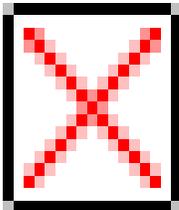


**Direct Tax Collections: Pendulum swinging away from Mumbai! What does it mean?**

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for direct tax collection accounting framework commonly known as Tax Information Network (TIN) established through NSDL E-Gov since 2004-05 apart from receiving and processing TDS and TCS information statements from TIN facilitation centers, compiling PAN wise transaction statement from Annual Information Return (AIR), principally compiles the tax payment details received from designated banks through link cells as part of Online Accounting System (OLTAS), and is a useful tool for conducting near and long range studies on patterns of tax collection, for implementing effective reform measures of tax management mode and legislation, and undertaking comprehensive trend analysis of region-wise direct tax collection. This is because, despite a central federal tax Act, unambiguous political commitment to tax simplification and reform including the goal of broadening the tax base, an accepted glide path to curbing of exemptions and deductions within a time frame and sustained efforts at preventing revenue leakages through evasion and under declaration, regional variations in collection growth numbers justifiably raise issues of (a) degree of commitment and buy in by stakeholders to the drive for fostering taxpayer compliance (b) asymmetric grasp of communication intending to convey the essence of tax reform measures (c) degree of strength and fragility of the institutional framework supporting the tax administration at the regional levels including governance, management and human resources deployed across basic and ancillary institutions.

That said, in India context, the truth or otherwise of 2 popular stereotypes: (a) that Mumbai (comprising the tax jurisdiction areas of Maharashtra barring Pune and Nagpur) continues to hold the key to growth of India's direct tax collection and (b) that there may be insufficient evidence of any significant impact of direct tax contribution of other major metropolitan centers on the overall tax collection profile at the national level, necessitates an analysis in context of facts and evidences.

It is undeniable that Mumbai has historically capitalized on its locational advantage, strong infrastructure, robust urban governance, vibrant securities markets, sophisticated financial platforms for cross border financial flows, largely stable and reliable governance system significantly reducing political risks and uncertainties, and strong human capital, all of which directly contribute to growth in its direct tax collection numbers. The 15-year profile in Table 1 statistically lays out Mumbai's share in national direct tax collection, which is undeniably considerable, but not entirely unique in a global context. Tokyo, Sanghai, New York and Greater London also hold pole positions in direct tax collection in their respective countries, and are equally formidable catalysts behind growth of their national economies.

**Table-1 :**

	<b>Mumbai (in Crs)</b>	<b>All India (in Crs)</b>	<b>% of All India</b>
	1,14,182	3,09,792	37

<p>It is apparent that Mumbai's tax collection as a share in all-India collection which stood at high 30's (37%) in the beginning of the 15-year profile has now stabilized at 31/ 32% in 2022-23 indicating in part to large base effect, Mumbai's own inability to break the resistance level, rise of other cities in direct tax collection graph and Mumbai's relatively lower growth compared against other cities. Table-2 illustrates the 15 year collection map across 2 financial years: 2007-08 and 2022-23 and demarcates the YoY change across various tax jurisdictions, and Table-3 illustrates the growth % of cities vis a vis all-India growth, and clearly indicate that growth % of Mumbai's direct tax collection is not as robust or sustained as some of the other cities-Bangalore, Delhi, Chennai, Hyderabad, and Pune-in the 15 year period, and that as many years Mumbai exceeded the all-India growth rate that many years Mumbai fell behind the all India growth rate and in a way retarded the overall growth.</p> <p><b>Table-2</b></p>	<p>1,17,795</p> <p>1,27,598</p> <p>1,54,146</p>	<p>3,34,428</p> <p>3,69,484</p> <p>4,40,927</p>	<p>35</p>
<p><b>Collection</b></p>	<p>1,57,750</p> <p><b>Collection of 2007-08 (in Crs)</b></p>	<p>4,88,464</p> <p><b>Collection of 2022-23(in Crs)</b></p>	<p>32</p> <p><b>Growth in %</b></p>
	<p>1,74,979</p>	<p>5,51,191</p>	<p>32</p>
	<p>1,14,182</p>	<p>4,95,381</p>	<p>433</p>
	<p>2,00,602</p>	<p>6,28,364</p>	<p>32</p>
	<p>47,369</p>	<p>2,07,919</p>	<p>438</p>
	<p>2,26,823</p>	<p>6,87,116</p>	<p>33</p>
	<p>32,692</p>	<p>2,04,528</p>	<p>625</p>
	<p>2,48,017</p>	<p>7,34,101</p>	<p>34</p>
	<p>18,837</p>	<p>1,05,638</p>	<p>560</p>
	<p>2,66,242</p>	<p>8,31,895</p>	<p>32</p>
	<p>13,582</p>	<p>88,438</p>	<p>651</p>
	<p>3,27,350</p>	<p>9,85,574</p>	<p>33</p>
	<p>12,094</p>	<p>54,111</p>	<p>434</p>
	<p>3,64,050</p>	<p>11,18,043</p>	<p>33</p>
	<p>12,464</p>	<p>91,973</p>	<p>737</p>
	<p>3,20,414</p>	<p>10,28,333</p>	<p>31</p>
	<p>11578</p>	<p>81,718</p>	<p>705</p>
	<p>2,94,425</p>	<p>9,24,899</p>	<p>32</p>
	<p>9,915</p>	<p>64,789</p>	<p>653</p>
	<p>4,42,774</p>	<p>13,83,310</p>	<p>32</p>
	<p>5,434</p>	<p>27,294</p>	<p>502</p>
	<p>(up to 20-03-23)</p> <p>4,95,381</p>	<p>15,76,661</p>	<p>31</p>
	<p>eswar</p> <p>3,867</p>	<p>18,834</p>	<p>487</p>

Table-3		4944		28,466		575	
All India YoY growth in %	Delhi YoY growth in %	Mumbai YoY growth in %	Bangalore YoY growth in %	Hyderabad YoY growth in %	Pune YoY growth in %	Chennai YoY growth in %	
8	19.5	2,638	3.2	15,014	26.7	569	12.8
10.5	6.5	2,246	8.3	13,823	8.1	615	17
19.3	9	2,187	20.8	9,715	23	444	18.1
10.8	5.3	1,776	2.3	10,796	12.9	607	17.9
12.8	14.6		10.9	8.4	15	13.6	7.8
14.0	12.9		14.6	20	7.5	18.8	14.1
9.4	14.2		13.1	17.2	(-)0.6	8.1	4.9
6.8	(-)0.2		9.3	5.7	14.3	12	15.5
13.3	5.2		7.3	21.2	9.8	17.5	17.6
18.5	21.7		23	15.9	24.8	22.4	13.5
13.4	23.2		11.2	17.4	16.7	11.4	9.4
(-)8.0	(-) 9.0		(-)12.0	(-)10.1	(-)1.9	(-) 0.9	(-) 5.0
(-)10.1	(-)20.0		(-)8.1	7.4	(-)2.4	(-)11.3	(-) 16.0

49.6 It also shows an imperceptible, slow but consistent growth of other cities-Bangalore, Chennai, Hyderabad, Delhi and Pune in the all-India collection profile as shown in Table-4, clearly indicating their steady rise to 44% share in the overall collection in 22-23 against 40/41% in the beginning of the 15 year period from 2008-09.

**Table-4**

26.1	10.2	23.7	8.8	9.2	21
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	All India Collection (in Crs)	Collection of Delhi+ Bangalore+ Hyderabad+ Pune+ Chennai (in Crs)	% of All India
	3,34,428	1,38,052	41
	3,69,484	1,51,216	40
	4,40,927	1,76,193	40
	4,88,464	1,97,315	40
	5,51,191	2,20,827	40
	6,28,364	2,53,175	40
	6,87,116	2,80,415	41
	7,34,101	2,99,447	41
	8,31,895	3,39,285	41
	9,85,574	4,04,263	41
	11,18,043	4,73,189	42
	10,28,333	4,40,896	43

<p>While primacy of Mumbai as the fulcrum of direct tax collection is not immediately threatened by any reasonable standards of estimation, rise of other cities in tax collection profile does bode well for the national economy as larger collections will trigger growth of national wealth, and in a manner move the needle of dependency from Mumbai to other regions, and casting greater focus on the tax governance and administrative issues of other regions. Finally, greater growth in tax collections from urban centers will hopefully act as a significant driver for improving the liveability quotient of India's urban agglomerations and catalyze a virtuous cycle of sustained rise in per capita revenue coupled with qualitative improvement in ease of living and of doing business in those urban centers.</p>	<p>9,24,899</p>	<p>4,00,475</p>	<p>43</p>
<p>(up to 20-03-23)</p>	<p>15,76,661</p>	<p>6,98,496</p>	<p>44</p>