

Advance taxes grow 4.3% in Q3

● Apr-Dec direct tax mop-up rises 8% on lower refunds

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THE DECEMBER QUARTER

instalment of advance taxes showed a marginal improvement over the previous two quarters, but lagged the year-ago growth by a wide margin. The overall direct tax receipts significantly lagged Budget projections, increasing the chances of a significant shortfall in tax revenue collections in FY26, latest set of official data released on Friday showed.

The Centre's advance tax collections for the third quarter of 2025-26 (Q3) from

IN GOVT COFFERS

Advance tax collections
(growth, y-o-y, %)

■ FY25 ■ FY26



Income tax figures excluding STT

^ Till December 17, 2025 *Over actuals of FY25

companies, LLPs and individuals rose by 4.27% on year, compared with a 20.9% growth seen in the year-ago quarter, owing largely to the massive personal income tax relief announced in the Budget. In absolute terms, Q3 advance tax collections stood

Direct tax collections
(growth, y-o-y, %)

● Growth rate so far^

● FY26BE*

Direct tax receipts



Corporate tax



Income tax



at ₹7.88 lakh crore as on December 17, according to data released by the Central Board of Direct Taxes (CBDT).

While advance taxes paid by corporate assesses rose nearly 8% to ₹6.07 lakh crore in Q3, collections from the non-corporate sector declined

6.5% to ₹1.81 lakh crore. The non-corporate tax includes those paid by individuals, HUFs, firms, local authorities, artificial juridical persons, etc.

According to the CBDT data, direct tax collections after refunds between April 1 to December 17 recorded a growth of 8% year-on-year, compared with a budgeted growth target of 13.2% over FY25 actuals for the whole of FY26. The collections after refunds reached ₹17.04 lakh crore. The corporate tax collections were ₹8.17 lakh crore and the non-corporate tax collection, ₹8.46 lakh crore.

Significantly, refunds declined 13.52% on-year to ₹2.97 lakh crore.

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CORPORATE TAX RECEIPTS have risen by 10.54% against the projected growth rate of 9.7%, while the income tax collections have grown by 6.59% against the ambitious target of 21.6% set in the Budget. Tax experts said that the corporate tax collection may to an extent compensate for the shortfall in personal income tax.

Rating agency Icra is apprehensive that gross tax revenue may undershoot the budgeted target of ₹42.7 lakh crore by ₹1.2-1.5 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.

Icra chief economist Aditi Nayar said the non-corporate tax collections rose entirely on the back of lower refunds to taxpayers. "A pickup of refunds would weigh on the growth in net non-corporate tax collections in the remaining part of the fiscal.

Overall, Icra expects a sizable miss in personal income tax collections relative to the FY26 Budget target, whereas corporate tax collections are likely to broadly meet the FY26 BE," Nayar said. She added that higher dividends are likely to help offset a portion of the miss in tax collections in FY26.