projects, production of mineral oil, development of scientific research, integrated business of handling, storage and transportation of food grains and of industrial undertakings located in Jammu & Kashmir and in other backward areas (section 80-IB)	108.3	130.5
16.	Deduction of profits of undertakings set-up in North Eastern States, Sikkim, Uttaranchal and Himachal Pradesh (section 80-IC)	222.6	268.3
17.	Deduction in respect of hotels, convention centres in specified areas (section 80-ID)	1.9	2.3
18.	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	8.3	9.9
19.	Deduction of royalty income of authors of certain books other than text books (section 80QQB)	10.1	12.2
20.	Deduction of royalty income on patents (section 80RRB)	1.1	1.3
21.	Deduction in case of a person with disability (section 80U)	113.1	136.3
22.	Deduction on account of interest in savings account (section 80TTA)	571.8	689.1
23.	Higher exemption limit for senior citizens	1182.0	1424.4
24.	Higher exemption limit for very senior citizens	308.0	371.2
<b>Total</b>		<b>27626.8</b>	<b>33293.2</b>

The tax expenditure on account of investments in various savings instruments, repayment of principal of housing loan and payment of tuition fees for children [all these come under section 80C of the Income-tax Act] is the single largest tax expenditure in case of individual taxpayers followed by deduction on account of health insurance premium (section 80D) and interest in savings bank account (section 80TTA). The revenue foregone on account of higher basic exemption limits for senior citizens and very senior citizens are also significant. As regards profit-linked deductions, the highest tax expenditure is on account of section 80-IB and section 80-IC of the Income-tax Act, 1961.

#### D) Charitable entities:

The Income-tax Act provides for exemptions to various entities including government funded entities engaged in objects which are charitable in nature. In addition to this, specific exemption is also available to entities engaged in certain activities which satisfy social purposes. These entities receive donations, voluntary contributions and have other incomes from activities which are charitable in nature. The total receipts of such entities are required to be applied for the purposes for which these have been set up. These entities are required to file an income tax return. The total number of electronically filed returns of such entities during the financial year 2013-14 is 106443. The total amount applied by such entities for charitable purposes and religious purposes in India is ₹ 2,00,274 crores.

### Indirect Taxes

#### A. Excise duties

Excise duty is levied as per the rates specified in the First and Second Schedules to the Central Excise Tariff Act, 1985. In many cases, Finance Acts specify the rates at which these duties should be levied. The rates specified in various enactments are known as the “**tariff rates**” of excise duty. Central Government has been granted powers under Section 5A(1) of the Central Excise Act, 1944 to issue exemption notifications in public interest so as to prescribe duty rates lower than the tariff rates prescribed in the Schedules. The rates prescribed by exemption notifications are known as the “**effective rates**”.

Revenue forgone is defined to be the difference between the duty that would have been payable but for the exemption notification and the actual duty paid in terms of the said notification –

- In cases where the tariff and effective rates of duty are specified as ad valorem rates, **Revenue forgone = Value of goods X (Tariff rate of duty - Effective rate of duty)**
- In cases where the tariff rate is on ad valorem basis but the effective duty is levied at specific rates in terms of the exemption notification, then – **Revenue forgone = ( Value of goods X Tariff rate of duty) - (Quantity of goods X Effective rate of specific duty)**
- In cases where the tariff rates and effective rates are a combination of ad valorem and specific rates, revenue forgone is calculated accordingly
- In all cases, where the tariff rate of duty equals the effective rate, revenue forgone will be zero.

Besides the powers to issue general exemption notifications under Section 5A(1) *ibid*, the Central Government also has the powers to issue special orders for granting excise duty exemption on a case to case basis under circumstances of an exceptional nature, vide Section 5A(2) of the Central Excise Act. However, unlike general exemptions which form part and parcel of fiscal policy of the Central Government, the main object behind issue of exemption orders is to deal with circumstances of exceptional nature. As such, the duty forgone on account of issue of special exemption orders is not being calculated towards revenue forgone figures.

Automation of Central Excise & Service Tax (ACES) system has been launched in all the Central Excise formations across the country. The figure of duty forgone for 2012-13 is based on ACES data, which, among other things, captures the data contained in returns filed by assesses. As the actual figures for revenue realization are now available for the whole year, the revenue forgone figure has been revised. The duty forgone due to the operation of area based exemptions scheme has been obtained separately from the concerned Central Excise Zones and added. In the last Budget, the revenue forgone estimate for the financial year 2012-13 was calculated using the extrapolation method based on data available for part of the year i.e. April 2012-January, 2013. Accordingly, the revenue forgone for the financial year 2012-13 was estimated at ₹ 2,06,188 crore [₹1,87,688 crore (general exemption) + ₹ 18,500 crore (area based exemption)]. The revised revenue forgone for the financial year 2012-13 based on actual data for the full year is now available and it comes to ₹ 209,940 crore [₹ 1,93,309 crore (general exemption) + ₹ 16,631 crore (area based exemption)] as against the estimates of ₹ 2,06,188 crore.

The provisional revenue forgone figures for the financial year i.e. 2013-14 based on ACES data is also available for the full year. The revenue forgone for the financial year 2013-14 comes to ₹ 195,679 crore [₹ 1,77,680 crore (general exemption) and ₹ 17,999 crore (area based exemption)].

The figure of ₹ 195,679 crore (provisional) show a decrease of 6.8% over last year's revised figure of ₹ 209,940 crore. The revenue forgone has decreased compared to that registered in 2012-13. The net excise duty collections have decreased in the financial year 2013-14 by 4.4% vis-à-vis 2012-13.

As for area-based exemptions, there are two types of schemes currently in operation - [i] based on refunds (North East and J & K) and [ii] outright exemption (Himachal Pradesh and Uttarakhand). In the case of refund-based exemptions, the revenue forgone is computed by aggregating the refunds actually sanctioned to the individual units during the year. With an increase in clearances, it is evident that the quantum of refunds would increase. As for outright exemptions, the revenue forgone is calculated using the difference between the general effective rate and the duty actually paid (Nil). By the same logic, therefore, the revenue forgone in respect of the exemption schemes also reflects the upward trend.

The revenue forgone figures are given in Table 8 below.

**Table 8 : Tax expenditure under Excise duty regime**

Sl. No.	Details of Exemption	Revenue foregone (in ₹ crore)		
		2012-13		2013-14
		Estimates	Revised	Provisional
1	Area based exemptions applicable in the North Eastern states, Uttarakhand, Himachal Pradesh, Jammu & Kashmir	18500	16631	17999
2	Others	187688	193309	177680
	<b>Total</b>	<b>206188</b>	<b>209940</b>	<b>195679</b>

#### B. Customs duties

Customs duty is levied under the Customs Act, 1962 as per the rates specified in the First Schedule to the Customs Tariff Act, 1975 known as "tariff rates". The Customs Tariff Act, 1975 also provides for levy of (i) additional duty of customs (commonly referred to as countervailing duty or CV duty), which is levied at a rate equal to the excise duty leviable on a like article if produced or manufactured in India and (ii) special additional duty of customs (commonly referred to as Special CVD or SAD) which is levied at a rate of 4%. The Central Government has been delegated powers of exemption under Section 25(1) of the Customs Act, 1962 to issue notifications in public interest so as to prescribe duty rates lower than the tariff rates prescribed in the Schedule to the Customs Tariff Act. These rates prescribed by notification are known as the "effective rates".

The revenue forgone is defined to be the difference between the duty that would have been payable but for the exemption notification and the actual duty paid in terms of the said notification. In other words,

**Revenue forgone= Value X (Tariff rate of duty – Effective rate of duty)**

In cases, where the tariff rate equals the effective rate, the revenue forgone becomes zero.

The estimate of revenue forgone under various exemption notifications is based on the data generated from the Bills of Entry filed in the Indian Customs Electronic Data Interchange System (ICES) at various Electronic Data Interchange (EDI) locations. Since the EDI system does not capture data in respect of imports through non-EDI locations, or where the EDI system is not fully operational or where Bills of Entry are still being filed manually, suitable adjustments have been made in order to arrive at the total picture of revenue forgone. The revenue forgone data takes into account the exemptions from basic customs duty, CV duty and also exemption notifications issued under the Central Excise Act, 1944 which are relevant for levy of CV duty. It also takes into account exemptions from special CVD of 4%.

For the year 2012-13, gross customs revenue captured by EDI data was ₹ 1,56,608 crore as against the actual gross customs revenue collection of ₹ 1,73,634 crore. Thus, the EDI captured nearly 90.19% of the actual reported gross customs revenue collection for the year 2012-13.

In order to work out the revenue forgone for the year 2012-13, EDI data has been adjusted suitably by taking inter alia revenue from edible oils, minerals and ores and petroleum products/crude petroleum etc, which are normally imported as bulk cargo through Customs locations, some of which are still not on EDI.

The gross customs revenue for the year 2012-13 was ₹ 1, 73,634 crore. The total revenue realized as per the EDI data for the year 2012-13 was ₹ 1,56,608 crore, indicating a coverage of 90.19%. The total revenue forgone as generated from the EDI system comes to ₹ 2, 69,742 crore. After making suitable adjustments for coverage and bulk cargo (not on EDI), duty forgone for 2012-13 on account of all the exemption notifications comes to ₹ 2,99,066 crore as against the estimated duty forgone of ₹ 2,98,094 crore published last year. Further, after deducting the revenue forgone from the various export promotion schemes but including the revenue forgone from incentive schemes mentioned at S. No. 14 of the Table 11 below, the net duty forgone for the year 2012-13 works out to ₹ 2,54,039 crore [₹ 2,99,066 crore – ₹ 45,027 crore].

In order to work out the revenue forgone for the year 2013-14 (P) the same methodology was adopted. The EDI captured 90.35% of the actual reported gross customs revenue collection this year indicating improved EDI coverage. The total revenue forgone figures (EDI and non EDI) for the period 2013-14 comes to ₹ 3,06,500 crore (P). Further, after deducting the revenue forgone from the various export promotion schemes but including the revenue forgone from incentive schemes mentioned at S. No. 14 of the Table 11 below, the net duty forgone for the year 2013-14 works out to ₹ 2,60,714 crore [₹ 3,06,500 crore – ₹ 45,786 crore].

The revenue forgone has increased compared to that registered in 2012-13 (2.6% more than the previous year) as the base for collection of Customs duty (i.e. the aggregate value/volume of imports) has also increased in the current financial year as is evident from 4.1 % increase in the customs duty collections compared to the financial year 2012-13. However, the revenue forgone has not increased in the same proportion vis-à-vis customs duty collection due to increase in customs duty rates on gold and silver (at par with the tariff rate).

The customs duty forgone for the period 2012-13 and 2013-14 on account of major commodity groups and their share in overall duty forgone is given in Table 9 as under:

**Table 9: Contribution of major commodity groups contributing to revenue foregone**

(in ₹ crore)

Sector	2012-13		2013-14 (Provisional)	
	Revenue foregone	% Share in total revenue foregone	Revenue foregone	% Share in total revenue foregone
Crude oil and mineral oils (27)	64780	22%	77851	26%
Machinery (84& 85)	30229	10%	30252	10%
Diamond and gold (71)	61676	21%	48635	16%
Edible vegetable, fruits, cereals, vegetable oils (7, 8, 10, 15)	36218	12%	44122	14%
Primary metals and articles thereof (72 to 83)	15889	5%	12889	4%
Chemicals and plastics (28, 29, 39)	19515	7%	19730	6%
Textile (50 to 63)	20473	7%	23177	8%
Fertilizer (31)	6943	2%	4961	2%
Salt and ores (25 to 26)	3050	1%	3527	1%
Drugs (30)	1236	0%	1053	0%
<b>Total</b>	<b>260008</b>	<b>87%</b>	<b>266197</b>	<b>87%</b>

The revenue foregone data for each of the chapters of Customs Tariff Act is given in Table 10 as under:

**Table 10: Estimates of major tax expenditure under the Customs duty regime**

(₹ in Crore)

Chapter	Brief Description of Goods	2012-13	2013-14 (Provisional)
1	Live animals	4	4
2	Meat and edible meat offal	6	8
3	Fish and crustaceans, other aquatic invertebrates	49	56
4	Dairy Products	29	41
5	Other products of animal origin	45	52

Chapter	Brief Description of Goods	2012-13	2013-14 (Provisional)
6	Live trees and other plants	3	3
7	Edible vegetables, certain roots and tubers	4722	4593
8	Edible fruit and nuts	2070	1912
9	Coffee, tea, mate and spices	1577	1583
10	Cereals	56	107
11	Products of the milling industry	33	58
12	Oilseeds, grains, seeds, fruits	245	425
13	Lac, gums and resins	258	267
14	Vegetable plaiting materials	7	13
15	Animal or vegetable fats	29370	37510
16	Preparations of meat or fish	11	9
17	Sugar	3559	2592
18	Cocoa	225	219
19	Preparations of cereals	25	34
20	Preparation of vegetables	36	53
21	Miscellaneous edible preparations	634	565
22	Beverages and spirits	107	207
23	Residues and waste from food industry	291	305
24	Tobacco	107	127
25	Salt, sulphur earths and stone	1229	1183
26	Ores	1822	2344
27	Mineral fuels and mineral oils	64780	77851
28	Inorganic chemicals	4714	4246
29	Organic chemicals	10591	11666
30	Pharmaceutical products	1236	1053
31	Fertilizers	6943	4961
32	Tanning and dyeing extracts, pigments	458	560
33	Essential oils	371	454
34	Soap and washing preparations	148	205
35	Albuminoidal substances	139	166
36	Explosives, matches	28	25
37	Photography goods	67	48
38	Miscellaneous chemical products	1514	1911
39	Plastics	4210	3817
40	Rubber	2309	2464
41	Hide and skins and leather	287	364
42	Articles of leather	42	40
43	Fur skins	4	4

Chapter	Brief Description of Goods	2012-13	2013-14 (Provisional)
44	Wood	1234	2408
45	Cork	1	1
46	Manufactures of straw	0	0
47	Wood Pulp	789	973
48	Paper	1170	1482
49	Printed books, newspapers	458	503
50	Silk	468	327
51	Wool	203	204
52	Cotton	927	939
53	Other vegetable fibres	74	138
54	Manmade filaments	3600	8915
55	Man made staple fibres	668	784
56	Wadding and non wovens	65	79
57	Carpets	44	52
58	Special woven fabrics	13345	10391
59	Coated textile fabrics	597	646
60	Knitted fabrics	293	321
61	Knitted readymade garments	52	91
62	Woven garments	93	165
63	Made ups	43	124
64	Footwear	225	250
65	Head gear	2	3
66	Umbrellas	10	11
67	Feathers/artificial flowers	4	5
68	Articles of stone, plaster	242	218
69	Ceramic Products	204	174
70	Glass and glass ware	243	280
71	Precious stones, jewellery	61676	48635
72	Iron and steel	9331	6303
73	Articles of iron and steel	2712	2591
74	Copper and articles thereof	1277	1370
75	Nickel and articles thereof	133	153
76	Aluminum and articles thereof	1365	1176
78	Lead and articles thereof	195	196
79	Zinc and articles thereof	97	94
80	Tin and articles thereof	81	93
81	Other base metals	125	161
82	Tools and implements	385	528

(₹ in Crore)

Chapter	Brief Description of Goods	2012-13	2013-14 (Provisional)
83	Miscellaneous articles of base metals	188	225
84	Machinery	17712	16429
85	Electrical machinery	12517	13823
86	Railways or tramways locomotives, rolling stocks etc.	138	112
87	Motor vehicles	2067	2078
88	Aircrafts	2042	2719
89	Ships, boats and floating structures	5219	4017
90	Optical/photographic instruments	3779	3987
91	Clocks and watches	23	16
92	Musical instruments	8	6
93	Arms and ammunitions	1466	1909
94	Furniture	347	412
95	Toys and games	274	345
96	Miscellaneous manufactured articles	1358	1399
97	Work of art, antiques	83	276
98	Project imports, baggage	5050	3857
<b>Total</b>		<b>299066</b>	<b>306500</b>

These figures include revenue forgone from the working of various export promotion schemes other than from drawback. The break-up of revenue forgone from individual export promotion schemes is given below, separately. Out of these schemes, Duty Free Entitlement Credit Certificate, Target Plus, Vishesh Krishi and Gram Udyog Yojana (VKGUY), Served from India and Focus Market / Product are incentive schemes. The revenue forgone from these schemes has been taken into account while calculating the duty forgone on account of exemption notifications. The remaining schemes are either exemption schemes or input tax neutralization schemes, the basic objective of which is to offer a level playing field to our exporters in the international markets. As these are not export incentive schemes, the revenue forgone from the schemes has been excluded from the calculation of revenue forgone, as indicated in Table 11 hereunder.

**Table 11: Revenue Foregone on account of Export Promotion Concessions**

(₹ in Crore)

S. No.	Name of the Scheme	2012-13	2013-14 (Provisional)
1	Advance Licence Scheme	18971	20956
2	EOU/EHT/STP	5881	5840
3	EPCG	11218	8990
4	DEPB Scheme	2709	434
5	SEZ	4491	6198
6	DFRC	21	2
7	Duty Free Import Authorisation Scheme	1735	3365
8	Duty Free Entitlement Credit Certificate	142	235
9	Target plus schemes	592	884
10	Vishesh Krishi and Gram Udyog Yojana	2382	2442

S. No.	Name of the Scheme	2012-13	2013-14 (Provisional)
11	Served from India Scheme	590	639
12	Focus Market/Product Scheme	6178	10182
13	TOTAL	54911	60168
14	Less revenue forgone on incentive schemes maintained at S.Nos. 8 to 12	9884	14382
15	Revenue Forgone on account of input tax neutralization or exemption schemes to be reduced from gross revenue forgone on account of customs duty	45027	45786

These aforesaid estimates of revenue foregone do not include revenue foregone on account of ad hoc exemption orders issued under Section 25(2) of the Customs Act, 1962, that relate to circumstances of an exceptional nature.

The revenue foregone for Direct and Indirect Taxes is summarized as under:

**Table 12: Revenue Foregone (Direct Taxes) in financial years 2012-13 and 2013-14**

(in ₹ Crore)

	Revenue Foregone in 2012-13	Projected Revenue Foregone in 2013-14
Corporate Income-tax	68,720.0	76,116.3
Personal Income-tax	33535.7	40414.0
Total	102255.7	116530.3

**Table 13: Revenue Foregone (Indirect Taxes) in financial years 2012-13 and 2013-14**

(in ₹ Crore)

	Revenue Foregone in 2012-13	Revenue Foregone in 2013-14 (Provisional)
Excise Duty	209,940	195,679
Customs duty	254,039	260,714

The aggregate revenue foregone from central taxes ( both direct and indirect ) is ₹ 5,66,234.7 Crore for 2012-13 and is ₹ 5,72,923.3 Crore for 2013-14. To conclude, the total revenue foregone from central taxes is showing an upward trend.

## APPENDIX

### Effective tax rate, inclusive of surcharge and education cess, of sample companies across industry

(financial year 2012-13) [sample size – 618806]

Sl. No	Sector	Industry	Number of Companies	Profit before tax (in ₹ crore)	Total tax payable (in ₹ crore)	Effective tax rate (in %)
1.	Manufacturing Industry	AGRO-BASED INDUSTRIES	19,070	15148.56	3830.80	25.29
2.	Manufacturing Industry	AUTOMOBILE AND AUTO PARTS	4,749	37718.75	8770.15	23.25
3.	Manufacturing Industry	CEMENT	834	14926.72	2474.77	16.58
4.	Manufacturing Industry	DIAMOND CUTTING	493	2474.78	513.57	20.75
5.	Manufacturing Industry	DRUGS AND PHARMACEUTICALS	5,905	33176.95	6201.30	18.69
6.	Manufacturing Industry	ELECTRONICS INCLUDING COMPUTER HARDWARE	2,766	9107.23	2579.50	28.32

Sl. No	Sector	Industry	Number of Companies	Profit before tax (in ₹ crore)	Total tax payable (in ₹ crore)	Effective tax rate (in %)
7.	Manufacturing Industry	ENGINEERING GOODS	10,699	40126.48	11291.76	28.14
8.	Manufacturing Industry	FERTILIZERS, CHEMICALS, PAINTS	4,192	30203.31	4252.15	14.08
9.	Manufacturing Industry	FLOUR AND RICE MILLS	1,648	1034.04	270.00	26.11
10.	Manufacturing Industry	FOOD PROCESSING UNITS	3,212	8173.14	2099.29	25.69
11.	Manufacturing Industry	MARBLE AND GRANITE	2,227	646.25	173.85	26.90
12.	Manufacturing Industry	PAPER	1,542	1591.37	261.95	16.46
13.	Manufacturing Industry	PETROLEUM AND PETROCHEMICALS	752	88058.07	18041.71	20.49
14.	Manufacturing Industry	POWER AND ENERGY	5,081	60872.65	8321.02	13.67
15.	Manufacturing Industry	PRINTING AND PUBLISHING	2,955	4811.10	1448.11	30.10
16.	Manufacturing Industry	RUBBER	1,023	834.86	256.28	30.70
17.	Manufacturing Industry	STEEL	5,144	22324.01	3532.48	15.82
18.	Manufacturing Industry	SUGAR	351	1823.12	181.97	9.98
19.	Manufacturing Industry	TEA, COFFEE	1,147	2091.92	326.12	15.59
20.	Manufacturing Industry	TEXTILES, HANDLOOM, POWER LOOMS	10,483	11266.04	1947.40	17.29
21.	Manufacturing Industry	TOBACCO	316	12320.17	3291.91	26.72
22.	Manufacturing Industry	TYRE	175	3345.93	644.01	19.25
23.	Manufacturing Industry	VANASPATI AND EDIBLE OILS	673	1641.25	280.37	17.08
24.	Manufacturing Industry	OTHERS	66,438	126722.43	30935.32	24.41
25.	Trading	CHAIN STORES	842	608.34	159.08	26.15
26.	Trading	RETAILERS	15,953	5300.52	1472.78	27.79
27.	Trading	WHOLESALEERS	24,099	7075.19	2147.06	30.35
28.	Trading	OTHERS	96,295	21299.37	5198.08	24.40
29.	Commision Agents	GENERAL COMMISSION AGENTS	4,749	967.73	286.74	29.63
30.	Builders	BUILDERS	21,521	8595.22	1932.74	22.49
31.	Builders	ESTATE AGENTS	4,308	752.71	174.62	23.20
32.	Builders	PROPERTY DEVELOPERS	32,548	15287.05	3230.22	21.13
33.	Builders	OTHERS	24,909	4983.62	802.81	16.11
34.	Contractors	CIVIL CONTRACTORS	12,024	12450.32	3009.42	24.17
35.	Contractors	EXCISE CONTRACTORS	25	5.83	1.84	31.55
36.	Contractors	FOREST CONTRACTORS	13	5.95	1.44	24.30
37.	Contractors	MINING CONTRACTORS	898	14612.07	1020.09	6.98
38.	Contractors	OTHERS	12,516	6821.31	1951.04	28.60
39.	Professionals	CHARTED ACCOUNTANTS, AUDITORS, ETC.	106	18.17	1.84	10.15
40.	Professionals	FASHION DESIGNERS	126	71.49	15.75	22.02
41.	Professionals	LEGAL PROFESSIONALS	376	22.62	6.94	30.68
42.	Professionals	MEDICAL PROFESSIONALS	1,651	241.13	63.44	26.31
43.	Professionals	NURSING HOMES	1,205	219.45	65.53	29.86
44.	Professionals	SPECIALTY HOSPITALS	1,262	1722.75	317.73	18.44
45.	Professionals	OTHERS	7,392	3490.96	395.69	11.33
46.	Service Sector	ADVERTISEMENT AGENCIES	3,119	1502.16	491.21	32.70

Sl. No	Sector	Industry	Number of Companies	Profit before tax (in ₹ crore)	Total tax payable (in ₹ crore)	Effective tax rate (in %)
47.	Service Sector	BEAUTY PARLOURS	315	26.69	8.77	32.85
48.	Service Sector	CONSULTANCY SERVICES	19,076	7306.70	2505.81	34.29
49.	Service Sector	COURIER AGENCIES	540	479.45	165.44	34.51
50.	Service Sector	COMPUTER TRAINING/EDUCATIONAL AND COACHING INSTITUTES	3,736	1134.22	266.77	23.52
51.	Service Sector	FOREX DEALERS	802	168.18	55.24	32.85
52.	Service Sector	HOSPITALITY SERVICES	4,815	1173.02	315.68	26.91
53.	Service Sector	HOTELS	7,713	2259.99	576.18	25.49
54.	Service Sector	I.T. ENABLED SERVICES, BPO SERVICE PROVIDERS	12,906	30272.06	7271.68	24.02
55.	Service Sector	SECURITY AGENCIES	2,068	589.14	209.82	35.62
56.	Service Sector	SOFTWARE DEVELOPMENT AGENCIES	12,125	63699.64	13922.77	21.86
57.	Service Sector	TRANSPORTERS	4,847	5079.75	1089.51	21.45
58.	Service Sector	TRAVEL AGENTS, TOUR OPERATORS	4,720	949.65	301.34	31.73
59.	Service Sector	OTHERS	69,226	64935.57	13249.98	20.40
60.	Financial Service Sector	BANKING COMPANIES	281	126085.37	38506.19	30.54
61.	Financial Service Sector	CHIT FUNDS	2,953	745.43	248.07	33.28
62.	Financial Service Sector	FINANCIAL INSTITUTIONS	513	11927.62	3618.13	30.33
63.	Financial Service Sector	FINANCIAL SERVICE PROVIDERS	3,141	7191.65	1674.48	23.28
64.	Financial Service Sector	LEASING COMPANIES	547	1576.51	23.71	1.50
65.	Financial Service Sector	MONEY LENDERS	401	58.81	14.63	24.88
66.	Financial Service Sector	NON BANKING FINANCE COMPANIES	9,290	49492.46	11767.42	23.78
67.	Financial Service Sector	SHARE BROKERS, SUB-BROKERS, ETC.	4,315	4631.93	1354.26	29.24
68.	Financial Service Sector	OTHERS	23,719	61678.11	9812.08	15.91
69.	Entertainment Industry	CABLE T.V. PRODUCTIONS	456	207.01	56.08	27.09
70.	Entertainment Industry	FILM DISTRIBUTION	386	97.35	20.01	20.55
71.	Entertainment Industry	FILM LABORATORIES	46	39.33	4.80	12.21
72.	Entertainment Industry	MOTION PICTURE PRODUCERS	672	218.95	52.04	23.77
73.	Entertainment Industry	TELEVISION CHANNELS	409	3956.34	1129.35	28.55
74.	Entertainment Industry	OTHERS	6,699	3260.61	713.04	21.87
75.	Entertainment Industry	OTHERS	4,277	1425.40	316.34	22.19
<b>Total</b>			<b>618,806</b>	<b>10,87,160</b>	<b>2,43,921</b>	<b>22.44</b>