Revenue foregone under the Central Tax System:
Financial Years 2011-12 and 2012-13.

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

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

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

As in the earlier seven years, this Statement seeks to list the revenue impact of tax incentives or tax subsidies that are a part of the tax system of the Central Government. The revenue foregone on account of such tax incentives has been estimated in respect of most of the "tax preferences". The estimates are for financial year 2011-12, the most recent year for which data is available. However, an attempt has also been made to estimate the revenue to be foregone during financial year 2012-13 on the basis of the revenue foregone figures of the financial year 2011-12 .

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

(a) The estimates and projections are intended to indicate the potential revenue gain that would be realised by removing exemptions, deductions, weighted deductions and similar measures. The estimates are based on a short-term impact analysis. They are developed assuming that the underlying tax base would not be affected by removal of such measures. As the behaviour of economic agents, overall economic activity or other Government policies could change along with the elimination of the specific tax preference, the revenue implications could be different to that extent.

(b) The cost of each tax concession is determined separately, assuming that all other tax provisions remain unchanged. Many of the tax concessions do, however, interact with each other. Therefore, the interactive impact of tax incentives could turn out to be different from the revenue foregone calculated by adding up the estimates and projections for each provision.

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

Direct Taxes

The Income-tax Act, inter alia, provides for tax incentives to promote savings by individuals; exports; balanced regional development; creation of infrastructure facilities; employment; donations for charity and rural development; scientific research and development; and the cooperative sector. Accelerated depreciation is also provided as an incentive for capital investment. Most of these tax benefits can be availed of by both corporate and non-corporate taxpayers. This Statement attempts to estimate some of the major tax expenditures.

A. Corporate Sector

Large business is mainly organised as companies. The Income-tax Department has received 494545 corporate returns electronically up to 30th November 2012 for the financial year 2011-12 [i.e., assessment year 2012-13]. These returns constitute about 90% of the total corporate returns expected in financial year 2012-13. These companies reported corporate tax payable as ₹ 2,26,083 crore [inclusive of surcharge and education cess] for their income of financial year 2011-12. They also reported ₹ 18,785 crore as Dividend Distribution Tax payable during the financial year 2011-12.

For the purposes of estimating the tax expenditure, data pertaining to these 494545 companies[1] was culled from the database for analysis and is detailed in tables 1 to 5 and Appendix to this statement. **Table 1** profiles these companies across profit ranges. The following facts emerge from an analysis of the data:-

- 278982 companies (56.41 %) reported ₹ 9,89,236 crore as profits before taxes and a total income (taxable income)[2] of ₹ 6,98,359 crore for the financial year 2011-12.
- 184653 companies (37.34 %) reported ₹ 3,27,115 crore as losses.
- 30910 companies (6.25 %) reported Nil profit.

The **effective tax rate[3] of the entire sample was 22.85 per cent[4]** [as against the rate of 24.10 per cent reported in 2010-11] while the statutory tax rate was 32.445 per cent. Companies with profits before taxes [PBT hereafter] of ₹ 500 crore and above, accounted for a total of 59.49 percent of the total PBT and a total of 56.40 per cent of the total corporate income tax payable. However, their effective tax rate was 21.67 per cent, while the effective tax rate was 26.26 per cent for companies with PBT of up to ₹ one crore. This rate of effective tax, which is close to the statutory rate in companies, is the result of the gradual phasing out of profit linked deductions and the levy of Minimum Alternate Tax on companies. The effective rate is, however, lower than the effective rate of 24.1% in the F.Y 2010-11, partly due to the reason that the surcharge on corporate tax payers (tax liability exceeding ₹ 1 crore) has been reduced from 7.5 percent to 5 percent in 2011-12. In addition to this, it is seen that the profile of companies in the data of 494545 companies indicates that the number of companies showing a loss has gone up from 161596 (35.19 % of the sample) in 2010-11 to 184653 (37.34 % of the sample) in 2011-12.

The ratio of total income to PBT is much higher (85.79 per cent) for companies with PBT of up to ₹ one crore than that for the total sample (70.60 per cent). This indicates lesser deviance from PBT in the case of relatively smaller companies as compared to larger companies owing to higher tax concessions being availed of by the latter.

Table 1: Profile of sample companies across range of profits before taxes

(Financial Year 2011-12) (Sample size – 4,94,545)

Sl. No.	Profit Before Taxes	Number of Companies	Share in Profits Before Taxes (in %)	Share in Total Income (in %)	Share in Total Corporate Income Tax Payable (in %)	Ratio of Total Income to Profits Before Taxes (in %)	Effective Tax Rate (in %)
1	Less than Zero	184653	0.00	0.44	0.41	--	--
2	Zero	30910	0.00	4.61	2.30	--	--
3	₹ 0-1 Crore	249567	2.96	3.41	3.40	85.79	26.26
4	₹ 1-10 Crore	23339	7.10	7.56	7.82	79.20	25.16
5	₹ 10-50 Crore	4330	9.31	9.15	9.46	73.11	23.21
6	₹ 50-100 Crore	755	5.28	5.06	5.21	71.24	22.54
7	₹ 100-500 Crore	739	15.86	14.56	15.00	68.23	21.63
8	Greater than ₹ 500 Crore	252	59.49	55.21	56.40	68.99	21.67
9	All Sample Companies	494545	100.00	100.00	100.00	70.60	22.85

Table 2 profiles the sample companies across effective tax rates. 263315 companies with average effective tax rates upto 20 per cent accounted for 37.42 per cent of total profits before taxes, 18.23 per cent of total taxable income and 15.44 per cent of total taxes paid. In other words, a large number of companies (263315) contributed a disproportionately lower amount in taxes in relation to their profits. Interestingly, 48527 companies accounting for 10.88 percent of the total profits and 18.79 percent of the total taxes, had an effective tax rate greater than the statutory rate. This is apparently on account of certain expenses debited in profit and loss account being disallowable under the Income-tax Act. This shows that the tax liability across companies is unevenly distributed. This is primarily due to the various tax preferences in the Statute.

1 *The sample size for financial year 2010-11 was 4,59,270.*

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

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

4 *Effective tax rate including dividend distribution tax was 24.75 percent.*

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

(financial year 2011-12) [sample size – 4,94,545]

Sl. No.	Effective tax rate (in %)	Number of Companies	Share in Total profits (in %)	Share in Total Income (in %)	Share in Total Tax Payable (in %)
1	Less Than Zero and Zero	232296	7.67	0.68	0.40
2	0-20	31019	29.75	17.55	15.04
3	20-25	15996	16.82	17.05	16.89
4	25-30	28326	15.40	18.65	18.62
5	30-33.	107471	19.48	27.28	27.34
6	>33.	48527	10.88	18.79	19.40
7	Indeterminate [PBT=0]	30910	0.00	0.00	2.31
8	All Sample Companies	494545	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 [PSUs only] with that of private companies. While the rate is lower than the statutory rate for both categories, the private sector companies pay a slightly larger proportion of their profits as tax than the public sector companies.

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

(financial year 2011-12) [sample size – 4,94,545]

Sl. No.	Sector	Number of Companies	Share in total profits (in %)	Share in total tax payable (in %)	Effective tax rate (in %)
1	Public	230#	27.95	27.16	22.21
2	Private	494315	72.05	72.84	23.10
	Total	494545	100	100.00	22.85

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

\# *Based on the information given by the assessee companies (as PSUs) in their respective returns.*

Table 4 shows a comparison between the effective tax rate of the manufacturing sector and the service sector in respect of the sample companies. The service sector has a higher effective tax (23.70 %) as compared to manufacturing sector (22.01%). Both the sectors have an effective tax rate that is well below the statutory rate of 32.445 per cent.

Table 4: Effective tax rate* of sample companies in the manufacturing and service sectors

(financial year 2011-12) [sample size – 4,94,106]

Sl. No.	Sector	Number of Companies	Share in total profits (in %)	Share in total tax payable (in %)	Effective tax rate (in %)
1	Manufacturing	127932	50.09	48.24	22.01
2	Service	366174	49.91	51.76	23.70
	Total	494106	100.00	100.00	22.85

* *effective tax rate is inclusive of surcharge and education cess. Sample size is slightly less than the other tables as some of the returns did not have the business code filled.*

Table 5 gives details of the major tax expenditures on corporate tax payers in terms of the revenue foregone during the financial year 2011-12 and 2012-13. The analysis is based on the corporate returns filed up to 30th Nov 2012, which constitute 90% of the expected returns in the financial year 2012-13. However, the due date for filing of returns by all companies is on or before 30th November and most of the tax concessions analysed require the return to be filed before the due date for the purpose of claim of such incentive. Therefore, the revenue foregone from the data sample has not been scaled up in any manner. The tax foregone on each tax concession claimed by these companies has been calculated by applying the corporate tax rate of 32.445 per cent (inclusive of 3% education cess and 5% surcharge) on the amount of each deduction. The revenue foregone on account of accelerated depreciation, deduction/weighted deduction for expenditure on scientific research, and deduction for expenditure on eligible projects/schemes for social and economic uplift of the public, has been calculated by first determining the difference between the depreciation/deduction debited to the profit and loss account by companies and the depreciation/deduction allowable under the Income-tax Act. Thereafter, the corporate tax rate of 32.445 per cent has been applied to this difference to arrive at the revenue foregone figure.

Another aspect of revenue foregone is tax deferral. Tax deferral occurs when the taxpayer, on account of being allowed higher deductions under the tax statute is able to defer his tax liability by claiming an allowance (e.g. depreciation allowance) as a deduction over shorter time period where as he may be spreading the same depreciation claim over a number of years in his own accounts. As depreciation does not entail cash outgo, this is a tax deferral. On the other hand, the Minimum Alternate Tax (MAT) on companies under the tax statute fastens a liability (for 2011-12, at the rate of 20%, inclusive of cess and surcharge, on book profits), on the profit reported by the company to its shareholders (subject to some adjustments), if this liability is in excess of the tax liability computed at normal rates (for 2011-12, at the rate of 32.445 percent on taxable income). The excess liability on account of MAT is allowed as a credit (upto 10 years) in a subsequent year in which the normal tax liability is in excess of MAT. The additional tax paid on account of MAT is, therefore, an advance payment of future tax liability. It restricts the period of deferral of taxes on account of claims of depreciation and moderates the tax foregone on other deductions such as profit linked deductions by spreading the same claim over a longer period of time.

Based on the revenue foregone figures for financial year 2011-12, the revenue foregone for the financial year 2012-13 has been projected. The estimation for 2012-13 has been made by multiplying the revenue foregone on each tax incentive in 2011-12 by the projected corporate tax growth in 2012-13 as per revised estimates. Table 5 depicts the major tax expenditures on corporate taxpayers in terms of revenue foregone during the financial year 2011-12 and projection for the financial year 2012-13 .

Table 5: Major tax expenditures on corporate taxpayers during the financial years 2011-12 and 2012-13; [sample size 494545]

Sl. No.	Nature of incentive	Revenue Foregone (in ₹ Crore) [2011-12]	Projected Revenue Foregone (in ₹ Crore) [2012-13]
1.	Deduction of export profits of STPI units (section 10A)	19.2	Nil*
2.	Deduction of export profits of EHTP units (section 10A)	0.8	Nil*
3.	Deduction of export profits of units located in SEZs (section 10A and 10AA)	10916.2	12033.1
4.	Deduction of export profits of units located in EPZs (section 10A)	30.5	Nil*
5.	Deduction of export profits of units located in FTZs (section 10A)	1.6	Nil*
6.	Deduction of export profits of Export Oriented Units [EOUs] (section 10B)	18.0	Nil*
7.	Accelerated Depreciation (section 32)	34320.1	37831.7
8.	Deduction/weighted deduction for expenditure on scientific research (section 35 (1), (2AA) &(2AB))	5747.6	6335.7
9.	Deduction for expenditure on eligible projects or schemes for the social and economic uplift of the public (section 35AC)	105.9	116.7
10.	Deduction on account of donations to charitable trusts and institutions (section 80G)	404.3	445.7
11.	Deduction on account of donations for scientific research or rural development (section 80GGA)	1.4	1.5
12.	Deduction on account of contributions to political parties (section 80GGB)	11.4	12.6
13.	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	3127.4	3447.4
14.	Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks (section 80-IA)	211.2	232.8
15.	Deduction of profits of undertakings engaged in providing telecommunication services (section 80-IA)	1218.4	1343.1

Sl. No.	Nature of incentive	Revenue Foregone (in ₹ Crore) [2011-12]	Projected Revenue Foregone (in ₹ Crore) [2012-13]
16.	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	8301.6	9151.0
17.	Deduction of profits of undertaking engaged in revival of power plant (section 80-IA)	27.4	30.2
18.	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	989.8	1091.1
19.	Deduction of profits of industrial undertakings located in Jammu & Kashmir (section 80-IB)	201.1	221.7
20.	Deduction of profits of industrial undertakings located in industrially backward States other than Jammu & Kashmir (section 80-IB)	227.2	250.4
21.	Deduction of profits of industrial undertakings located in backward districts (section 80-IB)	52.5	57.9
22.	Deduction of profits of industrial undertakings derived from development of scientific research (section 80-IB)	89.1	98.2
23.	Deduction of profits of industrial undertakings derived from production of mineral oil and natural gas(section 80-IB)	7999.0	8817.4
24.	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	1008.6	1111.8
25.	Deduction of profits of industrial undertakings derived from operating a cold chain facility (section 80-IB)	27.5	30.3
26.	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	14.4	15.9
27.	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	102.3	112.8
28.	Deduction of profits of industrial undertakings derived from hospital in rural area (section 80-IB)	8.1	8.9
29.	Deduction of profits of undertakings set-up in North Eastern States (section 80-IC)	874.0	963.4
30.	Deduction of profits of undertakings set-up in Sikkim (section 80-IC)	179.7	198.1
31.	Deduction of profits of undertakings set-up in Uttaranchal (section 80-IC)	3083.0	3398.4
32.	Deduction of profits of undertakings set-up in Himachal Pradesh (section 80-IC)	1783.4	1965.8
33.	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	17.1	18.8
34.	Deduction in respect of employment of new workmen (section 80JJAA)	72.1	79.5
35.	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Centre [IFSC] (section 80LA)	11.2	12.3
36.	Deduction in respect of hotels, convention centres in specified areas (section 80ID)	11.2	12.4
37	Total	81214.3	89446.6
38	*Less*		
	Additional Tax Liability on account of MAT = 25400		
	Reduced By MAT credit claimed = 5951		
	Net Additional Tax due to MAT = 19449	19449	21439
	Total Revenue Foregone	**61765.3**	**68007.6**

* *The deduction has been phased out from financial year beginning 01.04.2011.*

While the projected revenue foregone figure for 2011-12 (exclusive of additional tax due to MAT payment) was estimated in the last year's statement to be ₹ 79,173 crore, it has now been actually calculated at ₹ 81,214.3 crore.

Accelerated depreciation accounts for the head under which the highest amount of tax revenue (₹ 34,320.1 crore) has been foregone. Across various sectors, deductions availed by undertakings engaged in production of mineral oil , undertakings engaged in generation, transmission and distribution of power, undertakings engaged in development of infrastructure facilities and units located in SEZs accounted for a substantive portion of the total tax foregone.

Revenue Foregone of export profits of units located in SEZs for financial year 2011-12 was projected at ₹ 8,153 crores in the previous year's statement. However, based on the data now available, the actual revenue foregone during 2011-12 on these units is now calculated at ₹ 10,916.2 crore. For financial year 2012-13, revenue foregone on account of these units has been estimated at ₹ 12,033 crores. Keeping in view the increase in actual revenue foregone in financial year 2011-12 over the estimated revenue foregone for 2011-12, the actual revenue foregone in financial year 2012-13 in respect of units located in SEZs may be even higher than the estimate. Further the actual revenue foregone (F.Y 2011-12) in respect of industries engaged in the commercial production of mineral oil has also gone up to ₹ 7999 Cr as against the budget estimate 2011-12 of ₹ 3978 Cr.

The industry-wise distribution of effective tax rate of companies is given in the table in the Appendix to this statement. At the lower range, the effective tax rate for the paper and the cement industry is at 15.11 per cent and 15.16 per cent respectively. The effective tax rate of sugar industry is also very low at 9.0 percent. Similarly the effective tax rate of power and energy sector is also quite low at 18.4 percent.

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

Apart from the corporate sector, large business is also organised as partnership firms and Association of Persons [AOPs] or Body of Individuals [BOIs]. The tax expenditure on these is not as large as that in case of companies. The Income-tax Department has received 568194 returns filed electronically upto 30th November for income of the financial year 2011-12. For the purposes of estimating the tax expenditure, data pertaining to these 568194 firms/AOPs/BOIs was culled out from the database of the Income-tax Department. They account for a substantial part of the tax paid by the universe of firms/AOPs/BOIs in financial year 2011-12.

The data was analysed and the following facts emerged:-

- The sample firms/AOPs/BOIs reported ₹ 82,933 crore as profits before taxes and declared a total income (taxable income) of ₹ 66,177 crores for the financial year 2011-12. Losses were reported by about 53870 returns which is 9.48 per cent of the sample.
- These sample firms/AOPs/BOIs reported ₹ 19,736 crore as income tax payable [inclusive of education cess] for the financial year 2011-12. The effective tax rate[1] in their case works out to 23.80 per cent.

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

Though the sample firms/AOPs/BOIs account for about 90 per cent of all such returns filed in the financial year , the revenue foregone on account of these sample firms/AOPs/BOIs has been taken to be the total revenue foregone in the non-corporate sector. The reason for this is that the due date for filing of returns by all such entities is on or before 30th November and most of the incentives analysed require the return to be filed before the due date for the purpose of claim of such incentive.

Based on the revenue foregone figures for financial year 2011-12, the revenue foregone for the financial year 2012-13 has been estimated. The estimation for 2012-13 has been done by calculating the ratio of the income tax collections as per the Revised estimates in 2012-13 to the actual income-tax collected in the year 2011-12 and then applying the same ratio to the revenue foregone on account of each tax incentive in 2011-12. Table 6 depicts the major tax expenditures on non-corporate taxpayers in terms of revenue foregone during the financial years 2011-12 and 2012-13. The highest tax expenditure, by far, is on account of deduction of profits derived from Housing Projects which amount to 32.33 % of the total revenue foregone.

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

Table 6: Major tax expenditure on firms /AOP / BOI tax payers during financial years 2011-12 and 2012-13 [sample size - 5,68,194]

Sl. No.	Nature of incentive/deduction	Revenue Foregone (in ₹ Crore) [2011-12]	Projected Revenue Foregone (in ₹ Crore) [2012-13]
1.	Deduction of export profits of STPI units (section 10A)	3.7	Nil*
2.	Deduction of export profits of units located in SEZs (section 10A and 10AA)	732.1	883.5
3.	Deduction of export profits of units located in EPZs (section 10A)	1.3	Nil*
4.	Deduction of export profits of Export Oriented Units [EOUs] (section 10B)	8.3	Nil*
5.	Accelerated Depreciation (section 32)	681.4	822.3
6.	Deduction/weighted deduction for expenditure on scientific research (section 35 (1), (2AA) &(2AB))	17.5	21.1
7.	Deduction for expenditure on eligible projects or schemes for the social and economic uplift of the public (section 35AC)	11.3	13.7
8.	Deduction on account of donations to charitable trusts and institutions (section 80G)	34.9	42.1
9.	Deduction on account of donations for scientific research or rural development (section 80GGA)	2.8	3.3
10.	Deduction on account of contributions to political parties (section 80GGC)	2.5	3.0
11.	Deduction of profits of undertakings engaged in development of infrastructure facilities (section 80-IA)	39.2	47.3
12.	Deduction of profits of undertakings engaged in development of SEZs and Industrial Parks (section 80-IA)	84.8	102.3
13.	Deduction of profits of undertakings engaged in providing telecommunication services (section 80-IA)	1.9	2.2
14.	Deduction of profits of undertakings engaged in generation, transmission and distribution of power (section 80-IA)	78.7	95.0
15.	Deduction of profits of undertaking engaged in revival of power plant (section 80-IA)	5.0	6.1
16.	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	13.3	16.1
17.	Deduction of profits of industrial undertakings operating in the small-scale sector (section 80-IB)	11.8	14.3
18.	Deduction of profits of industrial undertakings located in Jammu & Kashmir (section 80-IB)	93.5	112.9
19.	Deduction of profits of industrial undertakings located in industrially backward States other than Jammu & Kashmir (section 80-IB)	15.5	18.7
20.	Deduction of profits of industrial undertakings located in backward districts (section 80-IB)	9.4	11.4
21.	Deduction of profits of industrial undertakings derived from housing projects (section 80-IB)	2310.1	2787.6
22.	Deduction of profits of industrial undertakings derived from operating a cold chain facility (section 80-IB)	1.5	1.8
23.	Deduction of profits of industrial undertakings derived from integrated business of handling, storage and transportation of food grains (section 80-IB)	3.3	4.0
24.	Deduction of profits of industrial undertakings derived from processing, preservation and packaging of fruits and vegetables (section 80-IB)	17.7	21.4
25.	Deduction of profits of industrial undertakings derived from hospital in rural area (section 80-IB)	3.0	3.6

Sl. No.	Nature of incentive/deduction	Revenue Foregone (in ₹ Crore) [2011-12]	Projected Revenue Foregone (in ₹ Crore) [2012-13]
26.	Deduction of profits of undertakings set-up in North Eastern States (section 80-IC)	378.0	456.1
27.	Deduction of profits of undertakings set-up in Sikkim (section 80-IC)	693.3	836.7
28.	Deduction of profits of undertakings set-up in Uttaranchal (section 80-IC)	372.9	450.0
29.	Deduction of profits of undertakings set-up in Himachal Pradesh (section 80-IC)	534.5	645.0
30.	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	6.0	7.2
31.	Deduction in respect of certain incomes of Offshore Banking Units [OBUs] and International Financial Services Centre [IFSC] (section 80LA)	3.9	4.7
32.	Deduction of profits of cooperative societies (section 80P)	967.8	1167.8
33.	Deduction in respect of hotels, convention centres in specified areas (section 80ID)	4.5	5.4
	TOTAL	**7145.4**	**8606.6**

* *The deduction has been phased out from financial year beginning 01.04.2011.*

C. Individual Taxpayers

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

The estimates of revenue foregone on account of the various tax benefits granted to individual taxpayers is presented in Table 7. The revenue foregone under various sections of chapter VI-A of the Income-tax Act has been estimated on the basis of various claims for tax preferences in the 9865701 returns filed electronically by individuals with the Income-tax Department till 30th November, 2012. Apart from Chapter VI-A, the other major tax expenditure on individual taxpayers in the financial year 2011-12 was on account of the higher basic exemption limits for women (below the age of 60 years), senior citizens (individuals aged 60 years or more) , and enhanced exemption limit of ₹ 5,00,000 for very senior citizens (individuals aged eighty years or more).

Based on the figures of the sample of 9865701 returns of income, the revenue foregone for the entire population of tax payers have been estimated as under:-

(i) The revenue foregone on account of higher basic exemption limits, as aforesaid (Sl. No.22, 23 and 24 of table 7), has been calculated by multiplying the revenue foregone per woman (below the age of 60 years), per senior citizen and very senior citizen with their respective numbers. Their respective numbers have been estimated by calculating the percentage of sample returns filed by them. Thereafter, this percentage has been applied to the estimate of total number of returns filed by individuals for financial year 2011-12. The total sample returns filed electronically with the Income-tax Department till 30th November, 2012 is 9865701 . The total number of returns filed by individuals for financial year 2011-12 is estimated to be 32354842 by assuming a growth rate of 5 percent over the estimate of returns filed for the financial year 2010-11which was 30814135. According to the sample returns**,** 9.25 per cent of the returns were filed by senior citizens and 26.56 per cent of the returns were filed by women (other than senior citizens). Further, the revenue foregone on account of a senior citizen and a woman [who is not a senior citizen] has been calculated by taking into account the difference between the higher basic exemption limits for the two categories [i.e. ₹ 2,50,000 and ₹ 1,90,000 respectively] as compared to the general exemption limit of ₹ 1,80,000 and applying the lowest tax rate of 10% (plus cess) on the difference. The revenue foregone for each senior citizen is ₹ 7210 and for each woman taxpayer is ₹ 1030. For a very senior citizen the exemption limit is ₹ 5,00,000 and the tax computed on such income amounting to ₹ 32,960 (inclusive of cess) is payable by an individual who is below the age of sixty years. This has been taken to be the revenue foregone for each very-senior citizen. Thereafter, the revenue foregone on account of each such taxpayer (woman, senior citizen and very-senior citizen) has been projected on the total estimate of the number of such tax payers above the general exemption limit of ₹.1,80,000.

(ii) Specifically, in the case of deduction under section 80-IA, 80-IAB, 80-IB, 80-IC and 80-ID (Sl. No. 12 to16 of table 7) the revenue foregone has been calculated on the assumption that the actual figure reflect the total claims made by individuals under these sections as all tax audited returns for income of F.Y. 2011-12 were subject to compulsory e-filing. Moreover, the due date for filing of returns in all such cases is 30th November and most of the incentives analysed require the return to be filed before the due date for the purpose of claim of such incentive. Therefore the revenue foregone from the data sample has not been scaled up in any manner for the deductions claimed under these sections.

(iii) In all other cases, the revenue foregone for the entire population of taxpayers is worked out by-

(a) First calculating the average revenue foregone for a particular incentive per taxpayer for each income slab which has a separate tax rate in the sample returns.

(b) Secondly, multiplying the average revenue foregone for each incentive by the estimated number of individual taxpayers in that income slab in the total number of returns filed by individuals for financial year 2011-12 .

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

(iv) Based on the revenue foregone figures for financial year 2011-12, the revenue foregone for the financial year 2012-13 has been estimated. The estimation for 2012-13 has been done by calculating the ratio of the personal income tax collections as per the Revised estimates of 2012-13 to the actual personal income-tax collected in the year 2011-12 and then applying the same ratio to the revenue foregone on account of each tax incentive in 2011-12.

As detailed above, Table 7 depicts the major tax expenditures on individual taxpayers in terms of revenue foregone during financial years 2011-12 and 2012-13.

Table 7 :Major tax expenditure on individual tax payers during financial years 2011-12 and 2012-13

Sl. No.	Nature of incentive/deduction	Revenue Foregone (in ₹ Crore) [2011-12]	Projected Revenue Foregone (in ₹ Crore) [2012-13]
1.	Deduction on account of certain investments and payments (section 80C)	25408.9	30661.7
2.	Deduction on account of contribution to certain pension funds (section 80CCC)	145.7	175.8
3.	Deduction on account of contribution to the New Pension Scheme (section 80CCD)	31.3	37.7
4.	Deduction on account of health insurance premium (section 80D)	878.3	1059.9
5.	Deduction on account of expenditure for medical treatment of a dependent who is disabled (section 80DD)	124.6	150.4
6.	Deduction on account of expenditure for medical treatment of specified diseases (section 80DDB)	49.2	59.4
7.	Deduction on account of interest on loan taken for higher education (section 80E)	261.8	316.0

Sl. No.	Nature of incentive/deduction	Revenue Foregone (in ₹ Crore) [2011-12]	Projected Revenue Foregone (in ₹ Crore) [2012-13]
8.	Deduction on account of donations to charitable trusts and institutions (section 80G)	297.4	358.9
9.	Deduction on account of rent paid for housing accommodation (section 80GG)	89.1	107.5
10.	Deduction on account of donations for scientific research or rural development (section 80GGA)	28.2	34.0
11.	Deduction on account of contributions given to political parties (section 80GGC)	11.4	13.8
12.	Deduction of profits of undertakings engaged in development of infrastructure facilities, SEZs and Industrial Parks, generation of power, and providing telecommunication services (section 80-IA)	40.8	49.2
13.	Deduction of profits of undertakings engaged in development of SEZs in pursuance to SEZ Act, 2005 (section 80-IAB)	1.7	2.1
14.	Deduction of profits of industrial undertakings derived from housing projects, production of mineral oil, development of scientific research, integrated business of handling, storage and transportation of food grains and of industrial undertakings located in Jammu & Kashmir and in other backward areas (section 80-IB)	336.7	406.2
15.	Deduction of profits of undertakings set-up in North Eastern States, Sikkim, Uttaranchal and Himachal Pradesh (section 80-IC)	303.8	366.6
16.	Deduction in respect of hotels, convention centres in specified areas (section 80ID)	1.2	1.5
17.	Deduction of profits from business of collecting and processing of bio-degradable waste (section 80JJA)	9.5	11.5
18.	Deduction of royalty income of authors of certain books other than text books (section 80QQB)	8.1	9.8
19.	Deduction of royalty income on patents (section 80RRB)	0.5	0.5
20.	Deduction in case of a person with disability (section 80U)	119.4	144.0
21.	Deduction on account of certain investments in Infrastructure Bonds (section 80CCF)	927.4	Nil*
22.	Higher exemption limit for women	759	Nil*
23.	Higher exemption limit for senior citizens	1772	2138
24.	Higher exemption limit for very senior citizens	624	753
	Total	**32230**	**36857.5**

* *It has been phased out from financial year beginning 01.04.2012.*

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

Indirect Taxes

A. Excise duties

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

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

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

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

Automation of Central Excise & Service Tax (ACES) system has been launched in all the Central Excise formations across the country. The figure of duty foregone for 2011-12 is based on ACES data, which, among other things, captures the data contained in returns filed by assessees. As the actual figures for revenue realization are now available for the whole year, the revenue foregone figure has been revised. The duty foregone due to the operation of area based exemptions scheme has been obtained separately from the concerned Central Excise Zones and added. In the last Budget, the revenue foregone estimate for the financial year 2011-12 was calculated using the extrapolation method based on data available for part of the year i.e. April 2011-January, 2012. Accordingly, the revenue foregone for the financial year 2011-12 was estimated at ₹ 2, 12,167 crore [₹ 1, 99,287 crore (general exemption) + ₹ 12,880 crore (area based exemption)]. The revised revenue foregone for the financial year 2011-12 based on actual data for the full year comes to ₹ 1, 95,590 crore [(₹ 1, 79,453 crore (general exemption) + ₹ 16,137(area based exemption)] crore as against the estimates of ₹ 2, 12,167 crore.

As in the past, the revenue foregone for the current financial year i.e. 2012-13 has also been estimated using the extrapolation method based on ACES data for part of the year i.e. April-December, 2012. Accordingly, the revenue foregone for the financial year 2012-13 is estimated at ₹ 2, 06,188 crore [₹ 1, 87,688 crore (general exemption) and ₹ 18,500 crore (area based exemption)].

The estimates of ₹ 2, 06,188 crore show an increase of 5.4% over last year's revised figure of ₹ 1, 95,590 crore. The revenue foregone has increased compared to that registered in 2011-12, because the excise duty collections have increased in the current financial year by over 18% till December, 2012 compared to the corresponding period in 2011-12. Further, the central excise duty rates have been raised from 10% to 12%, 5% to 6% (when CENVAT credit is availed) and 1% to 2% (when CEVVAT credit is not availed). However, such increase is neutralized to a great extent because of reduction of tariff rate from 16% to 12% & 6% for many of the commodities.

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

The revenue foregone figures are given in Table 8 below :

Table 8 : Tax expenditure under Excise duty regime

Sl. No.	Details of Exemption	Revenue foregone (in ₹crore) 2011-12 Estimates	2011-12 Revised	2012-13 Estimates
1	Area based exemptions applicable in the North Eastern states, Uttaranchal, Himachal Pradesh, Jammu & Kashmir and Kutch district of Gujarat	12880	16137	18500
2	Others	199287	179453	187688
	Total	**212167**	**195590**	**206188**

B. Customs duties

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

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

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

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

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

For the year 2011-12, gross customs revenue captured by EDI data was ₹1, 26,504 crore as against the actual gross customs revenue collection of ₹ 1, 49,300 crore. Thus, the EDI captured nearly 85% of the actual reported gross customs revenue collection for the year 2011-12.

In order to work out the revenue foregone for the year 2011-12, EDI data has been adjusted suitably by taking inter alia revenue from edible oils, minerals and ores and petroleum products/ crude petroleum, which are normally imported as bulk cargo through Customs locations, some of which are still not on EDI.

The gross customs revenue for the year 2011-12 was ₹ 1, 49,300 crore. The total revenue realized as per the EDI data for the year 2011-12 was ₹ 1, 26,504 crore, indicating a coverage of 85%. The total revenue foregone as generated from the EDI system comes to ₹ 2, 42,681 crore. After making suitable adjustments for coverage and bulk cargo (not on EDI), duty foregone for 2011-12 on account of all the exemption notifications comes to ₹ 2,85,638 crore as against the estimated duty foregone of ₹ 2,76,093 crore published last year. Further, after deducting the revenue foregone from the various export promotion schemes but including the revenue foregone from incentive schemes mentioned at Sr. no. 14 of the Table 11 below, the net duty foregone for the year 2011-12 works out to ₹ 236852 crore [₹ 2,85,638 crore – ₹ 48, 786 crore].

In order to work out the estimated revenue foregone for the year 2012-13 (estimated), the same methodology was adopted. The EDI captured nearly 91% of the actual reported gross customs revenue collection this year indicating much improved EDI coverage. The EDI revenue foregone figures for the period April 2012-December 2012 are extrapolated for 12 months to ₹ 2, 98,094 crore. Further, after deducting the revenue foregone from the various export promotion schemes but including the revenue foregone from incentive schemes mentioned at Sr. no. 14 of the Table 11 below, the net duty foregone (Estimated)for the year 2012-13 works out to ₹ 253967 crore[₹ 2,98,094 crore – ₹ 44, 127 crore].

The revenue foregone has increased compared to that registered in 2011-12 (7.23% more than the previous year) as the base for collection of Customs duty (i.e. the aggregate value/volume of imports) has also increased in the current financial year as evident from 5.9 % increase in the customs duty collections till December, 2012 compared to the corresponding period of last financial year 2011-12. Moreover, some further concessions have been extended under various Free Trade Agreements and BCD & CVD on coal has been reduced to Nil and 1% respectively.

The customs duty foregone for the period 2011-12 and 2012-13 on account of major commodity groups and their share in overall duty foregone is given in Table 9 as under:

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

(in ₹ crore)

Sector	2011-12		2012-13 (Estimated)	
	Revenue foregone	% Share in total revenue foregone	Revenue foregone	% Share in total revenue foregone
Crude oil and mineral oils (27)	55576	19.5%	57752	19.5%
Machinery (84& 85)	32386	11.5%	35042	12%
Diamond and gold (71)	65975	23%	61035	20.5%
Edible vegetable, fruits, cereals, vegetable oils (7, 8, 10, 15)	32407	11.5%	33742	11.5%
Primary metals and articles thereof (72 to 83)	16128	6%	18813	6.5%
Chemicals and plastics (28, 29, 39)	20753	7%	20879	7%
Textile (50 TO 63)	15287	5.5%	16974	6%
Fertilizer (31)	7439	3%	7920	3%
Salt and ores (25 TO 26)	2424	1%	2578	1%
Drugs (30)	1628	1%	1393	0.5%
Total	**250003**	**87.5%**	**256128**	**86 %**

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

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

(₹ in Crore)

Chapter	Brief Description of Goods	2011-12	2012-13 (Estimated)
1	Live animals	5	4
2	Meat and edible meat offal	5	3
3	Fish and crustaceans, other aquatic invertebrates	41	52
4	Dairy Products	215	34
5	Other products of animal origin	71	56
6	Live trees and other plants	7	4

(₹ in Crore)

Chapter	Brief Description of Goods	2010-11	2011-12 (Estimated)
7	Edible vegetables, certain roots and tubers	4288	5623
8	Edible fruit and nuts	2667	2580
9	Coffee, tea, mate and spices	2323	1804
10	Cereals	27	49
11	Products of the milling industry	31	36
12	Oilseeds, grains, seeds, fruits	306	213
13	Lac, gums and resins	157	276
14	Vegetable plaiting materials	5	8
15	Animal of vegetable fats	25425	25491
16	Preparations of meat or fish	18	12
17	Sugar	876	1644
18	Cocoa	247	299
19	Preparations of cereals	38	31
20	Preparation of vegetables	84	41
21	Miscellaneous edible preparations	532	725
22	Beverages and spirits	301	126
23	Residues and waste from food industry	283	353
24	Tobacco	95	164
25	Salt, sulphur earths and stone	1042	937
26	Ores	1382	1641
27	Mineral fuels and mineral oils	55576	57752
28	Inorganic chemicals	3866	4425
29	Organic chemicals	12478	11048
30	Pharmaceutical products	1628	1393
31	Fertilizers	7439	7920
32	Tanning and dyeing extracts, pigments	603	537
33	Essential oils	465	406
34	Soap and washing preparations	231	182
35	Albuminoidal substances	228	161
36	Explosives, matches	7	37
37	Photography goods	102	89
38	Miscellaneous chemical products	2565	1795
39	Plastics	4409	5406
40	Rubber	2720	2862

(₹in Crore)

Chapter	Brief Description of Goods	2010-11	2011-12 (Estimated)
41	Hide and skins and leather	333	333
42	Articles of leather	70	49
43	Fur skins	4	5
44	Wood	1492	1440
45	Cork	2	1
46	Manufactures of straw	1	0
47	Wood Pulp	749	1012
48	Paper	1717	1387
49	Printed books, newspapers	523	626
50	Silk	533	557
51	Wool	455	245
52	Cotton	979	1502
53	Other vegetable fibres	111	89
54	Manmade filaments	8515	4244
55	Man made staple fibres	690	765
56	Wadding and non wovens	60	77
57	Carpets	46	51
58	Special woven fabrics	2686	8232
59	Coated textile fabrics	681	702
60	Knitted fabrics	266	291
61	Knitted readymade garments	59	61
62	Woven garments	112	109
63	Made ups	94	49
64	Footwear	234	258
65	Head gear	3	3
66	Umbrellas	17	12
67	Feathers/artificial flowers	6	4
68	Articles of stone, plaster	161	293
69	Ceramic Products	509	250
70	Glass and glass ware	262	287
71	Precious stones, jewellery	65975	61035
72	Iron and steel	9324	11417
73	Articles of iron and steel	2894	2901

(₹ in Crore)

Chapter	Brief Description of Goods	2010-11	2011-12 (Estimated)
74	Copper and articles thereof	1157	1458
75	Nickel and articles thereof	301	180
76	Aluminum and articles thereof	1244	1624
78	Lead and articles thereof	249	227
79	Zinc and articles thereof	102	114
80	Tin and articles thereof	85	93
81	Other base metals	143	146
82	Tools and implements	422	430
83	Miscellaneous articles of base metals	207	223
84	Machinery	17709	20801
85	Electrical machinery	14677	14241
86	Railways or tramways locomotives, rolling stocks etc.	95	156
87	Motor vehicles	3912	2422
88	Aircrafts	2332	2374
89	Ships, boats and floating structures	4519	5872
90	Optical/photographic instruments	3550	4413
91	Clocks and watches	74	29
92	Musical instruments	6	12
93	Arms and ammunitions	1031	1774
94	Furniture	351	395
95	Toys and games	219	249
96	Miscellaneous manufactured articles	219	1148
97	Work of art, antiques	78	116
98	Project imports, baggage	605	5091
Total		**285638**	**298094**

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

Table 11: Revenue Foregone on account of Export Promotion Concessions

(₹ in Crore)

S. No.	Name of the Scheme	2011-12	2012-13 (Estimated)
1	Advance Licence Scheme	18306	19334
2	EOU/EHT/STP	4555	4271
3	EPCG	9672	11737
4	DEPB Scheme	10409	3372
5	SEZ	4560	3742
6	DFRC	40	21
7	Duty Free Import Authorisation Scheme	1244	1651
8	Duty Free Entitlement Credit Certificate	190	122
9	Target plus schemes	436	411
10	Vishesh Krishi and Gram Udyog Yojana	2263	2204
11	Served from India Scheme	556	1227
12	Focus Market/Product Sheme	3951	6362
13	TOTAL	**56182**	**54455**
14	Less revenue foregone on incentive schemes mainatined at S.Nos. 8 to 12	**7396**	**10328**
15	Revenue Foregone on account of input tax neutralisation or exemption schemes to be reduced from gross revenue foregone on account of customs duty	**48786**	**44127**

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

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

Table 12: Revenue Foregone (Direct Taxes) in financial years 2011-12 and 2012-13

(in ₹ Crore)

	Revenue Foregone in 2011-12	Projected Revenue Foregone in 2012-13
Corporate Income-tax	61765.3	68007.6
Personal Income-tax	39375.4	45464.1
Total	101140.7	113471.7

Table 13: Revenue Foregone (Indirect Taxes) in financial years 2011-12 and 2012-13

(in ₹ Crore)

	Revenue Foregone in 2011-12	Revenue Foregone in 2012-13 (Estimated)
Excise Duty	195590	206188
Customs duty	236852	253967

The aggregate revenue foregone from central taxes (both direct and indirect) is ₹ 5,33,582.7 Crore for 2011-12 and is projected to be ₹ 5,73,626.7 Crore for 2012-13.To conclude, the total revenue foregone is showing an upward trend, both for direct and indirect taxes.

APPENDIX

Effective tax rate, inclusive of surcharge and education cess, of sample companies across industry (financial year 2011-12) [sample size – 494106]

Sl. No	Sector	Industry	Number of Companies	Profit before tax (in ₹ crore)	Total tax payable (in ₹ crore)	Effective tax rate (in %)
1	Manufacturing Industry	Agro-based industries	13471	12136.0	2989.1	24.63
2	Manufacturing Industry	Automobile and auto parts	4225	37810.8	8022.0	21.22
3	Manufacturing Industry	Cement	726	11854.7	1797.3	15.16
4	Manufacturing Industry	Diamond cutting	470	2066.3	422.7	20.46
5	Manufacturing Industry	Drugs and pharmaceuticals	5109	27968.6	4740.8	16.95
6	Manufacturing Industry	Electronics including computer hardware	2515	5894.5	1651.8	28.02
7	Manufacturing Industry	Engineering goods	9662	40595.6	11758.0	28.96
8	Manufacturing Industry	Fertilizers, chemicals, paints	3747	18214.3	4682.2	25.71
9	Manufacturing Industry	Flour and rice mills	1321	728.4	134.8	18.50
10	Manufacturing Industry	Food processing units	2618	6676.1	1650.5	24.72
11	Manufacturing Industry	Marble and granite	1958	710.0	177.7	25.03
12	Manufacturing Industry	Paper	1387	1321.6	199.6	15.11
13	Manufacturing Industry	Petroleum and petrochemicals	699	61469.2	11729.8	19.08
14	Manufacturing Industry	Power and energy	4475	90513.4	16653.7	18.40
15	Manufacturing Industry	Printing and publishing	2595	3780.4	1088.7	28.80
16	Manufacturing Industry	Rubber	919	886.0	194.8	21.99
17	Manufacturing Industry	Steel	4718	23303.5	5007.7	21.49
18	Manufacturing Industry	Sugar	288	708.1	63.7	9.00
19	Manufacturing Industry	Tea,coffee	944	2055.8	338.6	16.47
20	Manufacturing Industry	Textiles,handloom,power looms	9204	7943.7	1586.3	19.97
21	Manufacturing Industry	Tobacco	277	9608.1	2693.2	28.03
22	Manufacturing Industry	Tyre	166	2851.4	588.0	20.62
23	Manufacturing Industry	Vanaspati and edible oils	623	976.0	180.1	18.46
24	Manufacturing Industry	Others	55815	125366.3	30689.4	24.48
25	Trading	Chain stores	792	407.8	106.8	26.18
26	Trading	Retailers	11630	5261.6	1479.5	28.12
27	Trading	Wholesalers	19339	6290.1	1826.0	29.03
28	Trading	Others	74266	21816.2	5227.0	23.96
29	Commission Agents	General commision agents	4095	1079.2	310.3	28.75
30	Builders	Builders	16138	5479.4	1192.6	21.77
31	Builders	Estate agents	3123	498.6	103.4	20.73
32	Builders	Property developers	26199	16672.1	3108.4	18.64
33	Builders	Others	19417	6149.6	1021.3	16.61
34	Contractors	Civil contractors	8882	11775.5	3132.6	26.60
35	Contractors	Excise contractors	19	7.1	2.1	29.26
36	Contractors	Forest contractors	13	1.9	0.2	9.83

Sl. No	Sector	Industry	Number of Companies	Profit before tax (in ₹ crore)	Total tax payable (in ₹ crore)	Effective tax rate (in %)
37	Contractors	Mining contractors	724	2605.8	819.1	31.43
38	Contractors	Others	9363	7854.8	2139.1	27.23
39	Professionals	Charted accountants, auditors, etc.	77	5.8	1.8	30.96
40	Professionals	Fashion designers	104	25.5	6.8	26.80
41	Professionals	Legal professionals	289	62.6	18.9	30.10
42	Professionals	Medical professionals	1390	235.9	67.1	28.45
43	Professionals	Nursing homes	950	179.4	50.5	28.14
44	Professionals	Specialty hospitals	1021	1188.7	234.4	19.72
45	Professionals	Others	6175	1221.5	362.2	29.66
46	Service Sector	Advertisement agencies	2601	1330.2	419.8	31.56
47	Service Sector	Beauty parlours	241	31.9	11.0	34.58
48	Service Sector	Consultancy services	14676	12223.3	3039.6	24.87
49	Service Sector	Courier agencies	445	525.5	193.8	36.88
50	Service Sector	Computer training/educational and coaching institutes	2664	1200.5	307.5	25.62
51	Service Sector	Forex dealers	660	138.3	37.6	27.17
52	Service Sector	Hospitality services	3740	2621.4	572.6	21.84
53	Service Sector	Hotels	6293	2705.2	538.2	19.89
54	Service Sector	I.t. enabled services, bpo service provides	9713	24139.8	5886.4	24.38
55	Service Sector	Security agencies	1476	491.5	163.1	33.19
56	Service Sector	Software development agencies	10201	55941.8	12834.0	22.94
57	Service Sector	Transporters	3987	3625.8	817.5	22.55
58	Service Sector	Travel agents, tour operators	3588	1146.6	321.8	28.07
59	Service Sector	Others	54511	59309.3	12908.4	21.76
60	Financial Service Sector	Banking companies	269	112926.9	29435.1	26.07
61	Financial Service Sector	Chit funds	2171	464.0	148.0	31.89
62	Financial Service Sector	Financial institutions	438	10116.9	2725.3	26.94
63	Financial Service Sector	Financial service providers	3002	6058.5	1486.9	24.54
64	Financial Service Sector	Leasing companies	542	3239.5	772.4	23.84
65	Financial Service Sector	Money lenders	470	109.2	26.2	23.95
66	Financial Service Sector	Non banking finance companies	8268	37752.2	8530.6	22.60
67	Financial Service Sector	Share brokers, sub-brokers, etc.	3920	4462.3	1353.0	30.32
68	Financial Service Sector	Others	20988	54755.1	9571.8	17.48
69	Entertainment Industry	Cable t.v. productions	372	146.7	40.5	27.61
70	Entertainment Industry	Film distribution	322	87.8	16.0	18.21
71	Entertainment Industry	Film laboratories	34	58.6	3.8	6.52
72	Entertainment Industry	Motion picture producers	512	172.5	39.3	22.78
73	Entertainment Industry	Television channels	355	3236.3	1067.1	32.97
74	Entertainment Industry	Others	5709	5824.4	2533.0	43.49
	Total		**494106**	**989100.5**	**226051.1**	**22.85**