

Taxes may help curb fiscal deficit

Mop-up from direct taxes and GST are expected to aid in keeping deficit at 6.4%

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Robust tax collections — both from direct taxes and goods and services tax (GST) — are expected to help the government in reining in fiscal deficit at 6.4 per cent of the gross domestic product (GDP) for this fiscal year (FY23). This comes despite rising fertiliser and food subsidy, and likely decline in excise duty mop up.

The government has collected ₹13.49 trillion if the latest numbers of direct tax collections till October 8, central GST figures till September and customs and excise duty figures till August are taken into consideration.

This constitutes 48.9 per cent of the Budgeted figure of ₹27.58 trillion for the current fiscal year.

If devolution to the states in September is considered the same as was given in July (₹58,333 crore), the government would give ₹3.76 trillion to the states in the first half. In August, the government had doubled the devolution to ₹1.17 trillion compared to July.

If this devolution is taken out, the Centre's net tax revenues would be ₹9.73 trillion — in a bit

KEEPING AN EYE



₹13.49 trn

Gross tax collections in little over first half of FY23

₹27.58 trn | **48.9**

Budget estimates for FY23 | Gross tax collections in first half as % of BE

₹3.76 trn

Devolution to states in first half

₹9.73 trn | **₹19.35 trn**

Net tax revenue of the Centre in first half | BE for net tax revenue of the Centre for FY23

50.28

Net tax revenue of Centre as % of BE in first half

Note: Gross tax collections does not include figure for customs and excise for the month of September, direct tax collection figures are till October eight and CGST figures are till September
Sources: Central Board of Direct Taxes, Central Board of Indirect Taxes and Customs and Controller General of Accounts

over the first half without considering customs and excise collections for September. This would be 50.28 per cent of the Budgeted amount of ₹19.35 trillion.

This means that the government has already collected half the targeted revenue in the first six months of the current financial year even as customs and excise duty collection figures are yet to come in the public domain. Most of the tax revenues come in

the second half due to the festival season and last month's rush in paying taxes in March. For instance, 16 per cent of total tax revenues (pre-devolution) came in March during 2021-22.

Anyway, the government was too conservative in estimating tax figures in the Budget for 2022-23. The Budget projected just 1.8 per cent growth in tax collections, at ₹2.76 trillion, in FY23 over the actual collections of ₹2.71

trillion in FY22.

While tax revenues have been robust, there would be extra expenditure in subsidies on two fronts — food and fertilisers. Besides, cutting excise duty on fuels would also reduce tax numbers.

The exchequer could take a hit of ₹44,762 crore with the extension of the free food scheme by three months till this December. This extension, along with the earlier ones, would cost the government ₹1.30 trillion.

However, according to some reports, based on rough estimates, there could be a saving of about ₹70,000 crore from lower wheat procurement. So, the exchequer could take a hit of ₹60,000 crore on net basis.

Besides, there could be additional expenditure of ₹1.45 trillion on fertilisers. But this calculation was made before the sharp drop in prices since August. Gas prices are stabilising as well.

So, broadly speaking, there could be extra expenditure of a bit over ₹2 trillion on food and fertiliser subsidies, which could reduce if commodity prices continue to fall globally.