

Business Line Editorial: Tax Treat

Formalisation of the economy, lower corporate tax rates and digital tracking are beginning to **pay off**

After **taking a hit** during Covid, India's **direct tax** collections have been **displaying** unusual **buoyancy lately**. In FY22, gross direct tax collections **soared** 49 per cent to ₹14.1 lakh crore, exceeding not just Budget estimates (₹11.08 lakh crore) but also the revised estimates (₹12.5 lakh crore). The **growth** last year however, **could** be explained by the **low base effect**. India's **GDP** after **contracting** in FY21 due to Covid related disruptions, **rebounded** in FY22 with corporate profits **following suit**. But recent **data** from the Controller General of Accounts **show** that direct tax **mop-ups** have continued their strong growth into this **fiscal** as well. Net corporate tax **collections** for April-July 2022 at ₹1.96 lakh crore **were** 35 per cent higher than the same period last year, while net personal income tax mop-ups were a good 50 per cent more. With over a third of the direct tax collections budgeted for the year already in the **kitty**, the CBDT Chairman's **hope** that actual mop-up will again exceed Budget estimates **may** not be **misplaced**. But this will **hinge** on the buoyancy **sustaining** through the year.

One factor behind the buoyancy in direct tax collections appears to be inflation. As they are **levied** on incomes, direct tax collections carry a greater correlation to **nominal GDP** growth than **real GDP** growth. India's **real GDP** in Q1 FY23 coming at 13.5 per cent **was** **somewhat** disappointing, but **thanks to** high inflation, nominal GDP growth was at a **robust** 26.7 per cent. But both corporate and personal income tax receipts in the April-July period have **surged** much faster than the nominal GDP. With respect to corporate taxes, this could be explained by two factors — increasing formalisation of the economy and improving **compliance**. While **input cost** pressures have **moderated** profit growth at **India Inc** this year, the **process** of formalisation of the economy, with a shift in profits from the **unorganised to organised firms**, **seems** to have gained **traction**, post-Covid. A recent ICICI Securities study finds that India Inc's **profits**, which had **dipped** to 1.6 per cent of GDP in FY20 **had climbed** back to 4.6 per cent by FY22, with the trend expected to continue. It is also likely that **some part** of the gains in corporate tax collections **have** come from better voluntary compliance. As a part of the **stimulus** package for Covid, the Centre had **effected** a sharp cut in the corporate tax rate from over 30 per cent to 22 per cent, if companies opted to **give up exemptions**. A recent Action Taken report submitted to Parliament showed that **about 15.8 per cent** of the corporate return filers **accounting for** over 61.9 per cent of the declared income, **have** opted for this new **regime**. The tax cut **shrank** corporate tax mop-ups during Covid, but seems to be paying off now.

On personal income tax though, it appears to be fear of the **stick** that's behind the 50 per cent **surge** in collections. With the **concerted** digital push and the **taxman tightening** reporting structures around high-value transactions while **deploying** technology to track **money trails**, the **wiggle room** for individual taxpayers to **evade** tax has shrunk considerably. The CBDT's recent **initiatives** to present

taxpayers with an auto-populated Annual Information Statement and 26AS **have** reduced scope for under-reporting of income. Having **tightened the screws** on individual taxpayers though, it may be time for the Centre to consider some **carrots**, in the form of lower personal tax rates or a more friendly exemption-free regime in the days ahead. [\[Practice Exercise\]](#)

- Red/blue coloring of words in the sentence indicates subject verb relationship; where 'red' denotes 'subject' and 'blue' denotes 'verb'.

Vocabulary

1. **Formalisation of the economy** (noun) – the process of bringing companies under the regulatory regime of government and subject to laws related to manufacturing and income tax.
2. **Pay off** (phrasal verb) – to be successful
किसी काम में सफल होना
3. **Take a hit** (phrase) – suffer damage or loss
नुकसान उठाना
4. **Direct tax** (noun) – income tax, corporate tax, wealth tax, gift tax, expenditure tax etc.
5. **Indirect Tax** (noun) – GST, excise tax, VAT, and service tax etc.
6. **Display** (verb) – show, exhibit, demonstrate, reveal, दिखाना
7. **Buoyancy** (noun) – the ability to recover quickly after setbacks; resilience, cheerfulness उछाल
8. **Lately** (adverb) – in recent times, recently
हाल में
9. **Soar** (verb) – Rise rapidly बहुत वृद्धि होना
10. **Low base effect** (noun) – the tendency of a small absolute change from a low initial amount to be translated into a large percentage change
11. **Contract** (verb) – Diminish, shrink, reduce, lessen कम होना
12. **Rebound** (verb) – Recover, rally, bounce back, return to normal, pick up पलटाव
13. **Follow suit** (phrase) – to do the same thing
अनुकरण करना
14. **Mop-up** (noun) – Collection
15. **Fiscal** (noun) – Financial Year वित्तीय वर्ष
16. **Kitty** (noun) – A pool or reserve of money, often collected from a number of people or sources and designated for a particular purpose.
17. **Misplaced** (adjective) – inappropriate, erroneous, misdirected, improper, inapt
गलत
18. **Hinge** (on) (verb) – depend on, count on, bank on, rely on पर निर्भर होना
19. **Sustain** (verb) – maintain, continue, uphold, prolong, protract बनाए रखना
20. **Levy** (on) (verb) – charge, impose, tax, put कर लगाना
21. **Nominal GDP** (noun) – it measures GDP using current prices, without adjusting for inflation
22. **Real GDP** (noun) – a measure of a country's gross domestic product that has been adjusted for inflation
23. **Somewhat** (adverb) – slightly, rather, moderately, little, fairly कुछ हद तक

24. **Thanks to** (phrase) – by virtue of, by dint of, owing to, as a result of, because of के कारण से
25. **Robust** (adjective) – strong, powerful, vigorous, sturdy मजबूत
26. **Surge** (verb) – to increase suddenly and by a large amount बहुत वृद्धि करना
27. **Compliance** (noun) – Acting according to certain accepted standards अनुपालन
28. **Input cost** (noun) – cost of direct material, direct labor, and other overhead items devoted to the production of a good or service.
29. **Moderate** (verb) – lessen, reduce, soften, temperate कम करना
30. **India Inc.** (noun) – a common term used by the Indian media to refer to the formal (comprising government and corporate) sector of the nation.
31. **Unorganised sector** (noun) – The sector which is not registered with the government and whose terms of employment are not fixed and regular असंगठित क्षेत्र
32. **Organised sector** (noun) – Organised sector covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work. संगठित क्षेत्र
33. **Traction** (noun) – Popularity
34. **Dip** (verb) – Drop, descend, decline, sink, fall, plummet, drop down गिरना
35. **Climb** (verb) – rise, soar, increase, escalate, mount, go up, shoot up चढ़ना
36. **Stimulus package** (noun) – a set of actions by a government, bank, etc. that is intended to encourage activity and growth in the economy
37. **Effect** (verb) – to cause something to happen; implement कार्यान्वित करना
38. **Give up** (phrasal verb) – abandon, surrender, relinquish, renounce छोड़ देना
39. **Exemption** (noun) – special permission not to do or pay something छूट
40. **Account for** (phrasal verb) – Comprise, make up, total, represent, constitute, form के लिये उत्तरदायी होना
41. **Regime** (noun) – System, rule, scheme व्यवस्था
42. **Shrink** (verb) – contract, reduce, decrease, diminish, lessen कम करना
43. **Stick** (noun) – Punishment, Penalty सजा/दण्ड
44. **Surge** (noun) – Sudden rise उछाल
45. **Concerted** (adjective) – Concentrated, intensive, rigorous, strenuous; Combined, collaborative, joint ठोस

46. **Taxman** (noun) – the government department that is responsible for collecting taxes
47. **Tighten** (verb) – Strengthen, increase, intensify, stiffen प्रबंध दृढ़ बनाना
48. **Deploy** (verb) – Use, employ, implement, utilize, adopt प्रयोग करना
49. **Money Trail** (noun) – the investigation of a series of financial transactions, for example in order to reveal wrongdoing or to find out what happened
50. **Wiggle room** (noun) – the freedom or opportunity to do something
51. **Evade** (verb) – Avoid, dodge, escape, elude टालना, छिपाना
52. **Tighten the screw** (phrase) – exert strong pressure on someone. दबाव डालना
53. **Carrot** (noun) – Incentive, Inducement, encouragement, reward प्रोत्साहन

Practice Exercise

Direction (Q1 – Q3): Select the best express synonym of the given words

[Editorial page]

- The growth last year however, could be explained by the low base effect. India's GDP after contracting in FY21 due to Covid related disruptions, **rebounded** in FY22 with corporate profits following suit
 - Recover
 - Rogue
 - Ethereal
 - Doctrinaire
- After taking a hit during Covid, India's direct tax collections have been displaying unusual **buoyancy** lately
 - Tentative
 - Propitious
 - Belligerent
 - Cheerfulness
- it may be time for the Centre to consider some **carrots**, in the form of lower personal tax rates or a more friendly exemption-free regime in the days ahead
 - Plaintive
 - Reward
 - Alacrity
 - Amenity
- Idioms & Phrase**

Treating his daughter to ice cream was Joe's way of giving her **a pat on the back** after she won first place in the science fair.

 - To be useful to someone in the future
 - To force or persuade someone to join a group or become involved in something
 - A show of praise or approval
 - A situation that is fair
- Direction: Six statements are given below, which are jumbled in any random order. These statements will form a coherent and meaningful paragraph, when arranged in the correct sequence. Arrange the sentences in the right order and answer the questions that follow.**
The dual degree academic programme, a work-in-progress, and the subject of much litigation for years, has finally been given legal sanctity by the University Grants Commission.
 - The higher education regulatory body's notified guidelines will enable students to simultaneously pursue two academic programmes at multiple levels except for PhD courses.
 - It has projected it as a logical extension of the National Education Policy 2020, with its emphasis on facilitating multiple pathways to learning using formal and non-formal modes.
 - The UGC has proposed a three-way choice involving a combination of offline only;
 - offline with distance mode; and distance/online only modes for dual programmes.

T. The UGC has done well to mandate that open/distance learning and online mode courses should be pursued only in higher education institutions recognised by statutory bodies.

U. This would also eliminate dubious players in the online education segment.

Which among the following will be the **Fourth** sentence of the paragraph after the rearrangement?

A. P

B.S

C.U

D.Q

E.R

Direction (Q6 – Q9): Read the given sentences to find out whether there is any grammatical error in them

6. A. In the fourth semester of the course the attendance fell down.
B. Some of his luggage were lost in the train.
C. The students were awaiting for the arrival of the Chief Guest.
D. No sooner had the minister heard about the accident than he rushed to the spot.
E. All are correct
7. A. My nephew began working for me about ten years ago.
B. If you hear engaged tone replace the receiver and dial again.
C. Prohibition aims at reducing traffic accidents many of which are caused by drunkenness.
D. Just before he died, Amar, who was a poet, wrote this poem.
E. All are correct
8. Henry asked his wife (A)/ what had she prepared (B)/ for dinner that night (C)/ No Error(D)
9. The news (A)/ I have received (B)/ is not good. (C)/ No Error(D)
10. **Find out the misspelt word**
A. Varmint
B. Meliorism
C. Sinistrorse
D. Vaticinate

Direction: Read the passage given below and answer the following questions.

(The Hindu Editorial: Cooling the temperatures – Aug 08, 2022)

That the four-day military exercises conducted by China, **(A)**/ in the waters and airspace surrounding Taiwan, **(B)**/ concluded on August 7 without incident **(D)**/ come as a relief to the region. **(D)**

The drills saw the Chinese military not only cross the median of the Taiwan Strait but fire conventional missiles above Taiwan, aggressive acts that could have easily led to unintended escalation. That they did not lead to any incidents is credit to the _____11_____ response from Taiwan's military, which said it monitored China's exercises, some of which were held within 12 nautical miles of Taiwan, but chose to neither engage Chinese aircraft and warships, nor shoot down missiles. If the drills were certainly _____12_____, China's justification is that they were a needed response to draw a red line after what Beijing has seen as needless American provocation that triggered this entire crisis. The August 3 visit of U.S. House Speaker Nancy Pelosi to Taiwan, the first such high-level engagement in 25 years, was in China's view further evidence of Washington "hollowing out" its commitment to a One China Policy.

As the dust _____13_____ now, it is difficult to see what all three parties – the U.S., Taiwan and China – will ultimately gain from a visit that appears to have been driven more by Ms. Pelosi’s political inclinations than any well-considered long-term strategic objectives. It is thus not hard to see why even U.S. President Joe Biden and the U.S. military had cautioned against a trip that brings no _____14_____ strategic benefits for Washington. For Taiwan’s 23 million people and for President Tsai Ing-wen, the rare high-profile foreign visit was no doubt welcome in the face of increasing global isolation on account of China’s pressure. That short-term benefit may, however, be **offset (A)** by the fact that Ms. Pelosi has **arguably (B)** left Taiwan with a far worse strategic environment. China’s military has **heralded (C)** its actions have now **indicated (D)** a new normal in military activity across the Taiwan Strait, bringing it ever closer to Taiwan’s shores. In response to Ms. Pelosi’s visit, Beijing last week said it will cut off military channels with Washington by cancelling three key dialogue mechanisms, that too at a time of heightened military tensions. **(1)/** Doing so will be easier said than done with the low levels of trust between the world’s two biggest powers. **(2)/** The focus must now turn to cooling the temperatures. **(3)/** Beijing and Washington, meanwhile, are left picking up the pieces of an already strained relationship that is now teetering on the edge of an abyss. **(4)/** War, it is said, is too important to be left to the generals. The same may be said of relations between nations: they should not be hostage to personal ambitions of politicians

Fill in the blank with the most appropriate word given in the option (From Q11 – Q14)

11. That they did not lead to any incidents is credit to the _____11_____ response from Taiwan’s military.
 - A. Malinger
 - B. Lugubrious
 - C. Sober
 - D. Saccharine
12. If the drills were certainly _____12_____, China’s justification is that they were a needed response to draw a red line after what Beijing has seen as needless American provocation that triggered this entire crisis.
 - A. Platitude
 - B. Provocative
 - C. Extol
 - D. Abortive
13. As the dust _____13_____ now, it is difficult to see what all three parties – the U.S., Taiwan and China – will ultimately gain from a visit that appears to have been driven more by Ms. Pelosi’s political inclinations than any well-considered long-term strategic objectives.
 - A. Extricates
 - B. Amenable
 - C. Settles
 - D. Destitute
14. It is thus not hard to see why even U.S. President Joe Biden and the U.S. military had cautioned against a trip that brings no _____14_____ strategic benefits for Washington.
 - A. Stratum

- B. Lasting
C. Taciturn
D. Culminating
15. **The following sentence may or may not contain an error in one of its parts. Identify the part containing the error. If the sentence is correct, select 'No error' as your answers.**
That the four-day military exercises conducted by China, **(A)**/ in the waters and airspace surrounding Taiwan, **(B)**/ concluded on August 7 without incident **(D)**/ come as a relief to the region. **(D)**
- A. (A)
B. (B)
C. (C)
D. (D)
E. No Error
16. **Rearrange the sentence to form a meaningful sentence.**
Washington by cancelling three key dialogue mechanisms, that too at a time of heightened military tensions. **(1)**/ Doing so will be easier said than done with the low levels of trust between the world's two biggest powers. **(2)**/ The focus must now turn to cooling the temperatures. **(3)**/ Beijing and Washington, meanwhile, are left picking up the pieces of an already strained relationship that is now teetering on the edge of an abyss. **(4)**/
- A. 4321
B. 1234
C. 2314
D. 4231
E. 2413
17. Given below is a word, followed by three sentence that consist of that word. Identify the sentence (S) that best express (es) the meaning of the word. Choose option 5 'None of the above' if the word is not suitable in any of the sentence
- HERALD**
- (i) But the clear signs of a recession **herald** an end to this development.
(ii) Promising signals **herald** the resurgence of a positive approach to the game.
(iii) Unable to answer this question, I **herald** my houseboat and set off round England's waterways, in search of happiness.
- A. Only (i)
B. Only (ii)
C. Only (iii)
D. (i), (ii)
E. (ii), (iii)
18. **In the following question, a sentence is given with four words marked as (A), (B), (C), and (D). These words may or may not be placed in the correct order. Four options with different arrangements of these have been provided. Mark the option with the correct arrangement as the answer. If no rearrangement is required, mark option (5) as your answer3.**

That short-term benefit may, however, be **offset (A)** by the fact that Ms. Pelosi has **arguably (B)** left Taiwan with a far worse strategic environment. China's military has **heralded (C)** its actions have now **indicated (D)** a new normal in military activity across the Taiwan Strait, bringing it ever closer to Taiwan's shores.

- A. C – A
- B. A – D
- C. B – C
- D. C – D
- E. No arrangement

19. **Select the connector from the given options which can be used to form a single sentence from the two sentences given below, implying the same as expressed in the statement sentence.**

- (i) I was very tired and exhausted after spending the whole day at the hospital.
 - (ii) I went to sleep without having dinner after coming back.
- A. Especially
 - B. So
 - C. Due to
 - D. And
 - E. As

20. **Fill the appropriate preposition in the given blanks**

The appendicitis patient came into the ER complaining _____ stomach pain.

- A. Of
- B. From
- C. On
- D. To
- E. None of the above

Answers

1. A 2. D 3. B 4. D 5. B 6. C 7. B 8. B 9. D 10. D 11. C 12. B
 13. C 14. B 15. D 16. A 17. D 18. D 19. B 20. A

[Practice Exercise]

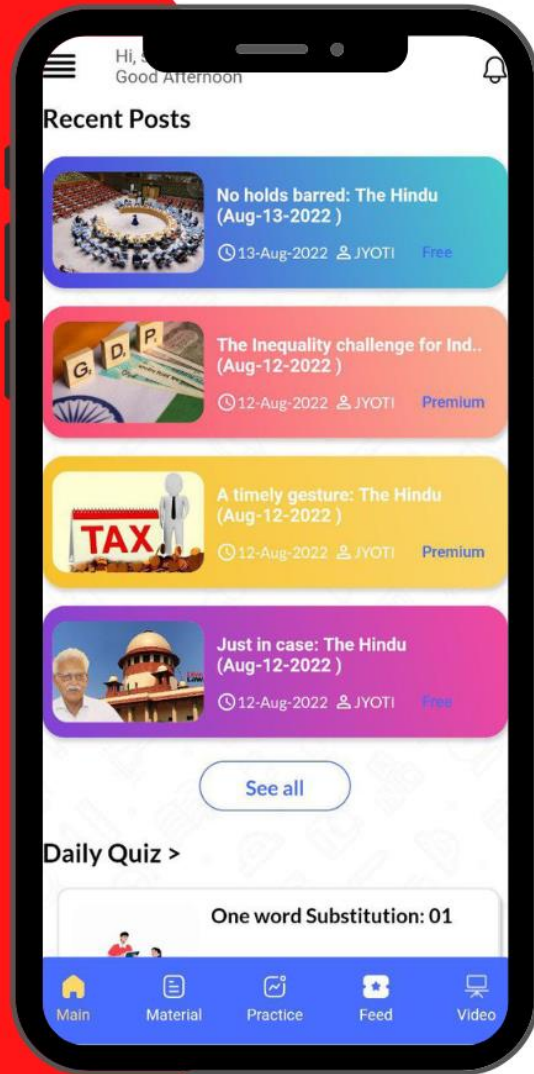
Explanations

4. **A pat on the back** (phrase) – a show of praise or approval प्रशंसा पाना
5. **PQRSTU**
 The dual degree academic programme, a work-in-progress, and the subject of much litigation for years, has finally been given legal sanctity by the University Grants Commission. The higher education regulatory body's notified guidelines will enable students to simultaneously pursue two academic programmes at multiple levels except for PhD courses. It has projected it as a logical extension of the National Education Policy 2020, with its emphasis on facilitating multiple pathways to learning using formal and non-formal modes. The UGC has proposed a three-way choice involving a combination of offline only; offline with distance mode; and distance/online only modes for dual programmes. The UGC has done well to mandate that open/distance learning and online mode courses should be pursued only in higher education institutions recognised by statutory bodies. This would also eliminate dubious players in the online education segment.
6. 'for' का प्रयोग अनावश्यक है क्योंकि 'await' = 'wait for' ('के लिए प्रतीक्षा करना'); जैसे-
 i. She is awaiting her friends.
 ii. She is waiting for her friends.
 ➤ Use of 'for' is unnecessary because 'await' = 'wait for' ('wait for'); As-
 i. She is awaiting her friends.
 ii. She is waiting for her friends.
7. 'engaged tone' के बदले 'the engaged tone' का प्रयोग होगा क्योंकि 'सुनाई पड़नेवाला tone' definite है।
 ➤ 'the engaged tone' will be used instead of 'engaged tone' because 'heard tone' is definite.
8. 'what had she' के बदले 'what she had' का प्रयोग होगा क्योंकि Indirect Narration के Reported Speech में ask, enquire, want to know, wonder' के बाद word order 'Verb + Subject' नहीं होता है बल्कि 'Subject + Verb' होता है; जैसे-
 i. Direct: He said to his wife, "What have you prepared for dinner?"
 ii. Indirect: He asked his wife what she had prepared for dinner
 ➤ 'what she had' will be used instead of 'what had she' because in the Reported Speech of Indirect Narration, after ask, enquire, want to know, wonder, the word order is not 'Verb + Subject' but is 'Subject + Verb'; As-
 i. Direct: He said to his wife, "What have you prepared for dinner?"
 ii. Indirect: He asked his wife what she had prepared for dinner

10. **Vaticinate** (verb) – Foretell the future. भविष्यवाणी करना
11. **Sober** (adjective) –Serious, sensible, and solemn. शांत, संयमी
12. **Provocative** (adjective) –annoying, irritating, exasperating, infuriating, provoking, उसकानेवाला
13. **The dust settle** (phrase) – Things quieten down. चीजें शांत हो जाना
14. **Lasting** (adjective) – continuing to exist for a long time or for ever स्थायी, टिकाऊ
15. (D) Replace 'Come' with 'Comes' as this and that are singular. We use them as determiners and pronouns.
16. (A) **4321**
Beijing and Washington, meanwhile, are left picking up the pieces of an already strained relationship that is now teetering on the edge of an abyss. The focus must now turn to cooling the temperatures. Doing so will be easier said than done with the low levels of trust between the world's two biggest powers. In response to Ms. Pelosi's visit, Beijing last week said it will cut off military channels with Washington by cancelling three key dialogue mechanisms, that too at a time of heightened military tensions.
17. **Herald** (verb) – signal, indicate, announce, point to, presage, augur सूचना देना
According to the given options only (i) & (ii) are contextually correct.
18. That short-term benefit may, however, be offset by the fact that Ms. Pelosi has arguably left Taiwan with a far worse strategic environment. China's military has indicated its actions have now heralded a new normal in military activity across the Taiwan Strait, bringing it ever closer to Taiwan's shores.
19. I was very tired and exhausted after spending the whole day at the hospital, **so**, I went to sleep without having dinner after coming back.

Explanation of other important words

Sr.NO	Words		Meanings	
Q1	Rogue	noun	Criminally dishonest person; a scoundrel	दुष्ट
	Ethereal	adjective	Heavenly; as light and insubstantial as a gas or ether	आकाशीय, स्वर्गीय, ईथर का
	Doctrinaire	adjective	Inflexible committed to a doctrine or theory without regard to its practicality; dogmatic.	पांडित्याभिमानि
Q2	Tentative	adjective	Experimental; temporary; uncertain	प्रायोगिक; अस्थायी
	Propitious	adjective	Marked by favorable signs or conditions	अनुकूल
	Belligerent	adjective	Combative; Quarrelsome; waging war	लड़ाकू, युद्धकारी
Q3	Plaintive	adjective	Expressing sadness or sorrow	दर्दनाक
	Alacrity	noun	Cheerful eagerness or readiness to respond	तत्परता, उत्साह, फुरती
	Amenity	adjective	Pleasantness; attractive or comfortable feature	सुख सुविधा
Q11	Malingering	verb	To pretend to be sick to avoid doing work	रोग का बहाना करना
	Lugubrious	adjective	Exaggeratedly mournful	शोकाकुल
	Saccharine	adjective	Sweet; excessively or disgustingly sweet	चीनी का, मीठा
Q12	Platitude	noun	A dull or trite remark; a cliché	गंभीर टिप्पणी
	Extol	verb	To praise highly; to laud	सराहना, बड़ाई करना
	Abortive	adjective	Unsuccessful	निष्फल
Q13	Extricate	verb	To free from a difficulty	हल करना, समाधान करना
	Amenable	adjective	Obedient; willing to give in to the wishes of another; agreeable	उत्तरदायी, जिम्मेदार
	Destitute	adjective	Extremely poor; utterly lacking	बेसहारा, दीन
Q14	Stratum	noun	A layer; a level	परत
	Taciturn	adjective	Untalkative by nature	अल्पभाषी
	culminate	verb	To climax; to reach	नतीजा निकलना



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