Govt likely to meet non-tax revenue target for FY23

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THE CENTRE WILL likely meet its non-tax revenue target of ₹2.7 trillion in the current financial year as dividends from the central public sector enterprises (CPSEs) and state-owned banks and financial institutions would bridge the shortfalls in surplus transfer from the Reserve Bank of India (RBI) and telecom spectrum receipts, sources told *FE*.

The Centre's FY23 dividend revenue receipts from the CPSEs may exceed the target by at least ₹10,000 crore, despite the heavy under-recoveries from auto fuel sales incurred by the state-run oil marketing companies. Higher dividends from banks and financial institutions like LIC, too, are expected to come in handy for the Centre.

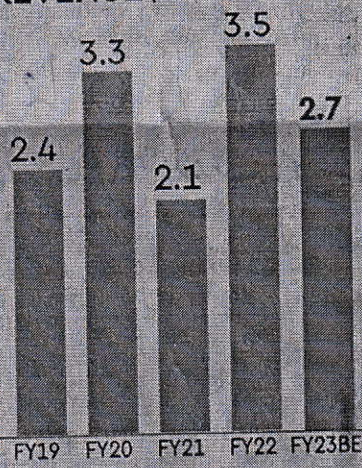
The Centre is likely to exceed the gross tax revenue target by a wide margin of up to ₹4 trillion this fiscal, while a significant shortfall is expected in the other non-borrowed inflows, namely capital receipts (disinvestment). A shortfall of ₹20,000 crore is likely in surplus transfers from RBI in the current fiscal, while estimates suggest telecom receipts (spectrum and licence fees) could fall short of the ₹52,806-crore target by about ₹14,000 crore in FY23.

In April-October, the Centre garnered ₹1.8 trillion or 66.3% of the FY23 non-tax revenue target. So far in FY23, dividends from CPSEs stood at ₹34,051 crore or 85% of the full-year target of ₹40,000 crore.

Prodded by the government to reward shareholders, oil explorer ONGC and Coal India, which gained from high commodity prices, have stepped up dividends substantially. ONGC has paid ₹7,409 crore to the government in dividends so far in FY23, 7% more than ₹6,916 crore for the whole of FY22. Similarly, Coal India dividend payments to the Centre at ₹7,336 crore so far in FY23, too, have surpassed ₹7,132 crore it paid in the whole of FY22.

The Centre had garnered ₹59,000 crore in dividends from CPSEs in FY22, 28% more than the target of ₹46,000 crore for the year, thanks to a sharp rise in prices of commodities like metals, mining and petroleum, which boosted the profits of these firms. However, the combined loss of three state-run retailers — IOC, BPCL and HPCL — for the first half of the current financial year was a whopping ₹21,201 crore due to losses from petrol and diesel prices freeze. This would result in a reduction in dividends by IOC and BPCL in FY23.

CENTRE'S NON-TAX REVENUE (₹ trillion)



Non-tax revenues

₹2.7 trn	₹1.8 trn
Target for FY23	Collected in April-October

Dividend receipts from CPSEs

₹40,000 cr	₹34,000 cr
Target for FY23	Collections so far

RUN-UP TO THE **BUDGET**

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IOC has paid ₹1,745 crore to the government so far in the current financial year. It had paid a ₹4,303-crore dividend to the Centre in FY22. On the other hand, no dividend was factored in from BPCL in the budget estimate (BE) for FY23 compared with over ₹7,200 crore in FY22 as the company was to be privatised. Since the sale process has been put off, the dividends (₹690 crore so far this fiscal) from BPCL will be a bonus.

The surplus transfer from RBI came in at ₹30,307 crore in FY23 against about ₹50,000 crore expected. The central bank had paid ₹99,122 crore in FY22, while banks/FIs had paid less than ₹2,000 crore. With public sector banks returning to health and reporting robust profit margins, they are expected to make up for the shortfall in dividends from RBI in FY23. SBI alone has already paid about ₹3,556 crore dividend to the Centre so far in the current fiscal. Dividends by LIC could also jump this year as the insurance behemoth reported a net profit of about ₹16,000 crore in Q2FY23, as it chose to transfer a surplus of ₹14,300 crore from its non-par fund to shareholders' fund.

Similarly, the Centre's receipts from "economic services" are also robust at ₹87,127 crore in April-October of FY23 or 79% of the full-year target, implying the receipts would exceed the annual target. Besides receipts from telecom spectrum/licence fees, economic services include receipts from roads and bridges and the petroleum sector, among others.