

Centre's flagship schemes to gain from duty cuts too

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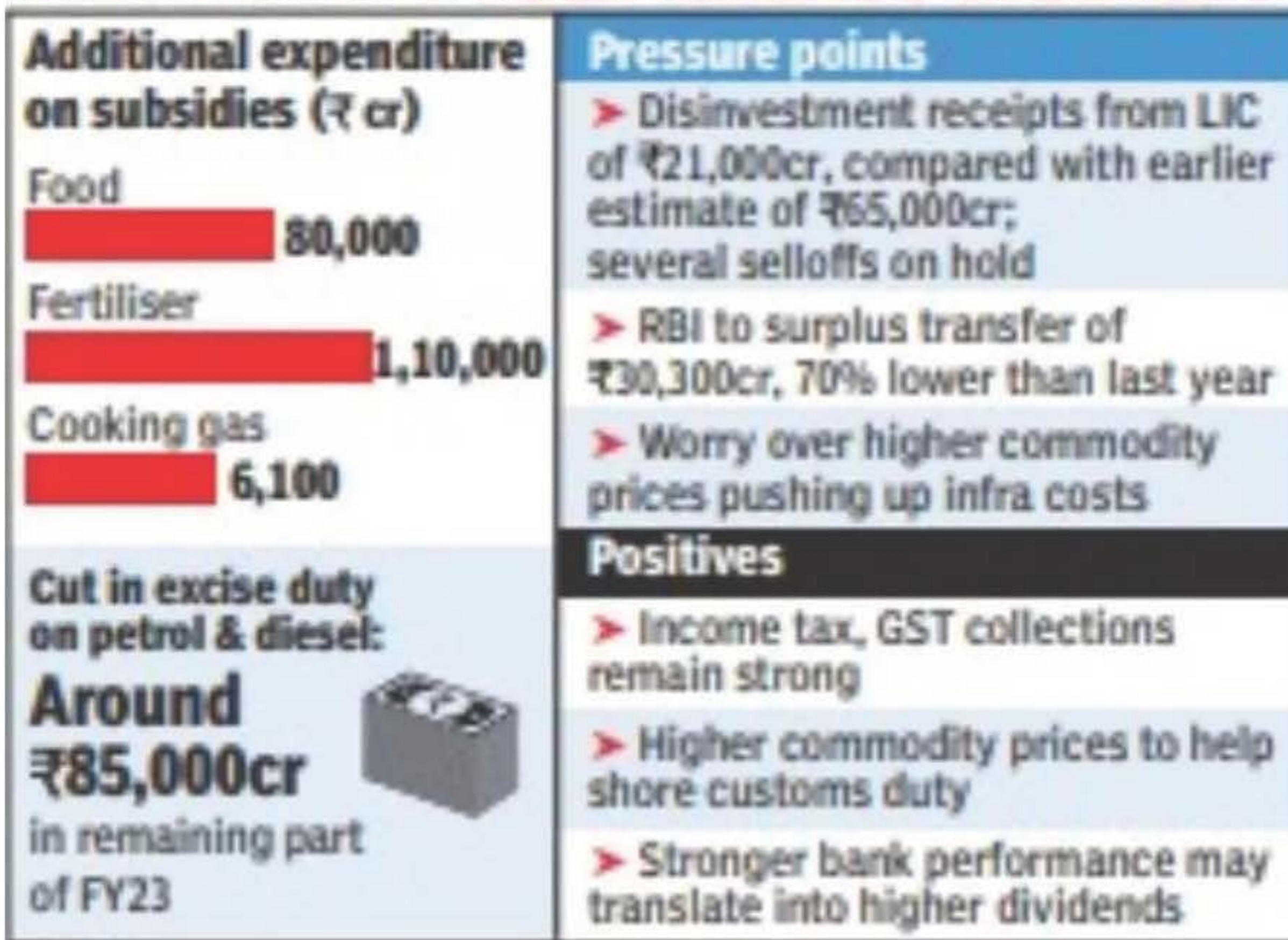


NEW DELHI: It isn't just consumers and small businesses that stand to benefit from Saturday's duty cuts on fuel, steel and plastics. Even the Centre's flagship schemes — such as the Jal Jeevan Mission (the scheme to provide tap water to every household) — that have been impacted due to a steep rise in prices in recent months, may benefit.

Although the government had been under pressure for over two months to slash taxes on fuel and other commodities, especially following the Ukraine war, it had not moved down that path, hoping that the situation would ease in the coming weeks. With global prices not showing any signs of coming down, the Modi administration decided to cut levies as inflation soared to the highest level in at least eight years.

"Price of steel and plastics was affecting the Jal Jeevan Mission plan as cost was rising significantly beyond what we had budgeted," a senior government official told TOI. The programme involves sourcing of pipes in large quantities. Along with a reduction in excise duty on petrol and diesel, the finance minister Nirmala Sitharaman lowered the import duty on several inputs and raw materials as well as fuel used by the steel and plastics sector.

HOW BUDGET ARITHMETIC CHANGES



Higher steel, cement and other metal prices are expected to push up cost of infrastructure projects too, a key thrust of the government's capital expenditure strategy to boost public spending and create demand and jobs.

"When prices increase, inflationary pressure needs to be tackled and we should be prepared to be able to deal with it. Higher infrastructure cost is an unseen but foreseeable issue, which we may need to tackle going forward," a high-ranking government official said.

Besides, the Centre had been facing repeated requests from the micro, small and medium enterprises (MSMEs) on constantly rising input prices and shrinking margins. In fact, there had been demands from these players to allow imports, especially of iron and steel products, given that the domestic industry was unwilling to lower prices. Steel companies have had a bumper year, on the back of a massive jump in global prices.

Official sources also said that they were watching the revenue position closely, given that the oil duty cut will result in a loss of around Rs 1 lakh crore on an annualised basis. Besides, Sitharaman has committed to more than doubling the fertiliser subsidy to around Rs 2.2 lakh crore, in addition to an outgo of Rs 80,000 crore due to the extension of the additional foodgrain scheme for the poor.

Currently, the government has high tax buoyancy, because of robust GST and direct tax collections. Some economists are, however, of the view that there may be some pressure on the overall fiscal position in future.