

India Market Strategy

Tax statistics: Are there only 12 mn salaried private sector workers in India?

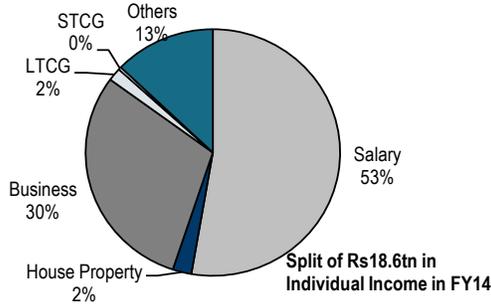
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- We analyse the recently published FY14 tax data, focusing on individuals. Only 53% of the disclosed household income in India came from salaries, given a large number of 'Own Account Enterprises', and 30% came from business income.
- There is very little overlap between individuals having salary and those with business income (BI): only 1% of individuals reported non-zero income, whereas nearly half-each reported zero salary or zero business income. Less than 1% reported capital gains.
- The average salaried individual earns more than the average business owner. 87% of total salary income is by those earning in the Rs200k-5 mn range. However, 51% of business income reported is by people earning Rs200k-500k.
- The number of salaried workers filing returns is the same as the number of government employees. Even if all the 12 mn who paid tax but did not file returns were government employees, we have 12 mn formal private workers earning >Rs150k. This explains (1) why formal employment can't create jobs at scale; (2) the clamour for reservations in gov't jobs; (3) Pay Commission to help tax take.

We analyse the income tax statistics provided by the government.

Personal income tax includes business income as well

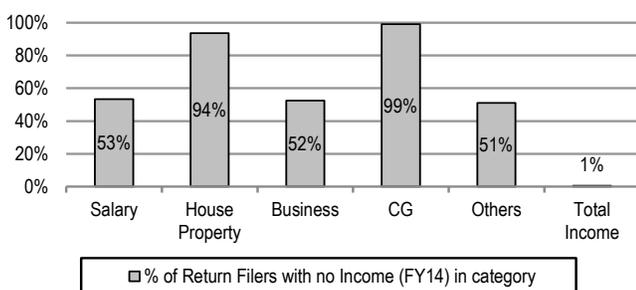
Figure 1: Only 53% of income for individuals is salary income



Source: Income Tax Department, Govt. of India, Credit Suisse estimates

Household income in India includes income from businesses, given the large number of 'Own Account Enterprises'. 53% of individual incomes come from salaries and 30% from business income (Figure 1).

Figure 2: Percent of individual returns with zero income in each category



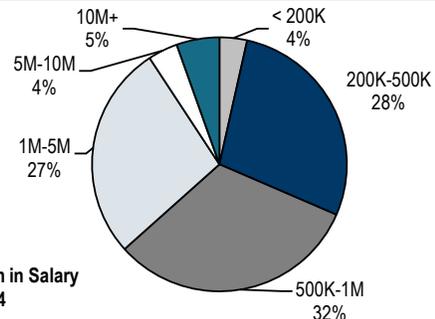
Source: Income Tax Department, Government of India, Credit Suisse estimates

Nearly half of individual filers are business owners

There is little overlap between salaried individuals and those with business income: only 1% reported non-zero income, but nearly half-each reported zero salary or zero business income (Figure 2).

Average disclosed salary seems higher than business income

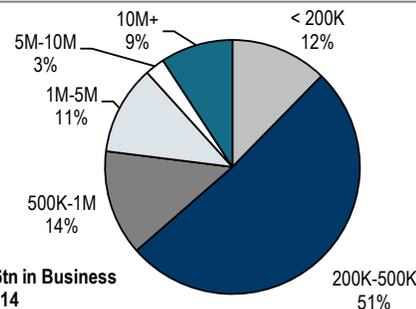
Figure 3: 87% of salary income is by individuals earning Rs200k-5 mn



Source: Income Tax Department, Government of India, Credit Suisse estimates

Nearly 87% of total salary income is by individuals earning in the Rs200k-5 mn range (Figure 3). On the other hand, more than half the business income reported is by people earning Rs200k-500k (Figure 4).

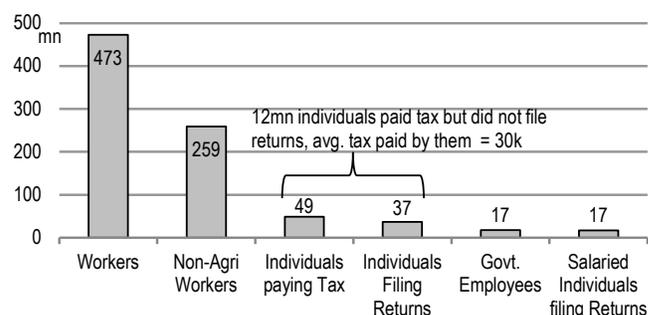
Figure 4: More than half of business income disclosed is Rs200k-500k



Source: Income Tax Department, Government of India, Credit Suisse estimates

The number of salaried workers filing returns is the same as the number of government employees (Figure 5), implying there can be at most 12 mn formal workers in the private sector with income >Rs150k.

Figure 5: Are there a maximum of 12 mn private formal workers in India?



Source: Income Tax Department, Government of India, NSSO, Credit Suisse estimates

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