

Statement of Revenue Impact of Tax Incentives under the Central Tax System: Financial Years 2021-22 and 2022-23

Tax law and its administration are primarily aimed at generating revenue to fund the various Government expenditures. The main variables that determine the amount of revenue generated are the collective tax base and the effective tax rates. An elaborate set of measures including special tax rates, exemptions, deductions, rebates, deferrals and credits determine these two variables. These measures are collectively called as 'tax incentives' or 'tax preferences'. They create an impact on Government earnings and also reflect the significant policy measures of the Government.

The tax incentives provided by the Government have a significant impact on its revenue. It may also be perceived as an indirect subsidy to the preferred taxpayers and is therefore referred to as 'tax expenditures'. In a democratic setup, tax policy is ought to be not only efficient but also sufficiently transparent. It requires an elaborate analysis and explicit presentation of tax incentives and the entailed program planning intended to address the specific policy goals of the Government. Further, transparent budgeting requires an analysis of revenue impact being created under the respective programme heads. These tax incentives having impact on the Government earnings are inherent part of the spending plans stated in the tax policy.

The present statement is a detailed analysis of the revenue implications of the various tax incentives provided by the Government through the taxation system. Such revenue implications of tax incentives were laid before the Parliament for the first time during Budget 2006-07 as Annex-12 of the Receipts Budget in the form of statement of Revenue Forgone. It was welcomed across all quarters and started the process of a constructive debate on whole range 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 Forgone". Thereafter, it was placed every year before Parliament during Budget from 2008-09 to 2014-15. In the Budget 2015-16, it has been termed more appropriately as the "Statement of Revenue Impact of Tax Incentives under the Central Tax System", as it actually involves an analysis of the revenue impact. In Budget 2015-16 and 2016-17, it was made part of Receipt Budget as Annexure-15, while in Budget 2017-18, it was Annexure-13. In the Budgets 2018-19, 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24, it was part of Receipt Budget as Annexure-7.

As stated earlier, 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 impact of such tax incentives has been estimated in respect of most of the "tax preferences". The estimates are for financial year 2021-22, the most recent year for which data is available. It is based on the returns filed for the Assessment year 2022-23. An attempt has also been made to project the revenue impact for the financial year 2022-23 on the basis of the tax expenditure figures of the financial year 2021-22.

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 in case of removal of 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 behavior 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 impact of each tax incentive 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 tax expenditure calculated by adding up the estimates and projections for each provision.

Though the revenue impact has been quantified in terms of tax expenditure, it does not imply that this quantum of revenue has been waived by the Government. Rather, these could be seen as expenditure for the development of certain target sectors. In some cases, the socio-economic activities meant to be incentivized by such indirect subsidy may have either not been undertaken at all or have been undergoing at much lower scale in the absence of these incentives. The assumptions and methodology adopted to estimate the tax expenditure on account of different tax incentives are indicated at the relevant places in this Statement.

Direct Taxes

The direct tax policy through Income-tax Act, *inter alia*, provides for tax incentives to promote exports; balanced regional development; creation of infrastructure facilities; employment; rural development; scientific research and development; cooperative sector, encourage savings by individuals and donations for charity. 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 revenue impact of the tax incentives separately in respect of all the categories of taxpayers viz., Corporate Sector; Non-Corporate Sector (Firms, Association of Persons, Body of Individuals etc.); and Individuals/ HUF. The heads under which the revenue impact has been estimated are broadly similar for the corporates and non-corporates. 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 for different industries has also been attempted. Besides, details of entities engaged in charitable activities have also been provided separately under the head "Charitable Entities".

Revenue impact of various tax incentives for FY 2022-23 is projected by taking the average GDP growth for four years [FYs 2018-19, 2019-20, 2021-22 and 2022-23].¹

A. Corporate Sector

Large businesses are mainly organized as companies. The Income-tax Department has received 1,025,717 corporate returns electronically up to 31st December, 2023 for the financial year 2021-22 [i.e. assessment year 2022-23]. Every company is required to file its return of income electronically. These companies reported corporate tax liability of Rs. 640,395.75 crore [inclusive of surcharge and education cess] for their income of financial year 2021-22. The companies have paid additional tax of Rs. 8,350.40 crore [inclusive of surcharge and education cess] on their 'distributed income' on buy-back of shares under section 115QA of the Act.

For the purposes of estimating the tax expenditure, data pertaining to these companies were 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 different profit ranges. The following facts emerge from an analysis of the data:-

- 4,95,639 companies (48.32 per cent) reported Rs. 28,59,437.10 crore as profits before taxes and a total income (taxable income) of Rs. 22, 13,914.06 crore.
- 4,83,246 companies (47.11 per cent) reported Rs. 7, 85,036.88 crore as losses.
- 46,832 companies (4.57 per cent) reported Nil profit.

The **effective tax rate² of the entire base of companies was 23.26 per cent** for financial year 2021-22 [as against the rate of **22.20** per cent reported in the financial year 2020-21] while the statutory tax rate was 31.20 per cent (inclusive of cess) in case of companies having income up to Rs. one crore, 33.38 per cent (inclusive of cess and surcharge) in the case of companies having income up to Rs. 10 crore and 34.94 per cent (inclusive of cess and surcharge) in the case of companies having income exceeding Rs.10 crore. Further, for existing companies which opted for the new concessional tax regime (lower tax rate without

¹ FY 2020-21 has not been taken for calculating the average GDP growth for it being an extraordinary year due to COVID-19 pandemic.

² Effective tax rate in case of companies is the ratio of total taxes [including surcharge and education cess to the total profits before taxes [PBT] and expressed as a percentage.

deductions and exemptions) under section 115BAA of the Income-tax Act, the statutory tax rate was 25.17 per cent. Companies with profits before taxes (PBT hereafter) of Rs. 500 crore and above, accounted for a total of 62.54 per cent of the total PBT and a total of 54.90 per cent of the total corporate income-tax liability. The effective rate of 23.26 per cent for the entire base of companies reporting profits is higher than the effective tax rate of 22.20 per cent in the financial year 2020-21.

The effective tax rate of companies with PBT greater than Rs. 500 crore is 20.42 per cent, which is lower than all the companies having profit before taxes below Rs. 500 crore. This highlights that the larger companies are availing the higher deductions and incentives or have shifted to the new regime of lower tax rate of 22 per cent plus cess and surcharge. This is further corroborated by the higher ratio of total income to PBT in smaller companies. In case of companies having PBT in range of rupees 0-1 crore, the ratio is 93.35 per cent while in case of companies having PBT greater than rupees 500 crore, it is 73.01 per cent. A lower ratio indicates that the larger companies are availing higher deduction and incentives as compared to smaller companies.

**Table 1: Profile of companies across range of profits before taxes
(Financial Year 2021-22) (No. of companies – 10,25,717)**

S.No	Profit Before Taxes	Companies	Share in Profit Before Taxes (in %)	Share in total income (in %)	Share in Total Corporate Income Tax Liability (in %)	Ratio of total Income to Profits before taxes (in %)	Ratio of Tax to Total income (in %)	Effective tax rate (tax to profit ratio) (in %)
1	Less than Zero	483,246	n.a	0.51	0.49	n.a	23.24	n.a
2	Zero	46,832	n.a	19.04	8.62	n.a	10.93	n.a
3	Rs.0-1 Crore	422,389	1.91	1.86	1.98	93.35	25.83	24.11
4	Rs. 1 -10 Crore	56,472	6.18	5.66	6.11	88.24	26.07	23.01
5	Rs. 10-50 Crore	11,888	8.95	8.02	8.75	86.29	26.36	22.75
6	Rs.50-100 Crore	2,110	5.11	4.54	4.96	85.58	26.38	22.58
7	Rs. 100-500 Crore	2,102	15.31	12.93	14.19	81.19	26.54	21.55
8	Greater than Rs. 500 Crore	678	62.54	47.44	54.90	73.01	27.96	20.42
All Companies		10,25,717	100.00	100.00	100.00	96.25	24.16	23.26

Table 2 profiles the sample companies across effective tax rates. It is noted that 6,46,949 companies with average effective tax rates up to 20 per cent accounted for 34.84 per cent of total profits before taxes, 16.01 per cent of total taxable income and 17.985 per cent of total taxes. In other words, a large number of companies (6,46,949 i.e. 63.07 per cent) contributed a disproportionately lower amount of taxes in relation to their profits. Interestingly, 47,005 companies accounting for 4.54 per cent of the total profits and 9.30 per cent of the total taxes had an effective tax rate closer to the average statutory rate of 34.69 per cent. This shows that the tax liability across companies is unevenly distributed. This is primarily due to the various tax preferences provided in the statute that these companies avail.

It is further noteworthy that the 2,63,911 companies falling in bracket of effective tax rate of 20-30% constitute more than 50%(56.39%) share in profit before taxes and contribute a significant portion of 66.5% towards tax liabilities. The companies in this ETR bracket represent 25.72% of total companies. This marks an increase of 4% in the total tax share by these companies over that of 2020-21. The outcome is a significant indicator of the positive results of rationalization of corporate tax rates as introduced through the regimes contained in section 115BAA & 115BAB of the Income-tax Act, 1961.

Table 2: Profile of companies across range of Effective tax rates*

S.No	Effective Tax Rate (In %)	Number Of Companies	Share In Profit Before Taxes (%)	Share In Total Income (%)	Share In Total Tax Liability (In %)
1	Less Than Zero And Zero	530,987	8.17	0.63	0.54
2	0-20	115,962	26.66	15.38	17.45
3	20-25	57,506	23.52	26.79	25.49
4	25-30	206,405	32.87	42.44	41.01
5	30-33	21,020	4.24	5.98	6.21
6	>33	47,005	4.54	8.78	9.30
7	Indeterminate (PBT=0)	46,832			
TOTAL		10,25,717	100.00	100.00	100.00

*Effective tax rate is inclusive of surcharge and education cess

Table 3 compares the effective tax rate of public companies (Public Sector Units only) with that of private companies. While the effective rate is lower than the statutory rate for both categories, the private sector companies pay a larger proportion of their profits as tax than the public sector companies.

Table 3: Effective tax rate* of companies in the public and private sectors

(Financial Year 2021-22) (Number of Companies – 10,25,717)

S.No	Sector	Number of Companies	Share in total Profits (in %)	Share in total tax liability (in %)	Effective tax rate (in %) [Tax to Profit ratio]
1	Private	10,25,516	82.54	86.93	24.18
2	Public [#]	201	17.46	13.07	18.89
All Companies		10,25,717	100	100	23.26

* Effective tax rate is inclusive of surcharge and education cess.

[#] Based on the information given by the assessee companies (as Public Sector Units) in their respective returns.

Table 4 shows a comparison between the effective tax rate of the manufacturing sector and the other sectors in respect of the companies. The non-manufacturing sectors have a higher effective tax rate of 23.62 per cent as compared to manufacturing sector at 22.64 per cent. Both the sectors have an effective tax rate that is well below the average statutory rate of 34.69 per cent.

Table 4: Effective tax rate* of companies in the manufacturing and non-manufacturing sectors

(Financial year 2021-22) [Number of companies– 10,25,717]

S.No	Sector	Number of companies	Share in total profits (in %)	Share in total tax liability (in %)	Effective Tax Rate (Tax To Profit Ratio)
1	Manufacturing	1,51,225	36.76	35.78	22.64
2	Non-manufacturing	8,74,492	63.24	64.22	23.62
All Companies		10,25,717	100.00%	100	23.26

*Effective tax rate is inclusive of surcharge and education cess

Table 5 gives details of the major tax expenditures on corporate taxpayers during the financial year 2021-22 and projection for the financial year 2022-23. The analysis is based on the corporate returns received up to 31st December, 2023, which includes all the returns filed for AY 2022-23. The revenue impact of each tax concession availed by these companies has been calculated by applying the weighted average statutory corporate tax rate of 34.69 per cent³ on the amount of each deduction. The revenue impact of accelerated depreciation, deduction for expenditure on scientific research has been calculated

³ Average statutory tax rate has been worked out after taking a weighted average of the tax rate of 31.20 per cent in the case of companies having total income upto Rs. 1 crore, of 33.38 per cent in the case of companies having total income upto Rs. 10 crore and 34.94 per cent in the case of companies having total income exceeding Rs.10 crore.

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 weighted average corporate tax rate of 34.69 per cent has been applied to this difference to arrive at the tax expenditure figure.

Another aspect of tax expenditure 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 MAT on companies under the tax statute fastens a liability (for the financial year 2021-22, at the rate of 15 per cent 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. The excess liability on account of MAT is allowed as a credit (up to 15 years) in a subsequent year in which the normal tax liability is in excess of MAT liability. 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 revenue impact of other deductions such as profit-linked deductions by spreading the same claim over a longer period of time.

Based on the tax expenditure figures for the financial year 2021-22, the tax expenditure for the financial year 2022-23 has been projected by multiplying the tax expenditure on each tax incentive in the financial year 2021-22 by the average GDP growth for four years [FYs 2018-19, 2019-20, 2021-22 and 2022-23]. The average GDP growth rate was calculated to be 12.84%.

Table 5 depicts major tax expenditures on corporate taxpayers in terms of tax expenditure during the financial year 2021-22 and projection for the financial year 2022-23.

Table 5: Revenue Impact of Major Tax Incentives for corporate taxpayers (Financial years 2021-22 and 2022-23)
[Number of companies – 10,25,717]

S.No	Nature of Incentive	Revenue Impact (2021-22)	Projected Revenue Impact (2022-23)
1	Deduction of export profits of units located in SEZs (section 10AA)	24,677.18	27,845.73
2	Accelerated Depreciation (section 32)	21,477.69	24,235.43
3	Deduction for expenditure on scientific research (Section 35(1), (2AA) & (2AB))	2,557.02	2,885.34
4	Deduction in respect of specified business (section 35AD)	1,517.96	1,712.87
5	Deduction on account of donations to charitable trusts and institutions (section 80G)	1,132.90	1,278.36
6	Deduction on account of contributions to political parties (section 80GGB)	1,775.46	2,003.43
7	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	8,213.25	9,267.83
8	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	15,286.40	17,249.17
9	Deduction of profits of undertaking engaged in revival of power plant (section 80-IA)	102.22	115.34
10	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	695.25	784.52
11	Deduction of profits of industrial undertakings located in Jammu & Kashmir (80-IB)	265.93	

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12	Deduction of profits of industrial undertakings derived from production of mineral oil and natural gas (section 80-IB)	123.12	138.93
13	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	12.99	14.66
14	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	5.61	6.33
15	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	125.78	141.93
16	Deduction of profits and gains from housing projects (section 80-IBA)	410.68	463.41
17	Deduction of profits of undertakings set-up in North Eastern States (section 80-IE)	1,977.92	2,231.89
18	Deduction of profits of undertakings set-up in Sikkim (section 80-IE)	3,866.06	4,362.46
19	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	8.62	9.73
20	Deduction in respect of employment of new workmen (section 80JJAA)	2,632.94	2,971.01
21	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Center (section 80-LA)	1.04	1.17
22	Deductions in respect of certain incomes of International Financial Services Centre 80LA(1A)	178.16	201.04
23	Deduction in respect of contributions given by companies to political parties(80GGC)	12.37	13.96
24	Deduction in respect of certain income of Producer Companies(80PA)	18.46	20.83
TOTAL		87,075.01	98,255.44
LESS: Net Additional Tax due to MAT		(-9817.38)	-11,077.93
(Calculated as: Additional Tax Liability on account of MAT: Rs.24613.44 crore			n.a
(-) Reduced by MAT Credit claimed: Rs.34430.82 crore			n.a
TOTAL REVENUE FORGONE		96,892.39	109,333.38

Across various sectors, deductions availed by units located in SEZ (S. No. 1), accelerated depreciation (S. no. 2), deduction of profits of undertakings engaged in generation, transmission and distribution of power (No.8), undertakings engaged in development of infrastructure facilities (S. No. 7), deduction of profits of undertakings set-up in Sikkim (No. 18), deduction in respect of employment of new workmen (No. 20), deductions on scientific research (S. No. 3), deduction of profits of undertakings set-up in North Eastern State (No. 17), specified business (S. No. 4), accounted for a significant portion of the total tax incentive. The deduction on account of donations to charitable trusts and institutions have decreased in F.Y. 2021-22 (Rs. 1132.90 crore) as compared to such donation in F.Y. 2020-21 (1274.99 crore).

The industry-wise distribution of effective tax rate of companies is given in the table in the Appendix to this statement. The effective tax rates for growing and manufacturing of tea (15.57%), manufacturing of steel products (18.11%), and manufacturing of paper and paper products (20.21%) are at the lower range. Some of the other sectors which are also having lower tax rates as compared to the effective tax rates are mining and agglomeration of hard coal (17.65%) and manufacturing of refined petroleum products (21.15%). The effective tax rate is the ratio of aggregate of gross tax payable to profit before tax.

Further in an effort to establish a globally competitive business environment for certain domestic companies, attract fresh investment, create employment opportunities and give an impetus to the overall economy, section 115BAA and 115BAB

had been inserted in the Income-tax Act through Taxation Laws (Amendment) Act, 2019 (TLAA). It provides for a concessional tax rate of 22% for existing domestic companies, and of 15% for newly incorporated domestic companies (set up and registered on or after the 1st day of October, 2019) which commence manufacturing or production of an article or thing on or before 31.03.2024. This concession is subject to certain conditions including that they do not avail of any specified incentive or deductions. It has also been provided that the domestic companies opting for the concessional taxation regime shall not be required to pay any Minimum Alternate Tax (MAT).

An analysis of the impact of this concessional tax incentive (made in Table 5.1) shows that out of the corporate returns in the financial year 2021-22, the total income being taxed under section 115BAA of the Act is Rs. 15, 48,040.43 Crore, which is an increase of 29.77% over the income being taxed under the same section in the previous financial year 2020-21 (Rs. 11,92,851.30 Crore). Further, the total income taxed under section 115BAB of the Act is Rs. 2360.64 Crore which is an increase of 206.5% over the income being taxed under section 115BAB in Financial Year 2020-21 (Rs. 770.13 Crore). Thus, the trend of adoption of the new concessional tax regime by companies has continued which is an encouraging sign.

**Table 5.1: Comparison of income under concessional tax regime and those under earlier tax regime
(Financial Year 2021-22)**

S.No	Slabs of Total Income (in Rs. Crore)	FY 2021-22 Total Income in Crores (under 115BAA)	FY 2020-21 Total Income in Crores (under 115BAA)	FY 2021-22 Total Income in Crores (under 115BAB)	FY 2020-21 Total Income in Crores (under 115BAB)	FY 2021-22 Total Income in Crores (under earlier tax rate of 30% plus surcharge and cess)	FY 2020-21 Total Income in Crores (under earlier tax rate of 30% plus surcharge and cess)
1	0-1	15,227.55	17,086.42	235.08	171.73	33,123.58	24,655.94
2	1 to 10	81,588.75	77,903.02	843.57	418.52	82,328.45	51,162.16
3	10 to 50	1,45,239.29	1,24,743.04	1,066.09	179.87	1,13,796.76	72,888.96
4	50 to 100	94,167.00	72,638.16	215.91	-	65,764.04	42,349.08
5	100 to 500	2,95,164.99	2,30,990.20	0	-	2,15,906.21	1,32,004.85
6	>500	9,16,652.84	6,69,490.46	0	-	6,90,333.22	4,27,711.70
	Total	15,48,040.43	11,92,851.30	2,360.64	770.13	12,01,252.25	7,50,772.69

B. Non-Corporate Sector [Firms/ AOPs/ BOIsetc.]

Apart from the corporate sector, large business is also organized 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 17,24,125 returns filed electronically up to 31st December, 2023 for income of the financial year 2021-22. For the purposes of calculating the tax expenditure, data pertaining to these 17,24,125 Firms/ AOPs/ BOIs was culled out from the database.

The data was analyzed and the following facts emerged:-

- The entire firms/ AOPs/ BOIs reported Rs. 3,55,649.81 crore as profits before taxes and declared a total income (taxable income) of Rs. 5,00,936.81 crores. Losses were reported in about 3,46,591 returns which is 20.10 per cent of the total.
- These firms/ AOPs/ BOIs reported Rs 1,22,094.90 crore as income-tax payable [inclusive of surcharge and cess] for the financial year 2021-22.

The revenue impact of each tax concession claimed by the firms/ AOPs/ BOIs has been calculated by applying the income tax rate of 34.09 per cent (weighted average rate calculated taking rate of 31.20 per cent for firms having income less than one crore and 34.94 per cent for firms having income more than one crore with the gross tax payable falling in each tax rate slab) on the amount of each deduction. The tax expenditure on account of accelerated depreciation; deduction/ weighted

deduction for expenditure on scientific research 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 34.09 per cent has been applied to this difference to arrive at the revenue impact of each tax incentive. Based on the revenue impact for each tax incentive for the financial year 2021-22, the revenue impact for the financial year 2022-23 has been projected. The estimation for 2022-23 has been made by multiplying the tax expenditure on each tax incentive in the financial year 2021-22 by the average GDP growth for four years [FYs 2018-19, 2019-20, 2021-22 and 2022-23]*. The average GDP growth rate was calculated to be 12.84%.*

Table 6 depicts the major tax expenditures on non-corporate taxpayers in terms of tax expenditure during the financial year 2021-22 and projection for the financial year 2022-23. Like financial year 2019-20, the highest tax expenditure continues to be on account of deduction of profits of cooperative societies which accounts for 53.89 per cent of the total revenue impact as compared to 61.02 per cent in last financial year. The tax expenditure on account of units setup in SEZs (under section 10AA), housing projects (under section 80-IB) and accelerated depreciation (under section 32) were 19.16 per cent, 8.63 per cent and 3.47 per cent of the total revenue forgone, respectively.

The total tax expenditure for non-corporate sector, i.e., Firms/ AOPs/ BOIs for the financial year 2020-21 is worked out to be **Rs. 9,018.68 crore**.

Table 6: Revenue Impact of Major Tax Incentive for non-corporate taxpayers [Firms/ AOPs/ BOIs]
Financial years 2021-22 and 2022-23

S.No	Nature of Incentive	Revenue Impact (2021-22) (in Rs. Crore)	Projected Revenue Impact (2022-23) (in Rs. Crore)
1	Deduction of export profits of units located in SEZs (section 10AA)	1,727.95	1,949.82
2	Accelerated Depreciation (section 32)	312.83	353.00
3	Deduction for expenditure on scientific research (Section 35(1), (2AA) & (2AB))	5.92	6.68
4	Deduction in respect of specified business (section 35AD)	65.08	73.44
5	Deduction on account of donations to charitable trusts and institutions (section 80G)	180.18	203.32
6	Deduction on account of contributions to political parties (section 80GGC)	90.15	101.73
7	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	84.73	95.61
8	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	357.38	403.27
9	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	108.72	122.68
10	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	56.98	64.30
11	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	8.29	9.35
12	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	72.64	81.97
13	Deduction of profits and gains from housing projects (section 80-IBA)	778.79	878.79

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14	Deduction of profits of undertakings set-up in North Eastern States (section 80-IE)	209.30	236.18
15	Deduction of profits of undertakings set-up in Sikkim (section 80-IE)	30.55	34.47
16	Deduction of profits of undertakings set-up in Uttarakhand (section 80-IC)	0.807	0.91
17	Deduction of profits of undertakings set-up in Himachal Pradesh (section 80-IC)	0.128	0.14
18	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	11.02	12.43
19	Deduction in respect of employment of new workmen (section 80JJAA)	46.12	52.04
20	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Center (section 80-LA)	0.14	0.16
21	Deduction in respect of profits of cooperative societies (section 80P)	4,860.33	5,484.40
22	Deduction in respect of certain donations for scientific research or rural development (80GGA)	6.3	7.11
23	Deduction in respect of certain incomes of International Financial Services Center 80LA(1A)	4.34	4.90
TOTAL		9,018.68	10,176.68

**2020-21 being covid impacted year is not considered.*

C. Individual/ HUF Taxpayers

Chapter VI-A of the Income-tax Act primarily provides for deduction on certain payments and deduction on certain incomes. Individual/ HUF taxpayers are eligible to claim these deductions and have a wide range of tax preferences available to them. However, since more than 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 type of deductions. The tax incentives granted to individual taxpayers is presented in Table 7. The tax impact under various sections of Chapter VI-A of the Income-tax Act has been calculated on the basis of various claims for tax preferences in the **7,12,70,191** returns filed electronically by individuals with the Income-tax Department for the A.Y 2022-23 till 31st December, 2023.

Based on the tax expenditure figures for financial year 2021-22, the tax expenditure for the financial year 2022-23 has been projected by multiplying the tax expenditure on each tax incentive in the financial year 2020-21 by the average GDP growth for four years [FYs 2018-19, 2019-20, 2021-22 and 2022-2]. The average GDP growth rate was calculated to be 12.84%.

Based on the figures of total **7,12,70,191** returns of income filed for F.Y. 2021-22 (AY 2022-23), the tax expenditure for the entire population of taxpayers has been prepared. Some of the significant findings are as under:-

- (i) Impact of higher basic exemption limits, (Sl. No. 27 and 28 of Table 7), has been calculated by multiplying the tax expenditure per senior citizen and very senior citizen with their respective numbers. According to the data of these returns, 11.64 per cent of the returns were filed by senior citizens and 0.74 per cent of the returns were filed by very senior citizens. Further, the revenue impact of higher exemption limit available to senior citizens has been calculated by taking into account the difference between the higher basic exemption limit (i.e. Rs. 3,00,000) as compared to the general exemption limit of Rs. 2,50,000 and applying the lowest tax rate of 5 per cent (plus cess) on the difference.
- (ii) In case of individuals, the maximum tax expenditure of an amount of Rs. 90,546.13 crore is on account of claim of deduction for investments in certain instruments as per section 80C of the Act.
- (iii) The other major tax expenditure on individual taxpayers in the financial year 2021-22 is on account of rebate under section 87A amounting to Rs. 36,292.90 crore.

- (iv) Deduction on account of contribution to the New Pension Scheme under section 80CCD, and deduction on account of health insurance premium under section 80D also had a contribution of Rs. 11,354.776 crore and Rs. 9,783.68 crore respectively to the overall figure.

As detailed above, **Table 7** depicts the revenue impact of major tax incentives for individual/ HUF taxpayers, in terms of tax expenditure, during the financial year 2021-22 and projection for financial year 2022-23.

**Table 7: Revenue Impact of major tax Incentives for individual HUF taxpayers
(Financial years 2021-22 and 2022-23)**

S. No.	Nature of Incentive	Revenue Impact (In Rs. Crore) [2021-22]	Projected Revenue Impact (in Rs. Crore) [2022-23]
1	Deduction on account of certain investments and payments (section 80C)	90,546.13	102,172.25
2	Deduction on account of contribution to certain pension funds (section 80CCC)	313.02	353.21
3	Deduction on account of contribution to the New Pension Scheme (section 80CCD)	11,354.76	12,812.71
4	Deduction on account of health insurance premium (section 80D)	9,783.68	11,039.90
5	Deduction on account of expenditure for medical treatment of a dependent who is disabled (section 80DD)	1,350.08	1,523.43
6	Deduction on account of expenditure for medical treatment of specified diseases (section 80DDB)	1,867.71	2,107.52
7	Deduction on account of interest on loan taken for higher education (section 80E)	1,388.41	1,566.68
8	Deduction on account of interest on loan for residential house property (section 80EE)	400.13	451.51
9	Deduction in respect of interest on loan taken for certain house property (section 80EEA)	771.48	870.54
10	Deduction in respect of purchase of electric vehicle (section 80EEB)	222.69	251.28
11	Deduction on account of donations to charitable trusts and institutions (section 80G)	1,594.97	1,799.76
12	Deduction on account of rent paid for housing accommodation (section 80GG)	1,715.79	1,936.10
13	Deduction on account of donations for scientific research or rural development (section 80GGA)	13.75	15.52
14	Deduction on account of contributions given to political parties (section 80GGC)	1,650.46	1,862.38
15	Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks, generation of power, and providing telecommunication services (section 80-IA)	79.77	90.01
16	Deduction of profits of undertakings engaged in development of SEZs pursuant to SEZ Act, 2005 (section 80-IAB)	1.27	1.43
17	Deduction of profits and gains from housing projects (section 80-IBA)	155.29	175.23

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18	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 area (80-IB)	22.72	25.64
19	Deduction of profits of undertakings set-up in North Eastern States, Sikkim, Uttaranchal and Himachal Pradesh (section 80-IC)	27.07	30.55
20	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	4.11	4.64
21	Deduction in respect of employment of new workmen (section 80JJAA)	14.77	16.67
22	Deduction of royalty income of authors of certain books other than text books (section 80QQB)	7.95	8.97
22	Deduction of royalty income on patents (section 80RRB)	0.37	0.42
23	Deduction on account of interest in savings account (section 80TTA)	2,064.93	2,330.07
24	Deduction on account of Interest on deposits in case of Resident senior citizens (section 80TTB)	3,463.70	3,908.44
25	Deduction in case of a person with disability (section 80U)	618.09	697.45
26	Rebate u/s 87A	36,292.90	40,952.91
27	Higher exemption limit for senior citizens	2,157.43	2,434.44
28	Higher exemption limit for super senior citizens	682.87	770.55
TOTAL		168,566.30	190,210.21

The revenue impact of providing a tax incentive for investments in various savings instruments, repayment 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 rebate on tax in case of resident individuals having income up to five lakh rupees, contribution to New Pension Scheme (Section 80CCD) and deduction on account of health insurance premium (section 80D). The tax expenditure 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-IA and section 80-IBA of the Income-tax Act.

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 income tax return. The total number of electronically filed returns of such entities till 31st December 2023 for the assessment year 2022-23 is 207,675. The total amount applied by such entities for charitable and religious purposes during the FY 2021-22 is Rs. 8,17,187.15 crores.

Appendix

**Effective tax rate, inclusive of surcharge and education cess, of companies across industry
(Financial Year 2021-22) (Number of companies-10,25,717)**

S.No	SECTOR	SUB-SECTOR	COMPANIES	GTI	PBT(POSITIVE), PBT>0	EFFECTIVE TAX RATE
1	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Agricultural and animal husbandry services	7711	386.61	1254.27	30.82
2	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Raising of poultry and production of eggs	750	354.51	1411.05	25.12
3	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Growing and manufacturing of tea	1167	226.43	1454.32	15.57
4	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Others including non- classified	13593	699.06	4069.58	17.18
5	FISH FARMING	Services related to marine and fresh water fisheries, fish hatcheries and fish farms	96	6.38	28.49	22.41
6	FISH FARMING	Others	744	86.88	538.97	16.12
7	MINING AND QUARRYING	Extraction of crude petroleum and natural gas	157	13338.33	58512.64	22.80
8	MINING AND QUARRYING	Mining and agglomeration of hard coal	128	6374.15	36123.92	17.65
9	MINING AND QUARRYING	Mining of nonferrous metal ores, except uranium and thorium ores	50	7516.65	34654.76	21.69
10	MINING AND QUARRYING	Mining of iron ores	226	3211.47	12375.51	25.95
11	MINING AND QUARRYING	Others	4081	2429.64	8226.43	29.53
12	MANUFACTURING	Manufacture of refined petroleum products	387	25246.12	119357.42	21.15
13	MANUFACTURING	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	7260	27939.89	115068.76	24.28
14	MANUFACTURING	Manufacture of motor vehicles	600	9368.91	35454.08	26.43
15	MANUFACTURING	Manufacture of parts & accessories of motor vehicles & engines	3313	10044.36	42849.53	23.44
16	MANUFACTURING	Manufacture of steel products	4128	27885.63	153999.71	18.11
17	MANUFACTURING	Manufacture of other chemical products	4657	12337.84	49505.73	24.92
18	MANUFACTURING	Manufacture of tobacco products	351	5251.30	22297.71	23.55
19	MANUFACTURING	Manufacture of textiles (other than by handloom)	9548	8786.49	38706.71	22.70
20	MANUFACTURING	Manufacture of electrical machinery and apparatus	2675	1100.73	5270.86	20.88
21	MANUFACTURING	Manufacture of cement, lime and plaster	707	6807.24	28377.62	23.99

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S.No	SECTOR	SUB-SECTOR	COMPANIES	GTI	PBT(POSITIVE), PBT>0	EFFECTIVE TAX RATE
22	MANUFACTURING	Manufacture of other food products	4871	2615.72	10799.91	24.22
23	MANUFACTURING	Manufacture of Radio, Television, communication equipment and apparatus	308	2223.62	8416.26	26.42
24	MANUFACTURING	Manufacture of soap and detergents	370	1129.44	4349.32	25.97
25	MANUFACTURING	Manufacture of fertilizers and nitrogen compounds	1168	3420.19	15982.00	21.40
26	MANUFACTURING	Manufacture of rubber products	1180	1999.81	8125.87	24.61
27	MANUFACTURING	Manufacture of paints, varnishes and similar coatings	801	2033.57	7690.43	26.44
28	MANUFACTURING	Manufacture of plastic products	3684	2488.03	10279.37	24.20
29	MANUFACTURING	Manufacture of paper and paper products	2828	1432.38	7087.19	20.21
30	MANUFACTURING	Manufacture of engines and turbines	218	1492.93	5279.52	28.28
31	MANUFACTURING	Others	102171	84327.64	362232.22	23.28
32	ELECTRICITY, GAS AND WATER	Manufacture and distribution of gas	389	4335.36	18494.61	23.44
33	ELECTRICITY, GAS AND WATER	Other essential commodity service n.e.c	1777	442.73	3315.07	13.36
34	CONSTRUCTION	Construction and maintenance of roads, rails, bridges, tunnels, ports, harbour, runways etc.	5807	10987.30	49555.19	22.17
35	CONSTRUCTION	Building of complete constructions or parts civil contractors	19028	3285.32	16644.13	19.74
36	REAL ESTATE AND RENTING SERVICES	Developing and subdividing real estate into lots	9484	1734.44	17699.48	9.80
37	REAL ESTATE AND RENTING SERVICES	Operating of real estate of self-owned buildings(residential and nonresidential)	3787	1278.28	6479.40	19.73
38	REAL ESTATE AND RENTING SERVICES	Purchase, sale and letting of leased buildings(residential and nonresidential)	6203	1228.61	5995.42	20.49
39	REAL ESTATE AND RENTING SERVICES	Real estate activities on a fee or contract basis	6253	406.53	1855.08	21.91
40	WHOLESALE AND RETAIL TRADE	Wholesale of electronic parts & equipment	3815	1651.03	6239.41	26.46
41	WHOLESALE AND RETAIL TRADE	Wholesale and retail sale of motor vehicles	4028	1206.90	5940.73	20.32

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S.No	SECTOR	SUB-SECTOR	COMPANIES	GTI	PBT(POSITIVE), PBT>0	EFFECTIVE TAX RATE
42	WHOLESALE AND RETAIL TRADE	Wholesale of other machinery, equipment and supplies	3100	900.05	3398.97	26.48
43	WHOLESALE AND RETAIL TRADE	Others	179716	34137.87	146041.60	23.38
44	TRANSPORT AND LOGISTICS SERVICES	TRANSPORT AND LOGISTICS SERVICES- Freight transport by road	4330	1179.79	4887.71	24.14
45	FINANCIAL INTERMEDIATION SERVICES	Commercial banks, saving banks and discount houses	376	42297.64	158827.13	26.63
46	FINANCIAL INTERMEDIATION SERVICES	Commercial loan activities	2283	5862.62	25579.52	22.92
47	FINANCIAL INTERMEDIATION SERVICES	Others including non- classified	49249	114360.3 2	418220.58	27.34
48	COMPUTER AND RELATED SERVICES	Software development	26318	50603.50	214645.88	23.58
49	COMPUTER AND RELATED SERVICES	Other IT enabled services	25837	15117.34	68502.31	22.07
50	COMPUTER AND RELATED SERVICES	BPO services	2207	2961.98	11516.14	25.72
51	COMPUTER AND RELATED SERVICES	Others	19165	3674.43	12568.08	29.24
52	RESEARCH AND DEVELOPMENT	Research & Development activities n.e.c.	1930	572.14	2474.87	23.12
53	PROFESSIONS	Engineering and technical consultancy	4983	1493.14	4913.91	30.39
54	PROFESSIONS	Business and management consultancy activities	7971	1715.19	8057.42	21.29
55	PROFESSIONS	Advertising	2472	448.90	1869.90	24.01
56	PROFESSIONS	Architectural profession	1135	58.31	218.38	26.70
57	PROFESSIONS	Others	23092	1889.32	7298.88	25.89
58	EDUCATION SERVICES	Primary education	734	43.94	153.10	28.70
59	HEALTHCARE SERVICES	Speciality and super speciality hospitals	2334	2151.14	9457.47	22.75
60	HEALTHCARE SERVICES	Diagnostic centres	1919	688.03	2965.21	23.20
61	HEALTHCARE SERVICES	General hospitals	2883	609.06	2584.79	23.56
62	HEALTHCARE SERVICES	Others	14686	1446.81	5644.55	25.63
63	CULTURE AND SPORT	Television channels broadcast	488	2907.82	10690.54	27.20
64	CULTURE AND SPORT	Others including non- classified	6620	1170.02	5772.48	20.27
65	HOTELS, RESTAURANTS AND HOSPITALITY SERVICES	Hotels Star rated	20775	1297.01	7020.81	18.47
66	TRANSPORT AND LOGISTICS SERVICES	Travel agencies and tour operators	18521	6177.14	28383.87	21.76
67	POSTS AND TELECOMMUNICATION SERVICES	Post and courier activities	2771	3325.82	35690.77	9.32
68	RESEARCH AND DEVELOPMENT	Natural sciences and engineering	351	51.45	190.88	26.95

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S.No	SECTOR	SUB-SECTOR	COMPANIES	GTI	PBT(POSITIVE), PBT>0	EFFECTIVE TAX RATE
69	EDUCATION SERVICES	Secondary/senior secondary education	13996	1086.84	3781.59	28.74
70	SOCIAL AND COMMUNITY WORK	social work activities with accommodation (orphanages and homes for the aged)	4678	26.99	89.06	30.31
71	OTHER SERVICES	Hair dressing and other beauty treatment	236855	33883.77	117416.18	28.86
72	ELECTRICITY, GAS AND WATER	Production, collection and distribution of electricity	8063	7020.73	61626.81	11.39
73	CONSTRUCTION	Building installation	46793	7183.13	33629.96	21.36
74	REAL ESTATE AND RENTING SERVICES	Other real estate/renting services n.e.c	38483	4552.78	26122.43	17.43
75	RENTING OF MACHINERY	Renting of land transport equipment	2299	284.58	1345.08	21.16
76	HOTELS, RESTAURANTS AND HOSPITALITY SERVICES- Hotels	Hotels Nonstar rated	2	4.05	10.10	40.06
77	TRANSPORT AND LOGISTICS SERVICES	Passenger land transport	11	730.00	3561.71	20.50
78	POSTS AND TELECOMMUNICATION SERVICES	Basic telecom services	4	3253.89	19973.22	16.29
79	OTHER SERVICES-Other services n.e.c.	Other services n.e.c.	22	1893.66	4535.95	41.75
80	ELECTRICITY, GAS AND WATER	Production, collection and distribution of electricity	23	7956.76	43898.73	18.13
81	REAL ESTATE AND RENTING SERVICES	Other real estate/renting services n.e.c	2	14.35	57.40	25.00

**Only profit-making companies (i.e PBT>0) have been considered in this analysis.*

Statement of Revenue Impact of Tax Incentives for Customs Duty for the period 2022-23 and 2023-24

Customs duty on goods is levied under the Customs Act, 1962 at rates specified in the First Schedule to the Customs Tariff Act, 1975 (commonly referred to as basic customs duty - BCD). Export duty is also levied on certain items at rates specified in the Second Schedule to the Customs Tariff Act, 1975.

2.1 These rates, specified against individual tariff lines in the Customs Tariff Act, 1975, are commonly known as "tariff rates". Further, the Customs Act, 1962 or the Finance Acts concerned delegates powers to the Central Government [under Section 25(1) of the Customs Act, 1962, which is also made applicable to duties levied under various Finance Acts] to prescribe duty rates lower than the Tariff rates through notifications. The rates, prescribed through such exemption notifications, are referred to as "effective rates".

2.2 Further, exemption notifications issued by the Government can be broadly classified into two types:-

- (i) **Conditional exemption notifications; and**
- (ii) **Unconditional exemption notifications.**

2.3 Unconditional exemptions prescribe general effective rates of duty for a commodity. This rate applies to all imports of that commodity, without any conditions. In other words, such unconditional exemptions in effect prescribe MFN rate for a commodity.

2.4 Conditional exemptions, on the other hand, prescribe effective rates under certain specific circumstances, as against the higher tariff rate or the MFN rate, as discussed above. Such conditional notifications are for specified purposes, for example, to promote domestic manufacturing, defense procurements, etc. In such cases, only those imports, which fulfill conditions prescribed for such rates, are eligible for such effective rates. As such, these exemptions result in revenue foregone vis-à-vis the relevant tariff/ MFN rate.

2.5 **Duty Free imports under export schemes:** Certain exemptions have been provided for procurement of raw materials and inputs that go into the export goods. As such, these exemptions only provide for tax neutralization to exports for zero rating of exports. These concessions, being aimed at zero rating of exports, do not effectively result in revenue foregone on account of BCD concessions.

2.6 **Export linked remissions or incentives provided through scrip rate:** There are certain scheme that allows for remissions or incentives to exporters. A remission to export goods is allowed in lieu of certain embedded taxes or levies of States and Centre. Schemes like RoDTEP and RoSCTL are of such nature. Under these schemes, credit in the form of freely tradable scrips is allowed. This credit can be set off against any payment of Basic Customs Duty (BCD) on imports. The usage of scrip for payment of BCD was taken as revenue foregone till 2020-21. However, in changed accounting practice, considering the real nature, the duty paid through scrip is now accounted as revenue and the duty credit so allowed to exporter is counted as expenditure. The revised practice has been adopted since 2021-22, and the same practice is continued for 2023-24.

3. **FTA:** India has entered into Free Trade Agreements, Comprehensive Economic Partnership Agreements and Comprehensive Economic Co-operation Agreements with a number of countries or group of countries. Similarly, India is also a signatory to the Information Technology Agreement-I. Under this agreement, India has bound itself for lower rate/exemption on the specified goods as covered under such agreement. These preferential tariffs are also prescribed through notifications issued under section 25 of the Customs Act, 1962. **Such preferential tariffs extended as part of sovereign commitments, are also the general applicable rate for imports covered by such agreements.**

4. **Therefore, as explained above, since the unconditional exemptions and exemptions extended towards sovereign commitments in effect prescribe MFN rates (effective rate) for the commodity concerned, a more appropriate estimation for the revenue impact of tax concessions would be the revenue foregone on account of conditional exemptions only.**

5. **Revenue impact assessment for the Year 2022-23 and 2023-24:** Estimate of total revenue impact under various exemption notifications is based on the data generated from the Bills of Entry filed by the importers in the Indian Customs Electronic Data Interchange System (ICES) at various Electronic Data Interchange (EDI) locations. Extrapolation has been made to arrive at revenue foregone on account of imports not captured in ICES. ICES constitute about **96%** of total imports for the period 2022-23 and **95%** of the total imports for the period of 2023-24.

6.1 Based on the above stated methodology, the revenue impact of tax concessions on customs side for the year 2022-23 and 2023-24 works out as under:

Table I: Revenue Impact of Tax concessions on account of Basic Customs Duty*(Rs Crore)*

S.No.	Name of the Scheme	Formula	Revenue Impact (2022-23)	Revenue Impact (2023-24)
A.	On account of BCD collection at different rates less than Tariff rate as per EDI data	A.1+A.2+A.3	3,81,520	3,55,204
On account of :-				
A.1	Unconditional/technical BCD exemptions as per EDI data	-	2,69,900	2,30,610
A.2	FTA/PTA/CECA/CEPA as per EDI data (Refer Table II)	-	78,993	89,205
A.3	Conditional BCD exemptions- EDI locations (Refer Table III)	-	32,627	35,389
B.	Revenue foregone of Conditional BCD exemptions (EDI + non-EDI locations)	(A.3)x100/f[#]	33,986	37,252
C.	Revenue impact on account of input tax neutralization scheme (Refer Table IV)	-	68,380	96,325
D.	Net Duty Foregone (on account of Customs tariff concessions)	-	33,986	37,252

Source: DG(sys), CBIC & PrCCA

[#] f is extrapolation factor which is equal to 96% for the year 2022-23 and 95% for the year 2023-24 to include imports not captured in ICES.

6.2 Details of Revenue impact on account of FTA/PTA/CEPA/CECA as per EDI data for the Year 2022-23 and 2023-24 (refer Sr. No. A.2 in Table I above) is as under:

Table II: Revenue Impact on account of FTA/PTA/CEPA/CECA*(Rs Crore)*

S.No.	FTA/PTA/CEPA/CECA Country/Region	Revenue Impact (2022-23)	Revenue Impact (2023-24)
1	On account of concessional rate of customs duty for specified goods imported from ASEAN	32,609	37,269
2	On account of concessional rate of customs duty for imports from Japan	9,504	10,312
3	On account of concessional rate of customs duty for specified goods imported from Korea	10,462	9,873
4	On account of concessional rate of customs duty for goods imports from LDCs	9,994	9,235
5	On account of Concessional rate of customs duty for specified goods import from Australia (w.e.f 29th December 2022)	1,537	6,416
6	On account of concessional rate of customs duty for imports from Bangladesh, Bhutan, Maldives, Nepal & Afghanistan	6,447	6,404
7	On account of Concessional rate of customs duty for specified goods import from UAE (CEPA) (w.e.f 1st May 2022)	713	1,847
8	On account of concessional rate of customs duty for imports from Malaysia	962	1,189
9	Others	6,765	6,660
Total		78,993	89,205

Source: DG(sys), CBIC

6.3 Details of Revenue impact on account of conditional BCD exemptions as per EDI data for the Year 2022-23 and 2023-24 (refer Sr. No. A.3 in Table I above) is as under: -

Table III: Revenue Impact on account of conditional BCD exemptions (EDI)*(Rs Crore)*

S.No.	Head	Revenue Impact (2022-23)	Revenue Impact (2023-24)
1	On account of exemption to specified goods used in manufacturer of mobile phones (notification No. 57/2017-Customs)	3,467	3,418
2	On account of BCD exemption to manufacture ITA Bound Goods (notification No. 24/2005-Customs and 25/2005-Customs)	721	743
3	On account of BCD exemptions to Mineral Fuels, mineral oils etc (notification No. 52/2017-Customs)	591	245
4	On account of exemption to research equipment imported by public funded or Govt. Department. etc. (notification No. 51/1996-Customs)	212	225
5	On account of exemption and effective rates of Customs Duty for other items (other than those mentioned at S. No. 1 to 4)	27,636	30,758
TOTAL (EDI)		32,627	35,389
TOTAL (EDI + Non EDI)*		33,986	37,252

Source: DG(sys), CBIC

6.4 Details of Revenue impact on account of Export promotion schemes as per EDI data for the Year 2022-23 and 2023-24 (refer Sr. No. C in Table I above) is as under: -

Table IV: Revenue Impact on account of Export Promotion Schemes*(Rs Crore)*

S.No.	Name of the Scheme	Revenue Impact (2022-23)	Revenue Impact (2023-24)
1	Advanced Authorisation Scheme	17,531	25,119
2	EOU/EHTP/STP	7,783	7,443
3	EPCG	4,198	5,257
4	SEZ	37,951	57,345
5	Duty Free Import Authorisation Scheme	917	1,161
Total		68,380	96,325

Source: DG(sys), CBIC

[@]Data for SEZ received from Department of Commerce