

Securities transaction tax collection in Sept to exceed full year's target

Collections already stand at Rs 12K crore, compared to Budget target of Rs 12.5K crore

Dilasha Seth | New Delhi September 21, 2021 Last Updated at 00:24 IST

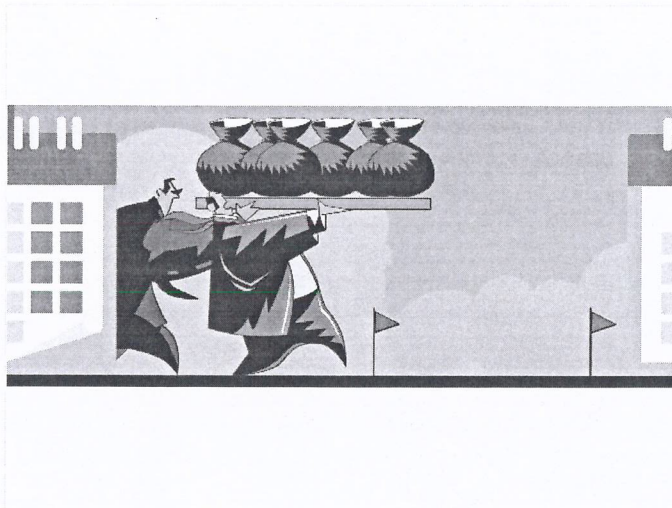


Illustration: Binay Sinha

due to the pandemic, but exceeded the revised estimates, which stood at Rs 9.05 trillion.

TREND IN LINE WITH OTHERS

	₹ trillion		
	2019-20	2020-21	2021-22
Corporation tax	2.38	1.65	3.01
Personal income tax	1.96	1.55	2.52

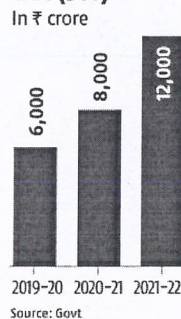
GROWTH

	In %	
	2020-21	2021-22
Corporation tax	-31	82
Personal income tax	-21	63

% OF OVERALL NET COLLECTION

	2019-20	2020-21	2021-22
Corporation tax	54	50	53
Personal income tax	45	47	45

SECURITIES TRANSACTION TAX (STT)



Securities transaction tax (STT) collection is set to exceed the Budget target for the full fiscal year in September itself on the back of increased retail participation in the stock market.

STT collections as on September 16 stood at Rs 12,000 crore, compared to the Budget target of Rs 12,500 crore. In fact, it has posted a growth of 50 per cent over the Rs 8,000 crore in the corresponding period of the previous year.

STT mop up in the pre-Covid year of 2019-20 was Rs 6,000 crore during this period.

“The market is overheated and the positive sentiment around economic recovery is aiding higher-than-expected revenues. The announcements such as bad bank, relief package for the telecom industry and production-linked incentive (PLI) scheme for the auto sector are all positives,” said a government official.

STT is a direct tax payable on the value of securities transactions done through a stock exchange. It is levied at 0.1 per cent of turnover for delivery-based equity transactions, while for intra-day transactions, the STT for purchase is nil. For sale, it is 0.025 per cent of the turnover.

The trend is also in line with robust corporation tax and personal income tax mop up. The direct tax mop up, net of refunds, stood at Rs 5.66 trillion as on September 16 compared to Rs 3.28 trillion last year after the second installment of advance tax was paid. This is about half of the Rs 11.08 trillion direct tax revenue estimated in the Budget for the current fiscal year. Collections in the current fiscal year are in fact 28 per cent higher than the corresponding period in 2019-20, the pre-Covid year.

Sectors like infrastructure, health, pharma, trade, chemicals, fertilisers and logistics are contributing to high revenue, said an official.

Last year, the direct tax mop up, at Rs 9.47 trillion, was 9.7 per cent lower than the previous year

Experts attributed the high STT mop up to the increasing retail participation in the stock markets. Retail participants are those whose shareholding value is up to Rs 2 lakh. Rajat Mohan, partner, AMRG Associates, said the high STT is on account of the bull run on the stock market, spearheaded by IT and pharma companies.

“There is an increased volume of transactions by FIIs (foreign institutional investors) as well domestic investors resulting in improved collection of STT. Besides, market experts believe that increased money circulation and lower rate of interest will continue to fuel the bourses,” said Mohan.

Rakesh Nangia, chairman, Nangia Anderson India, said there has been a massive inflow of funds into the capital market by all classes of investors, resulting in a jump in STT collection, and if the trend continues, the government’s collections on STT may double this year.

“The quantum of increase in direct taxes has been due to a bounce back of economic activity and a double-digit growth in a few sectors. This has contributed significantly to the direct taxes kitty,” said Nangia.

Direct-tax-to-GDP ratio in the first quarter of 2021-22 increased to 5.14 per cent compared with 3.29 per cent over the last two years. This was on the back of growth in corporation tax and personal income tax collections.

According to data from PRIME Database, the quantum of retail holding in NSE-listed companies has crossed the 7 per cent mark for the first time ever in the quarter ended June 2021. In value terms, retail holding touched a new high of Rs 16.18 trillion from the previous quarter’s Rs 13.94 trillion – an increase of 16 per cent.

Last month, NSE chief Vikram Limaye pointed out that the stock exchange has seen over 50 lakh new investor registrations in the current financial year. This is equal to 62.5 per cent of the total number of new investor registrations, at around 80 lakh, that were added last financial year.