

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

**RAJYA SABHA UNSTARRED QUESTION NO. 224**

ANSWERED ON 04/02/2025

**TAX EXEMPTIONS AND BENEFITS**

**224.Smt. Darshana Singh**  
**Dr. Anil Sukhdeorao Bonde**  
**Shri Brij Lal**  
**Shri Madan Rathore**  
**Shri Mayankbhai Jaydevbhai Nayak**  
**Smt. Sangeeta Yadav**  
**Smt. Kiran Choudhry**  
**Shri Narayana Koragappa**  
**Shri Jaggesh**  
**Shri Neeraj Dangi**  
**Shri Lahar Singh Siroya**  
**Smt. Maya Naroliya**

Will the Minister of FINANCE be pleased to state:-

- (a) the distribution of tax exemptions and benefits between corporations and individual taxpayers over the past few years;
- (b) the details of the specific measures or policies that have been implemented to ensure that the middle-class benefit more from tax exemptions;
- (c) whether Government has setup any mechanism to monitor the distribution of tax exemption periodically; and
- (d) if so, the details thereof?

**ANSWER**

**MINISTER OF STATE FOR FINANCE**  
**(SHRI PANKAJ CHAUDHARY)**

**(a)**

(i) The direct tax policy through Income-tax Act,1961 ('the 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. The revenue impact of major tax incentives due to tax exemptions and benefits under the Act in respect of corporates and Individuals/HUFs from FY 2019-20 to FY 2023-24 are tabulated as under:

**Table 1: Revenue impact of major tax incentives**

<b>Financial Year</b>	<b>For Corporates (in Rs Crore)</b>	<b>For Individuals/HUFs (in Rs Crore)</b>
2019-20	94,109.83	1,55,429.45
2020-21	75,218.02	1,28,244.23
2021-22	96,892.39	1,68,566.30
2022-23	88,109.27	1,96,678.95
2023-24*	98,999.57	2,20,988.47
<b>Total</b>	<b>4,53,329.08</b>	<b>8,69,907.40</b>

*Source: Receipt Budget of respective years*

*\*Total Revenue Impact for FY 2023-24 is projected revenue impact.*

(ii) The total revenue impact of major tax incentives for Individual/HUF taxpayers for last five years is **Rs 8,69,907.40** Crores. In comparison, the total revenue impact of major tax incentives for corporate taxpayers for last five years is **Rs 4,53,329.08** Crores. Therefore, it can be seen that the government has foregone huge revenue benefiting Individuals/HUFs taxpayers.

**(b)**

The New tax regime was introduced in the Budget 2020-21 to simplify, reduce and make it easy for complying with income tax provisions and also to provide significant relief to the middle-class taxpayers. About 75% of taxpayers have opted for the New tax regime. It is highlighted that one of the objectives of proposals regarding Direct taxes presented in the Budget 2025 is personal income tax reforms with special focus on middle class taxpayers. Some of the measures that would benefit middle class taxpayers are discussed as under.

- **Increase in basic exemption limit:** Under the New tax regime introduced in the Budget 2020-21, the threshold total income limit exempt from income-tax i.e. 'Nil' income tax slab was upto Rs. 2.5 lakh, which was increased to Rs.3 lakh in the Budget 2023-24 and also now proposed to be increased to Rs.4 lakh in the Budget 2025-26.
- **Rebate u/s 87A:** In the Budget 2023-24, the income tax rebate limit was made applicable in the new tax regime. Accordingly, resident individual with total income up to Rs.7 lakh do not pay any income tax due to rebate under the new tax regime. In the Budget 2025-26 presented on 01st February,2025, it has been proposed to further increase the rebate for the resident individual under the new tax regime so that they do not pay tax if their total income is up to Rs. 12 lakh (other than the special rate income). By increasing this limit to Rs.12 lakh, around one crore taxpayers who were earlier required to pay tax varying from Rs.20,000 to Rs.80,000 will be now paying 'Nil' tax. This limit will be Rs. 12.75 lakh for salaried tax payers, due to standard deduction of Rs. 75,000. Marginal relief as provided earlier under the new tax regime is also applicable for income marginally higher than Rs. 12 lakh.

- **Reduction in Income tax rates:** There is a continuous decrease in the personal income tax rates in various income slabs since the introduction of new tax regime in the Budget 2020-21. It has been proposed in the current Budget 2025-26 that the higher tax rate @30% will be made applicable to total income above Rs.24 lakh. Details of income tax rates slab-wise announced in the Budget 2020-21, Budget 2023-24, Budget 2024-25 (July,2024) and Budget 2025-26 are provided in the **Annexure A**.
- **Increase in Standard deduction Limit:** In the Budget 2023-24, the standard deduction of Rs 50,000/- was made available to the salaried persons opting for new tax regime. This limit was increased to Rs.75,000/- in the Budget 2024-25 (July,2024). Similarly, deduction on family pension for pensioners was enhanced from Rs.15,000/- to Rs.25,000/-in the Budget 2024-25(July,2024). This has provided relief to about four crore salaried individuals and pensioners.
- **Exemptions under New Tax regime:** Taxpayers opting for New Tax regime can also avail benefit of certain exemptions which inter-alia include leave encashment upto Rs.25 lakh, increased deduction of employers contribution under NPS, some allowances received by salaried persons like daily allowance, conveyance allowance etc. and gratuity amount. (refer **Annexure B**).
- **Rationalisation of TDS/TCS provisions:** In the current Budget 2025-26, it has been proposed to increase the limit for tax deduction at source in respect of certain income such as interest income for senior citizens and rental income etc (refer **Annexure C**). Further, it was also announced in the current Budget 2025-26 to remove tax collected at Source (TCS) on remittances for education purposes where such remittance is out of a loan taken from a specified financial institution.
- **Tax exemption for Income from Long-Term Capital Gains (LTCG):** For investments in equities and mutual funds, long-term capital gains (gains made on assets held for more than a year) up to Rs 1.25 lakh per financial year are exempted from income tax.
- **Option of tax regimes:** Though the New income tax regime was made the default tax regime in the Budget 2023-24, taxpayers have the option to avail the benefit of the old tax regime. Under the old regime, Individual/ HUF taxpayers are eligible to claim these exemptions/deductions and have a wide range of tax preferences available to them.

Periodically, the Government has reduced tax burden of middle-class taxpayers through changes in income slab and tax rates. The tax rates under the new tax regime are comparatively lower than the tax rates in old regime for the respective income slabs. The new structure proposed in the current Budget will substantially reduce the taxes of the middle class and leave more money in their hands, boosting household consumption, savings and investment. As a result of proposals introduced in the Budget 2025-26, revenue of about ₹ 1 lakh crore in direct taxes will be forgone.

**(c) & (d)**

The distribution of tax exemption and their impact including the revenue foregone has been analysed in Annexure-7 of Receipt Budget Statement which is available in the public domain ([indiabudget.gov.in](http://indiabudget.gov.in))(Copy enclosed).

\*\*\*\*\*

**Annexure A**

- (i) A comparison of the tax rates and slabs under the old regime and the new regime introduced in the Budget 2020-21 is as under:-

<b>Taxable Income Slab (Rs)</b>	<b>Existing Tax Rates under old regime</b>	<b>New Tax Rates under new tax regime</b>
Upto 2,50,000	Nil	Nil
From 2,50,001 to 5,00,000	5%	5%
From 5,00,001 to 7,50,000	20%	10%
From 7,50,001 to 10,00,000	20%	15%
From 10,00,001 to 12,50,000	30%	20%
From 12,50,001 to 15,00,000	30%	25%
Above 15,00,000	30%	30%

- (ii) The tax slabs and rates in the new regime were further revised in the Budget 2023-24 for Assessment Year 2024-25 as under:-

<b>Taxable Income (Rs)</b>	<b>Rates</b>
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5 %
From Rs. 6,00,001 to Rs. 9,00,000	10 %
From Rs. 9,00,001 to Rs. 12,00,000	15 %
From Rs. 12,00,001 to Rs. 15,00,000	20 %
Above Rs. 15,00,000	30 %

- (iii) The tax rates under the new tax regime were further revised in the Budget 2024-25 (July,2024) w.e.f. Assessment Year 2025-26 as under:

<b>Taxable Income (Rs.)</b>	<b>Rates</b>
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5 %
From Rs. 7,00,001 to Rs. 10,00,000	10 %
From Rs. 10,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20 %
Above Rs. 15,00,000	30%

- (iv) The tax rates under the new tax regime proposed in the current Budget 2025-26 w.e.f. from Assessment Year 2026-27 is proposed to be as under:

<b>Taxable Income (Rs.)</b>	<b>Rates</b>
Upto Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5 %
From Rs. 8,00,001 to Rs. 12,00,000	10 %
From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 16,00,001 to Rs. 20,00,000	20 %
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

- A few examples for calculation of tax benefit to the middle-class tax payers are given in the table below:

<b>Income</b>	<b>Tax on Slabs and rates</b>		<b>Benefit of</b>	<b>Rebate benefit</b>	<b>Total Benefit</b>	<b>Tax after rebate Benefit</b>
	<b>Present</b>	<b>Proposed</b>				
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

\*\*\*\*\*

**Exemptions/tax benefits available under New tax regime:**

- (i) **Increase in exemption of Leave encashment limit u/s 10(10AA):** In the Budget 2023-24, the limit of encashment of leave up to 10 months of average salary, at the time of retirement in case of an employee (other than an employee of the Central Government or State Government), was enhanced to **Rs.25 lakh** from Rs.3 lakh.
- (ii) **Deduction under section 80CCD(2)** for employer's (other than the Central Government and State Government) contribution to employee NPS accounts, has been increased from 10% to 14% in the Budget 2024-25 (July,2024).
- (iii) Tax exemptions are available for the following allowances received by the **salaried persons:**
- any travel allowance granted to meet the cost of travel on tour or on transfer;
  - any daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty, whether granted on tour or for the period of journey in connection with transfer,
  - any conveyance allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or employment;
  - any such special allowance or benefit, specifically granted to meet expenses wholly incurred in the performance of the duties of an office or employment
  - any such allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, or to compensate him for the increased cost of living, as may be prescribed and to the extent as may be prescribed:
- (iv) Tax exemption in respect of the amount received on voluntary retirement u/s 10(10C) and gratuity u/s 10(10) subject to the limit prescribed.
- (v) **Reduction in surcharge and maximum tax rate:** Highest surcharge under the new regime has been reduced to 25 percent from 37 percent in the Budget 2023-24. This has reduced the maximum rate from 42.74 per cent to 39 per cent.
- (vi) **Annual value of the self-occupied property simplified u/s 23:** Presently tax-payers can claim the annual value of self-occupied properties as 'Nil' only on the fulfillment of certain conditions. Considering the difficulties faced by taxpayers, in the Budget 2025, it has been proposed to allow the benefit of two such self-occupied properties, if the owner occupies it for his own residence or cannot actually occupy it due to any reason.
- (vii) **Increase in limits of certain perquisites:** In the Budget 2025, it has been proposed to increase the limits on the income of the employees for the purpose of calculating perquisites u/s 17 of the Act which will benefit salaried class taxpayers.

\*\*\*\*\*

**Rationalisation of TDS/TCS provision:** The increased threshold for TDS rates under various provisions which will have a positive impact are enumerated as follows:-

<b>S. No.</b>	<b>Section of the Act</b>	<b>Present TDS/TCS threshold (in Rs.)</b>	<b>Proposed TDS/TCS threshold (in Rs.)</b>
1	194A – Interest other than Interest on securities	(i) 50,000/- for senior citizen; (ii) 40,000/- in case of others when payer is bank, cooperative society and post office (iii) 5,000/- in other cases	(i) 1,00,000/- for senior citizen; (ii) 50,000/- in case of others when payer is bank, co-operative society and post office (iii) 10,000/- in other cases
2	194-I Rent	2,40,000/- during the financial year	50,000/- per month or part of a month
3	193 – Interest on securities	Nil	10,000/-
4	194- Dividend, for an individual shareholder	5,000/-	10,000/-
5	194K- Income in respect of units of a mutual fund or specified company or undertaking	5,000/-	10,000/-
6	194D – Insurance commission	15,000/-	20,000/-
7	194G – Income by way of commission, prize etc. on lottery tickets	15,000/-	20,000/-
8	194H – Commission or brokerage	15,000/-	20,000/-
9	194J – Fee for professional or technical services	30,000/-	50,000/-
10	194LA – Income by way of enhanced compensation	2,50,000/-	5,00,000/-
11	206C(1G)- Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-
<p>(c) <u>No TCS on remittances for education purposes</u></p> <p>It has been proposed to remove TCS on remittances for education purposes, where such remittance is out of a loan taken from a specified financial institution.</p>			

\*\*\*\*\*

## ANNEX-7

**Statement of Revenue Impact of Tax Incentives under the Central Tax System:  
Financial Years 2022-23 and 2023-24**

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, 2023-24 and 2024-25, 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 2022-23, the most recent year for which data is available. It is based on the returns filed for the Assessment year 2023-24. An attempt has also been made to project the revenue impact for the financial year 2023-24 on the basis of the tax expenditure figures of the financial year 2022-23.

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 only to them. 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 2023-24 is projected by taking the average GDP growth for four years [FYs 2019-20, 2021-22, 2022-23 and 2023-24].<sup>1</sup>

### A. Corporate Sector

Large businesses are mainly organized as companies. The Income-tax Department has received 10,75,866 corporate returns electronically up to 30<sup>th</sup> November 2024 for the financial year 2022-23 [i.e. assessment year 2023-24]. Every company is required to file its return of income electronically. These companies reported corporate tax liability of Rs. 7,27,415.89 crore [inclusive of surcharge and education cess] for their income of financial year 2022-23. The companies have paid additional tax of Rs. 6,440.99 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:-

- 5,34,092 companies (49.64 per cent) reported Rs. 32,10,198.19 crore as profits before taxes and a total income (taxable income) of Rs. 31,66,634.86 crore.
- 4,93,714 companies (45.89 per cent) reported Rs. 8,73,307.67 crore as losses.
- 48,060 companies (4.47 per cent) reported Nil profit.

The **effective tax rate<sup>2</sup> of the entire base of companies was 23.24 per cent** for financial year 2022-23 [as against

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

<sup>2</sup> 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.

the rate of 23.26 per cent reported in the financial year 2021-22] 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 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 62.59 per cent of the total PBT and a total of 53.24 per cent of the total corporate income-tax liability.

The effective tax rate of companies with PBT greater than Rs. 500 crore is 19.77 per cent, which is lower than all the companies having profit before taxes below Rs. 500 crores. 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 96.66per cent while in case of companies having PBT greater than rupees 500 crore, it is 72.45 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 2022-23) (No. of companies –10,75,866)

S.No	Profit Before Taxes	Companies	Share in Profit Before Taxes	Share in total income	Share in Total Corporate Income Tax Liability	Ratio of total income to Profits before taxes	Ratio of tax to total income	Effective tax rate (tax to profit ratio)
1	Less than Zero	4,93,714	-	0.69%*	0.67%*	-	-	-
2	Zero	48,060	-	20.89%*	9.69%*	-	-	-
3	Rs.0-1 Crore	4,52,076	1.87%	1.82%	1.98%	96.66%	25.36%	24.52%
4	Rs. 1 -10 Crore	63,113	6.15%	5.91%	6.35%	95.38%	25.13%	23.97%
5	Rs. 10-50 Crore	13,405	8.99%	7.90%	8.82%	87.33%	26.10%	22.79%
6	Rs.50-100 Crore	2418	5.22%	4.49%	5.04%	85.43%	26.30%	22.47%
7	Rs. 100-500 Crore	2337	15.18%	12.65%	14.21%	82.75%	26.29%	21.75%
8	Greater than Rs. 500 Crore	743	62.59%	45.65%	53.24%	72.45%	27.29%	19.77%
	<b>All Companies</b>	<b>10,75,866</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>99.33%</b>	<b>23.40%</b>	<b>23.24%</b>

\*The companies having PBT less than or equal to zero may report income under heads other than business on which some taxes may be payable.

**Table 2** profiles the sample companies across effective tax rates. It is noted that 6,62,877 companies with average effective tax rates up to 20 per cent accounted for 39.68 per cent of total profits before taxes, 11.94 per cent of total taxable income and 13.52 per cent of total taxes. In other words, a large number of companies (6,62,877 i.e. 61.61 per cent) contributed a disproportionately lower amount of taxes in relation to their profits. Interestingly, 52,356 companies accounting for 6.58 per cent of the total profits and 10.40 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 2,89,076 companies falling in bracket of effective tax rate of 20-30 per cent constitute more than 50 per cent (60.48 per cent) share in profit before taxes and contribute a significant portion of 71.71 per cent towards tax liabilities. The companies in this ETR bracket represent 26.87 per cent of total companies. This marks an increase of 4.5 per cent in the total tax share by these companies over that of 2021-22. 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 (ETR)	Number of companies	Share in profit before taxes (%)	Share in total income (%)	Share in total tax liability (in %)
1	Less than Zero and Zero	5,44,777.00	10.70%	0.88%**	0.75%**
2	0-20	1,18,100.00	21.09%	11.06%	12.77%
3	20-25	61,751.00	31.42%	35.11%	34.78%
4	25-30	2,27,325.00	29.06%	38.19%	36.93%
5	30-33	23,497.00	2.94%	4.24%	4.37%
6	>33	52,356.00	4.79%	10.51%	10.40%
7	Indeterminate (PBT = 0)	48,060.00			
<b>TOTAL</b>		<b>10,75,866.00</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\*Effective tax rate (ETR) is inclusive of surcharge and education cess.

\*\*The companies having ETR less than or equal to zero may report income under heads other than business, hence they have a small share of the total income and tax liability for corporates but may report ETR less than or equal to zero on account of brought forward losses.

**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 2022-23) (Number of Companies – 10,75,866)**

AY	Sector	Number of Companies	Share in total Profits (in %)	Share in total tax liability (in %)	Effective tax rate (in %) [Tax to Profit ratio]
2023-24	Public <sup>#</sup>	199	16.31	11.63	17.56
	Private	10,75,667	83.69	88.37	24.34
<b>TOTAL</b>		<b>10,75,866</b>	<b>100.00</b>	<b>100.00</b>	<b>23.24</b>

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

<sup>#</sup> 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 23.51 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 2022-23) [Number of companies– 10,75,866]**

S.No	Sector	Number of companies	Share in total profits	Share in total tax liability	effective tax rate (tax to profit ratio)
1	<b>Manufacturing</b>	<b>1,56,460</b>	<b>31.11</b>	<b>30.30</b>	<b>22.64</b>
2	<b>Non-manufacturing</b>	<b>9,19,406</b>	<b>68.89</b>	<b>69.70</b>	<b>23.51</b>
	<b>All Companies</b>	<b>10,75,866</b>	<b>100.00</b>	<b>100.00</b>	<b>23.24</b>

\*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 2022-23 and projection for the financial year 2023-24. The analysis is based on the corporate returns received up to 30<sup>th</sup> November, 2024, which includes all the returns filed for AY 2023-24. 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 cent <sup>3</sup> on the amount of each deduction. The revenue impact 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 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.

<sup>3</sup> 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.

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 assessment year 2023-24, 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 2022-23, the tax expenditure for the financial year 2023-24 has been projected by multiplying the tax expenditure on each tax incentive in the financial year 2022-23 by the average GDP growth for four years [FYs 2019-20, 2021-22, 2022-23 and 2023-24]. 2020-21 being Covid impacted year has not been considered. The average GDP growth rate was calculated to be 12.36 per cent.

**Table 5** depicts major tax expenditures on corporate taxpayers in terms of tax expenditure during the financial year 2022-23 and projection for the financial year 2023-24.

**Table 5: Revenue Impact of Major Tax Incentives for corporate taxpayers  
(Financial years 2022-23 and 2023-24) [Number of companies – 10,75,866] (In Rs. Crores)**

S.No	Nature of Incentive	Revenue Impact (2022-23)	Projected Revenue Impact (2023-24) (@12.36%
1	Deduction of export profits of units located in SEZs (section 10AA)	23,736.27	26,670.08
2	Accelerated Depreciation (section 32)	18,742.69	21,059.29
3	Deduction/weighted deduction for expenditure on scientific research (Section 35(1), (2AA) & (2AB))	3,229.36	3,628.51
4	Deduction in respect of specified business (section 35AD)	596.18	669.87
5	Deduction on account of donations to charitable trusts and institutions (section 80G)	1,172.93	1,317.90
6	Deduction on account of contributions to political parties (section 80GGB)	514.40	577.98
7	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	4,896.46	5,501.66
8	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	15,968.93	17,942.69

<b>S.No</b>	<b>Nature of Incentive</b>	<b>Revenue Impact (2022-23)</b>	<b>Projected Revenue Impact (2023-24) (@12.36%</b>
9	Deduction of profits of undertaking engaged in revival of power plant (section 80-IA)	37.68	42.33
10	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	422.65	474.89
11	Special provision in respect of specified business (section 80-IAC)	276.26	310.41
12	Deduction of profits of industrial undertakings derived from production of mineral oil and natural gas (section 80-IB)	252.40	283.60
13	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	10.90	12.25
14	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	10.31	11.59
15	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	91.62	102.94
16	Deduction of profits and gains from housing projects (section 80-IBA)	786.11	883.27
17	Deduction of profits of undertakings set-up in North Eastern States (section 80-IE)	1,944.11	2,184.40
18	Deduction of profits of undertakings set-up in Sikkim (section 80-IE)	3,942.48	4,429.77
19	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	13.19	14.82
20	Deduction in respect of employment of new workmen (section 80JJAA)	3,448.27	3,874.48
21	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Center (section 80-LA)	0.01	0.01

S.No	Nature of Incentive	Revenue Impact (2022-23)	Projected Revenue Impact (2023-24) (@12.36%
22	Deductions in respect of certain incomes of International Financial Services Centre 80LA(1A)	527.45	592.64
23	Deduction in respect of contributions given by companies to political parties(80GGC)	21.07	23.67
24	Deduction in respect of certain income of Producer Companies(80PA)	33.51	37.65
<b>TOTAL</b>		<b>80,675.25</b>	<b>90,646.71</b>
Net Additional Tax due to MAT		-7,434.02	-8,352.86
Calculated as: Additional Tax Liability on account of MAT: Rs. 18,594.55 crore			
(-) Reduced by MAT Credit claimed: Rs. 26028.56 crore			
<b>TOTAL REVENUE FORGONE</b>		<b>88,109.27</b>	<b>98,999.57</b>

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

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), accounted for a significant portion of the total tax incentive. The deduction on account of donations to charitable trusts and institutions have marginally increased in F.Y. 2022-23 (Rs. 1172.93 crore) as compared to such donation in F.Y. 2021-22 (1132.90 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 (16.80), manufacturing of steel products (16.59), and manufacturing of refined petroleum products (18.30) 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 animal husbandry (15.61) and real estate (approx.18) The effective tax rate is the ratio of aggregate of gross tax payable to profit before tax.

Further in a 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 to the Act through Taxation Laws (Amendment) Act, 2019 (TLAA).It provides for a concessional tax rate of 22 per cent for existing domestic companies, and of 15 per cent for newly incorporated domestic companies which commence manufacturing or production on or before 31.03.2024 for manufacturing, production, research or distribution of such manufactured article or thing. 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 2022-23, the total income being taxed under section 115BAA of the Act is Rs. 18,35,988.38 Crore, which is an increase of 18.60 per cent over the income being taxed under the same section in the previous Financial Year 2021-22 (Rs. 15,48,040.43 Crore). Further, the total income taxed under section 115BAB of the Act is Rs. 6,256.74 Crore which is an increase of 165 per cent over the income being taxed under section 115BAB in Financial Year 2021-22 (Rs. 2,360.40 Crore). The number of companies adopting the new tax regime has also seen an increase. 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 2022-23)**

S.No	Slabs of Total Income (in Rs. Crore)	Total Income in Crores (under 115BAA)		Total Income in Crores (under 115BAB)		Total Income in Crores (under earlier tax rate of 30% plus surcharge and cess)	
		2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
1	0-1	19,037.51	15,227.55	435.77	235.08	34,338.99	33,123.58
2	1 to 10	1,00,017.70	81,588.75	1,880.23	843.57	83,467.35	82,328.45
3	10 to 50	1,82,096.08	1,45,239.29	1,834.07	1,066.09	1,11,789.17	1,13,796.76
4	50 to 100	1,10,879.35	94,167.00	614.57	215.91	69,653.86	65,764.04
5	100 to 500	3,31,780.69	2,95,164.99	991.93	0.00	2,17,635.20	2,15,906.21
6	>500	10,92,177.05	9,16,652.84	500.18	0.00	7,96,544.26	6,90,333.22
<b>Total</b>		<b>18,35,988.38</b>	<b>15,48,040.43</b>	<b>6,256.74</b>	<b>2,360.64</b>	<b>13,13,428.82</b>	<b>12,01,252.25</b>

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

Apart from the corporate sector, large businesses are 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 of companies. The Income-tax Department has received 18,21,249 returns filed electronically up to 30<sup>th</sup> November, 2024 for income of the financial year 2022-23. For the purposes of calculating the tax expenditure, data pertaining to these 18,21,249 Firms/ AOPs/ BOIs was culled out from the database.

The data was analyzed and the following facts emerged: -

- The entire firms/ AOPs/ BOIs declared a total income (taxable income) of Rs. 5,18,972.72 Crore and reported Rs. 3,92,120.64 Crore as profits before taxes and. Losses were reported in about 3,60,745 returns which is 19.81 per cent of the total.
- These firms/ AOPs/ BOIs reported Rs 1,30,916.68 Crore as income-tax payable [inclusive of surcharge and cess] for the Financial Year 2022-23.

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 2022-23, the revenue impact for the financial year 2023-24 has been projected. The estimation for 2023-24 has been made by multiplying the tax expenditure on each tax incentive in the financial year 2022-23 by the average GDP growth for four years [FYs 2019-20, 2021-22, 2022-23 and 2023-24]. The average GDP growth rate was calculated to be 12.36 per cent. \*

**Table 6** depicts the major tax expenditures on non-corporate taxpayers in terms of tax expenditure during the financial year 2022-23 and projection for the financial year 2023-24. Like Financial Year 2021-22, the highest tax expenditure continues to be on account of deduction of profits of cooperative societies which accounts for 53.25 per cent of the total revenue impact as compared to 53.89 per cent in last financial year. The tax expenditure on account of units setup in SEZs (under section 10AA), housing projects (under section 80-IBA) and accelerated depreciation (under section 32) were 17.48 per cent, 11.46 per cent and 5.71 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 2022-23 is worked out to be **Rs. 10,920.83 Crore**.

**Table 6: Revenue Impact of Major Tax Incentive for non-corporate taxpayers [Firms/ AOPs/ BOIs]  
Financial years 2022-23 and 2023-24 (In Rs. Crores)**

S.No	Nature of Incentive	Revenue Impact (2022-23)	Projected Revenue Impact (2023-24) (@12.36%)
1	Deduction of export profits of units located in SEZs (section 10AA)	1909.51	2145.52
2	Accelerated Depreciation (section 32)	623.51	700.58
3	Deduction/weighted deduction for expenditure on scientific research (Section 35(1), (2AA) & (2AB))	4.87	5.47
4	Deduction in respect of specified business (section 35AD)	45.53	51.16
5	Deduction on account of donations to charitable trusts and institutions (section 80G)	170.19	191.22
6	Deduction on account of contributions to political parties (section 80GGC)	115.71	130.01
7	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	141.00	158.43
8	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	298.59	335.50

S.No	Nature of Incentive	Revenue Impact (2022-23)	Projected Revenue Impact (2023-24) (@12.36%)
9	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	99.33	111.61
10	Special provision in respect of specified business (section 80-IAC)	50.21	56.42
11	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	59.80	67.19
12	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	4.69	5.27
13	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	58.25	65.45
14	Deduction of profits and gains from housing projects (section 80-IBA)	1251.98	1406.72
15	Deduction of profits of undertakings set-up in North Eastern States (section 80-IE)	165.16	185.57
16	Deduction of profits of undertakings set-up in Sikkim (section 80-IE)	31.06	34.90
17	Deduction of profits of undertakings set-up in Uttarakhand (section 80-IC)	0.44	0.49
18	Deduction of profits of undertakings set-up in Himachal Pradesh (section 80-IC)	0.001	0.00
19	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	12.42	13.96
20	Deduction in respect of employment of new workmen (section 80JJAA)	48.61	54.62
21	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Center (section 80-LA)	0.27	0.30
22	Deduction in respect of profits of cooperative societies (section 80P)	5815.00	6533.74
23	Deduction in respect of certain donations for scientific research or rural development (80GGA)	4.78	5.37
24	Deduction in respect of certain incomes of International Financial Services Center 80LA(1A)	9.93	11.15
<b>TOTAL REVENUE FOREGONE (in Rs. Crores)</b>		<b>10,920.83</b>	<b>12,270.64</b>

\*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 7,74,07,645 returns filed electronically by individuals with the Income-tax Department till 30<sup>th</sup> November, 2024.

Based on the tax expenditure figures for financial year 2022-23, the tax expenditure for the financial year 2023-24 has been projected by multiplying the tax expenditure on each tax incentive in the financial year 2022-23 by the average GDP growth for four years [FYs 2019-20, 2021-22, 2022-23 and 2023-24]. The average GDP growth rate was calculated to be 12.36 per cent.

Based on the figures of total **7,74,07,645** returns of income filed for F.Y. 2022-23 (AY 2023-24), 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, 12.05 per cent of the returns were filed by senior citizens and 0.79 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. 1,02,557.01 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. 41,237.43 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. 14,999.41 Crore and Rs. 12,719.50 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 2022-23 and projection for financial year 2023-24.

**Table 7: Revenue Impact of major tax Incentives for individual HUF taxpayers  
(Financial years 2022-23 and 2023-24)**

S. No.	Nature of Incentive	Revenue Impact (In Rs. Crore)	Projected Revenue Impact (in Rs. Crore) @12.36%
		[2022-23]	[2023-24]
1	Deduction on account of certain investments and payments (section 80C)	1,02,557.01	1,15,233.06
2	Deduction on account of contribution to certain pension funds (section 80CCC)	445.64	500.73
3	Deduction on account of contribution to the New Pension Scheme (section 80CCD)	14,999.41	16,853.33
4	Deduction on account of health insurance premium (section 80D)	12,719.50	14,291.63
5	Deduction on account of expenditure for medical treatment of a dependent who is disabled (section 80DD)	1,517.93	1,705.54
6	Deduction on account of expenditure for medical treatment of specified diseases (section 80DDB)	2,300.76	2,585.13
7	Deduction on account of interest on loan taken for higher education (section 80E)	1,831.47	2,057.84
8	Deduction on account of interest on loan for residential house property (section 80EE)	466.91	524.62
9	Deduction in respect of interest on loan taken for certain house property (section 80EEA)	1,202.78	1,351.44
10	Deduction in respect of purchase of electric vehicle (section 80EEB)	417.45	469.05
11	Deduction on account of donations to charitable trusts and institutions (section 80G)	1,819.67	2,044.58
12	Deduction on account of rent paid for housing accommodation (section 80GG)	1,766.74	1,985.11
13	Deduction on account of donations for scientific research or rural development(section 80GGA)	19.85	22.30
14	Deduction on account of contributions given to political parties (section 80GGC)	2,275.85	2,557.15
15	Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks, generation of power, and providing telecommunication services (section 80-IA)	69.98	78.62
16	Deduction of profits of undertakings engaged in development of SEZs pursuant to SEZ Act, 2005 (section 80-IAB)	0.55	0.61
17	Deduction of profits and gains from housing projects (section 80-IBA)	177.30	199.21
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)	16.30	18.32

S. No.	Nature of Incentive	Revenue Impact	Projected Revenue Impact
		(In Rs. Crore) [2022-23]	(in Rs. Crore) @12.36% [2023-24]
19	Deduction of profits of undertakings set-up in North Eastern States, Sikkim, Uttaranchal and Himachal Pradesh (section 80-IC)	20.25	22.75
20	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	9.16	10.29
21	Deduction in respect of employment of new workmen (section 80JJAA)	14.82	16.65
22	Deduction of royalty income of authors of certain books other than text books (section 80QQB)	9.43	10.60
22	Deduction of royalty income on patents (section 80RRB)	0.35	0.40
23	Deduction on account of interest in savings account (section 80TTA)	2,705.02	3,039.36
24	Deduction on account of Interest on deposits in case of Resident senior citizens (section 80TTB)	4,148.86	4,661.66
25	Deduction in case of a person with disability (section 80U)	710.01	797.77
26	Rebate u/s 87A	41,237.43	46,334.38
27	Higher exemption limit for senior citizens	2,424.57	2,724.24
28	Higher exemption limit for super senior citizens	793.95	892.08
<b>TOTAL</b>		<b>1,96,678.95</b>	<b>2,20,988.47</b>

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 30<sup>th</sup> November 2024 for the assessment year 2023-24 is 2,50,682. The total amount applied by such entities for charitable and religious purposes during the FY 2022-23 is Rs 10,01,572.04 crores.

**Appendix**

**Effective tax rate, inclusive of surcharge and education cess, of companies across industry  
(Financial Year 2022-23) (Number of companies-10,75,866)**

S.No	SECTOR	SUBSECTOR	COMPANIES	GROSS TAX PAYABLE	PBT (POSITIVE), PBT>0	EFFECTIVE TAX RATE
1	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Agricultural and animal husbandry services	8,861	209.49	1,241.27	16.88%
2	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Raising of poultry and production of eggs	745	278.00	1,128.54	24.63%
3	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Growing and manufacturing of tea	1,184	200.77	1,195.12	16.80%
4	AGRICULTURE, ANIMAL HUBANDRY AND FORESTRY	Others	15,506	690.20	4,422.63	15.61%
5	FISH FARMING	Services related to marine and fresh water fisheries, fish hatcheries and fish farms	97	8.37	35.54	23.56%
6	FISH FARMING	Others	734	50.91	717.84	7.09%
7	MINING AND QUARRYING	Extraction of crude petroleum and natural gas	154	16,490.50	75,673.71	21.79%
8	MINING AND QUARRYING	Mining and agglomeration of hard coal	123	15,063.71	77,359.05	19.47%
9	MINING AND QUARRYING	Mining of nonferrous metal ores, except uranium and thorium ores	62	5,059.27	16,012.00	31.60%
10	MINING AND QUARRYING	Mining of iron ores	224	4,597.52	20,382.55	22.56%
11	MINING AND QUARRYING	Extraction and agglomeration of peat	4,251	2,568.74	9,342.74	27.49%
12	MANUFACTURING	Manufacture of refined petroleum products	444	19,256.46	1,05,237.85	18.30%
13	MANUFACTURING	Manufacture of pharmaceuticals, medicinal chemicals and botanical products	7,499	21,779.13	98,961.47	22.01%
14	MANUFACTURING	Manufacture of motor vehicles	639	16,561.44	62,225.19	26.62%
15	MANUFACTURING	Manufacture of parts & accessories of motor vehicles & engines	3,439	12,753.40	48,354.62	26.37%
16	MANUFACTURING	Manufacture of steel products	4,188	8,953.34	53,968.76	16.59%
17	MANUFACTURING	Manufacture of other chemical products	4,888	11,982.05	50,200.15	23.87%
18	MANUFACTURING	Manufacture of tobacco products	350	6,570.68	27,659.84	23.76%

S.No	SECTOR	SUBSECTOR	COMPANIES	GROSS TAX PAYABLE	PBT (POSITIVE), PBT>0	EFFECTIVE TAX RATE
19	MANUFACTURING	Manufacture of textiles (other than by handloom)	9,729	5,701.99	27,569.07	20.68%
20	MANUFACTURING	Manufacture of electrical machinery and apparatus	2,883	1,664.52	6,848.38	24.31%
21	MANUFACTURING-	Manufacture of cement, lime and plaster	696	4,168.49	17,971.76	23.19%
22	MANUFACTURING-	Manufacture of other food products	5,116	5,661.08	26,722.40	21.18%
23	MANUFACTURING-	Manufacture of Radio, Television, communication equipment and apparatus	313	2,239.88	8,371.05	26.76%
24	MANUFACTURING-	Manufacture of soap and detergents	383	1,396.43	6,631.70	21.06%
25	MANUFACTURING-	Manufacture of fertilizers and nitrogen compounds	1,211	4,146.43	17,829.68	23.26%
26	MANUFACTURING-	Manufacture of rubber products	1,213	2,275.02	9,312.49	24.43%
27	MANUFACTURING-	Manufacture of paints, varnishes and similar coatings	815	2,567.62	9,960.49	25.78%
28	MANUFACTURING-	Manufacture of plastic products	3,821	2,138.60	8,782.22	24.35%
29	MANUFACTURING-	Manufacture of paper and paper products	2,952	2,517.78	12,461.89	20.20%
30	MANUFACTURING-	Manufacture of engines and turbines	222	2,354.89	10,758.78	21.89%
31	MANUFACTURING-	others	1,05,659	91,356.01	3,88,718.00	23.50%
32	ELECTRICITY, GAS AND WATER-	Production, collection and distribution of electricity	5,872	17,124.45	1,37,397.91	12.46%
33	ELECTRICITY, GAS AND WATER-	Manufacture and distribution of gas	459	2,439.76	12,106.82	20.15%
34	CONSTRUCTION-	Construction and maintenance of roads, rails, bridges, tunnels, ports, harbour, runways etc.	5,995	12,268.96	69,706.57	17.60%
35	CONSTRUCTION-	Building of complete constructions or parts civil contractors	19,262	4,484.77	19,332.09	23.20%
36	REAL ESTATE AND RENTING SERVICES-	Developing and subdividing real estate into lots	9,851	2,449.34	12,386.49	19.77%
37	REAL ESTATE AND RENTING SERVICES-	Operating of real estate of self-owned buildings(residential and nonresidential)	3,902	1,442.67	11,007.38	13.11%

S.No	SECTOR	SUBSECTOR	COMPANIES	GROSS TAX PAYABLE	PBT (POSITIVE), PBT>0	EFFECTIVE TAX RATE
38	REAL ESTATE AND RENTING SERVICES-	Purchase, sale and letting of leased buildings(residential and nonresidential)	6,444	1,313.10	7,641.22	17.18%
39	REAL ESTATE AND RENTING SERVICES-	Real estate activities on a fee or contract basis	6,509	534.59	2,571.00	20.79%
40	WHOLESALE AND RETAIL TRADE-	Wholesale of electronic parts & equipment	3,978	2,249.79	9,018.58	24.95%
41	WHOLESALE AND RETAIL TRADE-	Wholesale and retail sale of motor vehicles	4,236	1,594.76	7,584.79	21.03%
42	WHOLESALE AND RETAIL TRADE-	Wholesale of other machinery, equipment and supplies	3,299	1,109.82	4,283.87	25.91%
43	WHOLESALE AND RETAIL TRADE-	Others	1,87,265	35,455.53	1,49,062.52	23.79%
44	TRANSPORT AND LOGISTICS SERVICES-	Freight transport by road	4,540	1,368.08	5,954.12	22.98%
45	FINANCIAL INTERMEDIATION SERVICES-	Commercial banks, saving banks and discount houses	344	75,190.50	3,58,995.76	20.94%
46	FINANCIAL INTERMEDIATION SERVICES-	Commercial loan activities	2,264	13,349.60	81,510.67	16.38%
47	FINANCIAL INTERMEDIATION SERVICES-	Others	49,726	1,00,767.16	3,38,570.81	29.76%
48	COMPUTER AND RELATED SERVICES-	Software development	27,627	60,556.70	2,43,374.08	24.88%
49	COMPUTER AND RELATED SERVICES-	Other IT enabled services	27,614	18,018.97	69,211.38	26.03%
50	COMPUTER AND RELATED SERVICES-	BPO services	2,149	3,590.86	13,535.14	26.53%
51	COMPUTER AND RELATED SERVICES-	Computer training and educational institutes	20,807	5,530.97	18,576.89	29.77%
52	RESEARCH AND DEVELOPMENT-	Other Research & Development activities n.e.c.	2,156	894.58	3,677.80	24.32%
53	PROFESSIONS-	Engineering and technical consultancy	5,289	1,908.80	6,077.03	31.41%
54	PROFESSIONS-	Business and management consultancy activities	8,471	1,547.39	5,854.72	26.43%
55	PROFESSIONS-	Advertising	2,555	627.26	2,397.90	26.16%
56	PROFESSIONS-	Architectural profession	1,199	112.85	427.54	26.39%
57	PROFESSIONS-	Others	23,548	1,746.01	6,419.39	27.20%

S.No	SECTOR	SUBSECTOR	COMPANIES	GROSS TAX PAYABLE	PBT (POSITIVE), PBT>0	EFFECTIVE TAX RATE
58	EDUCATION SERVICES-	Primary education	759	114.93	467.13	24.60%
59	HEALTHCARE SERVICES-	Speciality and super speciality hospitals	2,492	2,699.09	11,428.83	23.62%
60	HEALTHCARE SERVICES-	Diagnostic centres	2,019	437.61	1,862.92	23.49%
61	HEALTHCARE SERVICES-	General hospitals	3,178	666.00	2,672.32	24.92%
62	HEALTHCARE SERVICES-	Others	16,002	1,598.92	5,769.84	27.71%
63	CULTURE AND SPORT-	Television channels broadcast	468	1,330.03	4,961.30	26.81%
64	CULTURE AND SPORT-	Others	6,826	1,337.01	5,555.82	24.06%
65	HOTELS, RESTAURANTS AND HOSPITALITY SERVICES	All sectors	21,966	4,351.25	19,077.44	22.81%
66	TRANSPORT AND LOGISTICS SERVICES-	Others	19,618	7,885.44	40,249.25	19.59%
67	POSTS AND TELECOMMUNICATION SERVICES-	Activities of the cable operators	2,828	6,079.32	50,853.81	11.95%
68	RESEARCH AND DEVELOPMENT-	All sectors	314	36.73	142.64	25.75%
69	EDUCATION SERVICES-	All sectors	15,109	1,430.30	5,425.28	26.36%
70	SOCIAL AND COMMUNITY WORK-	All Sectors	5,296	58.90	170.87	34.47%
71	ELECTRICITY, GAS AND WATER-	Collection, purification and distribution of water	1,798	412.79	3,172.50	13.01%
72	CONSTRUCTION-	Building completion	50,078	9,173.30	42,866.17	21.40%
73	REAL ESTATE AND RENTING SERVICES-	Other real estate/renting services n.e.c	39,402	5,797.98	29,381.08	19.73%
74	RENTING OF MACHINERY- Renting of agricultural machinery and equipment	Renting of agricultural machinery and equipment	2,427	430.07	1,953.33	22.02%
75	OTHER SERVICES		2,61,524	63,230.80	1,81,448.38	34.85%
76	<b>TOTAL</b>		<b>10,75,866</b>	<b>7,46,010.44</b>	<b>32,10,198.19</b>	<b>23.24%</b>

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