

Direct tax collections increase 7% on year

● Nearly half the required rate to meet BE

FE BUREAU
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THE CENTRE'S DIRECT tax collections — before devolution to states — are trailing behind the pace estimated in the Budget for FY26, raising concerns that receipts could fall short of the annual target.

As of November 10, 2025, gross direct tax collections grew just 7% year-on-year, compared with a budgeted growth target of 13.2% over FY25 actuals.

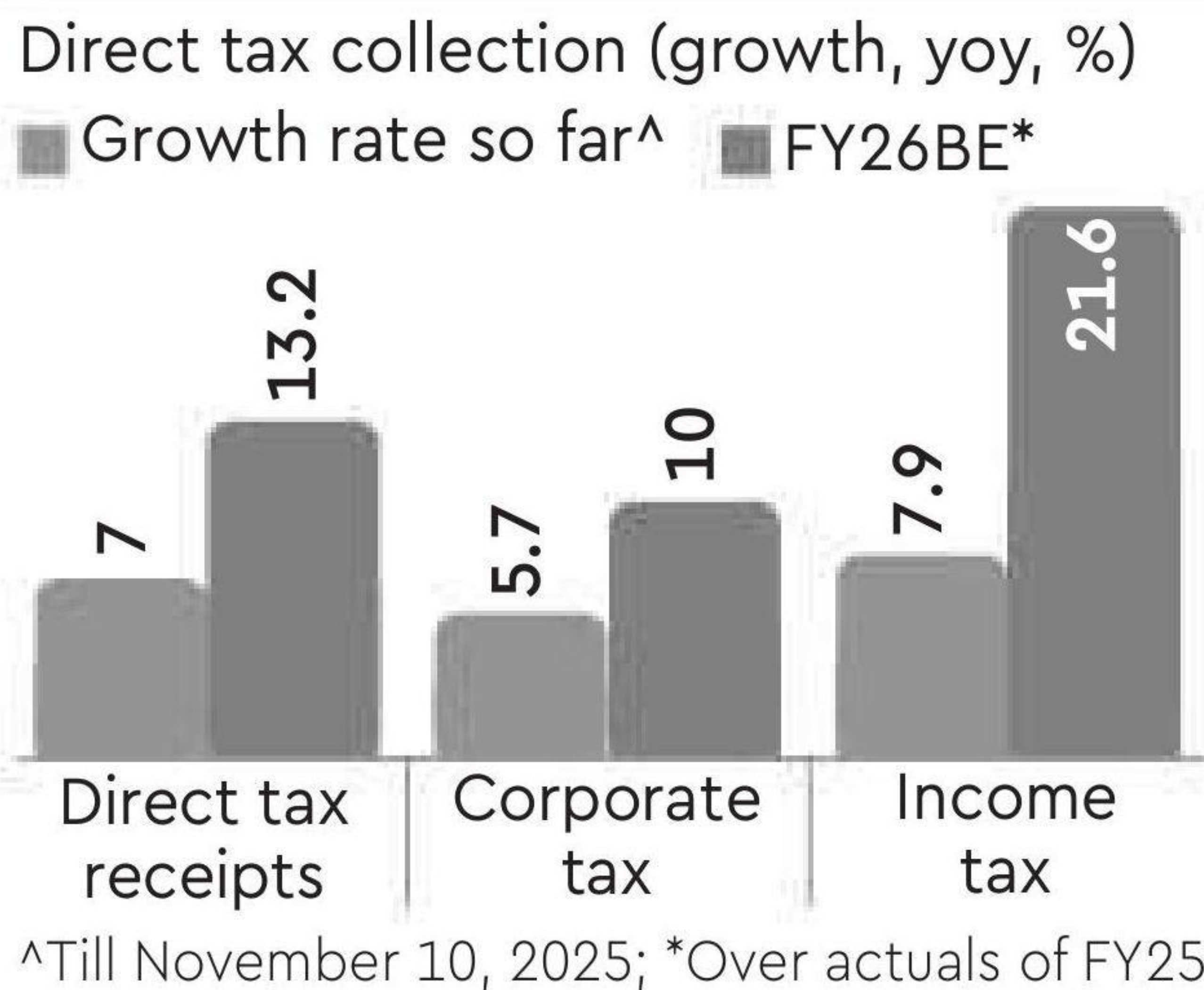
Corporate tax receipts have risen by 5.7% against the projected 10%, while income tax collections have grown 7.9%, far below the ambitious 21.6% target set in the Budget.

The slower pace suggests a moderation in corporate profitability and the impact of income tax relief provided to individuals to boost consumption demand.

Officials remain hopeful that the year-end surge in collections — particularly during the December and March quarters — could narrow the gap.

However, analysts warn that achieving the full-year

SLOW GROWTH



target will require a sharp uptick in both corporate and personal tax inflows.

Going by the trends in direct and indirect taxes, rating agency ICRA is apprehensive that gross tax revenues (GTR) will undershoot the budgeted target of ₹42.7 lakh crore by ₹0.7-1 lakh crore.

The Centre has pegged a direct collection growth of 13.2% to ₹25.2 lakh crore for FY26 compared with ₹22.26 lakh crore collected in FY25, despite substantial income tax relief in the budget.

The slowdown is partly attributed to major tax relief measures in the FY26 Budget, including raising the exemption limit under the new regime to ₹12 lakh from ₹7 lakh and reducing rates across slabs.

These steps have put an

estimated ₹1 lakh crore back into taxpayers' pockets to spur consumption and investment.

On the indirect tax front, Central GST collections rose 5.8% to ₹4.7 lakh crore in H1FY26, against an 11.2% annual growth requirement to reach the ₹10.1 lakh crore target.

Customs duty receipts declined 5.1% to ₹1 lakh crore in the first half of FY26, missing the modest 3% growth needed for the ₹2.4 lakh crore annual goal.

The fall comes amid sharp trade headwinds following the Donald Trump administration's imposition of 50% tariffs on most Indian exports to the US, effective August 27 — a move that has rendered many Indian goods uncompetitive compared with Asia-Pacific peers facing 15-20% duties.