

# Govt hopeful of 6.4% fiscal deficit on back of tax revenue gains

The Finance Ministry is expecting the combined net direct and indirect tax collections to exceed budget targets by as much as ₹4.5 trillion, a boost, which may still enable it to meet the fiscal deficit target for FY23 of 6.4 percent of GDP, in spite of a challenging year on the expenditure front.

“For direct taxes, the budget estimates could be exceeded by ₹3.5 trillion, though the month of December could be crucial to achieve that, especially the advance tax numbers,” a senior official told *Business Standard*.

“In indirect taxes, the target could be exceeded by between ₹70,000 crore to ₹1 trillion. This will all be on the GST front, as some shortfall is expected on customs and excise duties,” the official said. The net tax revenue budget estimate for FY23 was ₹19.35 trillion. A boost of ₹4.5 trillion would take the revised estimates to ₹23.85 trillion.

As a result of shocks caused due to food and energy prices because of the war in Europe, the Centre has seen a massive rise in food and fertiliser subsidies. The fertiliser subsidy for the year is expected to rise to ₹2.5 trillion from the budgeted ₹1.05 trillion.

After multiple extensions to the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), the food subsidy bill for the year stands at ₹3.3 trillion, compared with a budget target of ₹2.07 trillion. Additionally, there could be an increase in some other flagship schemes as well, compared with BE. As reported earlier, the Finance Ministry is likely to accept the Rural Development Ministry’s demand for an additional ₹25,000 crore for the flagship National Rural Employment Guarantee Program — for FY23.

Now there are three additional factors at play, said a second official. “A shortfall is likely in non-tax revenue and divestment — we just have to see by how much. Second, what sort of savings can be had by eliminating non-priority spending. And third, what will be the nominal GDP for FY23,” the official said.

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