GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE

RAJYA SABHA

UNSTARRED QUESTION NO. 254

ANSWERED ON 02/12/2025

DECREASE IN CORPORATE TAXES

254. SHRI DEREK O' BRIEN:

Will the Minister of FINANCE be pleased to state:

(a) whether the share of corporate tax declined from about 62 percent to 47 percent, while net profits have risen by 115 percent;

(b) if so, the reasons for decline in corporate taxes;

(c) the year-wise break-up of personal income tax and corporate tax collections from FY 2019-20 to FY 2024-25;

(d) whether top 10 percent of the population holds around 77 percent of the wealth, if so, whether Government has formulated any plan to reduce the income inequality; and

(e) whether the rise in corporate net profits has led to commensurate growth in average/median wages, if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) and (b) The Corporate tax collection during Financial Year 2024-25 was Rs. 9,86,767 crore. The collection of Direct taxes is basically classified under the head Corporate & Personal Income-tax. However, under the head Personal Income-tax, all taxpayers except companies are included which, inter-alia include individuals, HUFs, Firms, AoPs, BoIs, Local Authorities & Artificial Juridical Person.

The Reserve Bank of India (RBI) in its monthly bulletin for October 2025 on corporate profit in the article 'Resilience and Revival: India's Private Corporate Sector' has stated that during

COVID, despite contraction in sales, decline in raw material cost due to softening of commodity prices, subdued wage growth, along with the favorable base effect, net profit at aggregate level rose sharply by 115.6%. Consequently, net profit margin surpassed its pre-COVID level. During post-COVID period, with sharp rebound in sales growth led by pent-up demand, corporates' profit increased significantly from Rs. 2.5 trillion in 2020-21 to Rs. 7.1 trillion during 2024-25. Corresponding increase in corporate taxes between FY 2020-21 to FY 2024-25 is more than 200% (ref. table at point (c) despite reduction in corporate rates).

Vide successive Finance Acts, the corporate tax rates have been gradually reduced while phasing out the exemptions and incentives available to the corporates. The details of the same are as under:

(i) Vide Finance Act, 2016, the corporate tax rates were reduced to 29% of the total income to promote growth, boost investment and create more job opportunities.

(ii) Vide Finance Act, 2017, the corporate tax rates were reduced to 25% of the total income to inter alia make smaller domestic companies having annual turnover of Rs. 50 crores more viable and to encourage firms to migrate to company format.

(iii) With an intent to attract fresh investments, create jobs and simulate the overall economy, the Taxation Laws (Amendment) Act, 2019 inter alia inserted section 115BAA and section 115BAB in the Income tax Act, 1961. Section 115BAA provides reduced tax rates of 22% (effective rate 25.17% including surcharge and cess for existing domestic companies not availing any incentive or deduction. Section 115BAB provides concessional tax rate of 15% (effective rate 17.16% including surcharge and cess) for new manufacturing companies which have been set up or registered on or after 01.10.2019 and which commenced manufacturing or production by 31.03.2024 and did not avail any incentive or deductions.

(iv) Vide Finance (No. 2) Act, 2024, tax rates have been reduced from 40% to 35% on the income of foreign companies (other than that chargeable at special rates) to promote investment and employment.

The tax base over the years has increased which can be attributed to several legislative, administrative and enforcement measures taken by the Government to improve voluntary compliance and widen the tax net such as: -

- NUDGE (Non-intrusive usage of data to guide and enable) taxpayer campaigns were undertaken to improve compliance ecosystem and to assist taxpayers to review their ITRs and correct mistakes, if any, by filing revised/updated ITRs.

- Expansion of scope of provisions of TDS and TCS to cover more types of financial transactions.
- Expansion and strengthening of third-party financial transaction reporting to obtain wider range of data to identify tax-evasion or under-reporting of income.
- Implementation of Non-filers Monitoring System (NMS) to identify potential tax-payers on the basis of third-party data.
- Mandatory quoting of PAN and linking of PAN and Aadhaar.
- Action against generation and use of black money both inside and outside the country through legislations such as the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 and the Benami Transactions (Prohibition) Amendment Act, 2016.
- Promotion of voluntary compliance through high level of taxpayer service, expeditious resolution of grievance, ease of paying taxes and filing returns, promotion of digital transactions etc.

(c) The year-wise break-up of Personal Income-tax and Corporate tax collections from Financial Year 2019-20 to Financial Year 2024-25 is as under:

(Rs. In Crore)

Financial Year	**Personal Income-tax#**	**Corporate tax**
2019-20	4,92,717	5,56,876
2020-21	4,87,560	4,57,719
2021-22	6,96,604	7,12,037
2022-23	8,33,307	8,25,834
2023-24	10,44,726	9,11,055
2024-25*	12,35,161	9,86,767

Source: Pr. CCA (CBDT)

*Provisional

#Figures under Personal Income-tax includes taxes paid by individuals, HUFs, Firms, AoPs, BoIs, Local Authorities, Artificial Juridical Person. It also includes collections of Security Transaction Tax.

(d) In India, the data on class distribution of income is not compiled centrally. However, household consumption expenditure data collected by National Sample Survey Office (NSSO) could be used as a proxy to capture the economic disparity in terms of consumption expenditure. According to the latest Household Consumption Expenditure Survey (HCES):

- The Gini coefficient- a key measure of income inequality- has improved significantly (declining from 0.266 to 0.237 in rural areas and from 0.314 to 0.284 in urban areas between 2022–23 and 2023–24).

- The survey further highlights how the most vulnerable segments of society have seen substantial improvements. The most significant growth in monthly per capita consumption expenditure (MPCE) occurred among the lower-income groups. Between 2022–23 and 2023–24, the bottom 5% of the rural population saw a 22% rise in their MPCE, while it increased by 19% in urban areas.
- The government's social sector initiatives have significantly increased the MPCE for both rural and urban areas. The MPCE rose from ₹1,430 in rural areas and ₹2,630 in urban areas in 2011–12 to ₹4,122 and ₹6,996, respectively, in 2023–24 (excluding the value of items received free of cost by households through various social welfare programs).
- The urban-rural gap in MPCE has declined to 71% in 2022-23 from 84% in 2011-12. It has further come down to 70% in 2023-24, confirming sustained consumption growth momentum in rural areas.

In this regard, the Government is implementing a number of targeted programmes such as Pradhan Mantri Awas Yojana (PMAY), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), National Social Assistance Programme (NSAP), Pradhan Mantri Jan-Dhan Yojana (PMJDY), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana, Stand Up India Scheme, Umbrella Programmes for Development of Minorities and Other Vulnerable Groups; Rashtriya Krishi Vikas Yojna; fund transfer under PM-KISAN, PM Fasal Bima Yojana claim payments; fertiliser subsidies; interest subvention for dairy cooperatives; Agri-Infrastructure Fund for farm gate infrastructure etc.

Further, the Government is implementing various programmes, including Jal Jeevan Mission, Swachh Bharat Abhiyan, PM Ujjwala Yojana, PM Saubhagya Yojana, Ayushman Bharat, etc. to bring about overall improvement in the quality of life of the people through universal access to basic amenities.

The Government has also implemented the Aspirational Districts Programme (ADP), since 2018, aimed at comprehensive development of identified districts across various States/UTs, in six areas: (i) health & nutrition, (ii) education, (iii) agriculture & water resources, (iv) financial inclusion, (v) skill development, and (vi) basic infrastructure. In order to further strengthen this initiative, the Government has recently launched the Aspirational Blocks Programme covering 500 blocks for saturation of essential government services across multiple domains such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure.

During COVID-19, Government made several targeted interventions to mitigate the adverse impact of the pandemic on the lives and livelihoods of the people, particularly the vulnerable sections of the society through the Pradhan Mantri Garib Kalyan Yojana (PMGKY), implemented since April 2020. These included, inter alia, world's largest free food program, cash transfers to women Jan Dhan account holders, insurance cover for health workers fighting COVID-19, increase in MGNREGA wages, assistance to low wage earners in organised sectors, etc.

(e) Economic Survey 2024-25 discusses an analysis by the State Bank of India (SBI) on wage growth in the corporate sector which reveals that around 4000 listed entities reported 6 per cent growth in net sales in Financial Year 2023-24, while Earnings before Interest, Taxes, Depreciation and Amortization (EBIDTA) and Profit after Tax (PAT) grew by 28 % and 32 %, respectively. However, employee expenses grew by only 13 % in Financial Year 2023-24 as compared to 17 % in Financial Year 2022-23. The SBI analysis also reported that in the last four years, Indian Inc. maintained an average EBIDTA margin of 22 %, while the average wage bill grew by around 12 %, reflecting a modulation in the wage bill.

*****