Customs, excise mop-up may see ₹1-trn shortfall

Duty cuts on edible oil, petro products to blame; may not hit overall collection

SHRIMI CHOUDHARY
New Delhi, 31 October

The Centre is staring at a combined shortfall of up to ₹1 trillion in excise and Customs revenues in the current financial year (FY23) compared to the Budget estimates (BE), mainly because of duty cuts on edible oil and petroleum products.

The government set a target of ₹3.35 trillion for excise and ₹2.13 trillion for Customs mop-up for FY23 while presenting the Budget in February.

"As excise duty collection is mainly driven by diesel volumes, we might see a clear gap in the level budgeted for FY23, following the reduction in cesses on petrol and diesel in May. We are expecting somewhere between ₹80,000 crore and ₹1 trillion dip in excise and customs duty collections," a senior government official told *Business Standard*. "However, customs may see some revival from the current levels, narrowing the gap against BE," the official added.

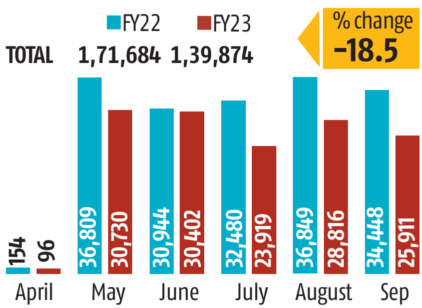
Customs and excise duties yielded 6.9 per cent and 18.5 per cent less revenues, respectively, in the first half (April-September) of FY23 compared to the corresponding period last year, even as growth in gross tax revenue collection remained healthy at 17.6 per cent.

During the April-September period of FY23, revenues from excise duty mop-up stood at ₹1.40 trillion, while customs duty fetched the government ₹86,267 crore, the data released by the Controller General of Accounts showed on Monday.

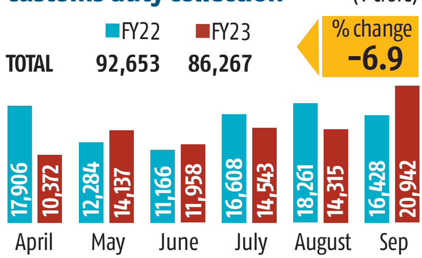
Turn to Page 6

ILLUSTRATION: AJAY MOHANTY

Excise duty mop-up (₹ crore)



Customs duty collection (₹ crore)



Source: CGA

Fiscal deficit in H1 touches 37.3% of full-year target

The Centre's fiscal deficit for the first half (H1) of the current fiscal year (April-September of FY23) came in at ₹6.20 trillion, or 37.3 per cent of the full-year Budget Estimate (BE) of ₹16.6 trillion, according to the data released by the Controller General of Accounts (CGA) on Monday.

This compares with a Budget balance of ₹5.27 trillion, or 35 per cent of the full-year target for April-September of last year. 4

Core sector output recovers to 3-month high

Production of eight infrastructure industries that comprise the core sector recovered to grow at 7.9 per cent in September — a three-month high — owing to a favourable base and double-digit growth in output of fertilisers, cement, and electricity. The cumulative growth of the core sector in the first half of FY23 was recorded at 9.6 per cent, lower than the 16.9 per cent recorded in the same period last year. 4

the Reserve Bank of Australia and the Bank of England will announce their monetary policy decisions this week. Investors will also be tracking US nonfarm payrolls, and unemployment data. The RBI has also scheduled an emergency meeting.

"The buoyancy in the global markets, especially the US, combined with favourable domestic cues, is helping the markets to maintain the recovery.

We expect the Nifty to regain momentum above the 18,100 level. In line with the trend, participants should look for buying opportunities on every dip and avoid contrarian trades," said Ajit Mishra, vice-president, research, Religare Broking.

Customs...

The official cited above, however, indicated that the trend in customs and excise duty collection might not affect the overall indirect tax collection, as central goods and services tax (CGST) would continue to see upside and that could more than offset the shortfall. GST collections have been over ₹1.4 trillion for seven months till September. "On the revenue side, the increase in gross tax collection is 17.6 per cent, with corporation tax rising by 21.7 per cent and personal income tax by 25.9 per cent. Both customs and excise have come down, which have lowered the pace of growth of the overall collection. This trend will continue as the government is unlikely to raise excise on fuel. And with global commodity prices coming down, value of taxable imports will reduce," said Madan Sabnavis, chief economist, Bank of Baroda.

The government slashed the excise duty on petrol by ₹5 and on diesel by ₹10 a litre on November 4 during 2021-22. After that, the government announced another cut of ₹8 on petrol and ₹6 a litre on diesel on May 21, which was not factored in the Budget Estimates.

Customs duty cuts on items such as palm oil and cotton to cool inflation and increase domestic supply triggered the decline in the revenue collection figures. In FY22, both customs and excise mop-up overshot the BE by ₹53,000 crore and ₹59,000 crore, respectively.

"The revenue estimates of the FY23 Budget are an underestimation due to lower nominal GDP growth assumption. This is getting vindicated by the incoming tax revenue data," Devendra Kumar Pant, chief economist at India Ratings, said.