BUSINESS

Fiscal deficit improves to 6.7% of GDP on higher tax receipts

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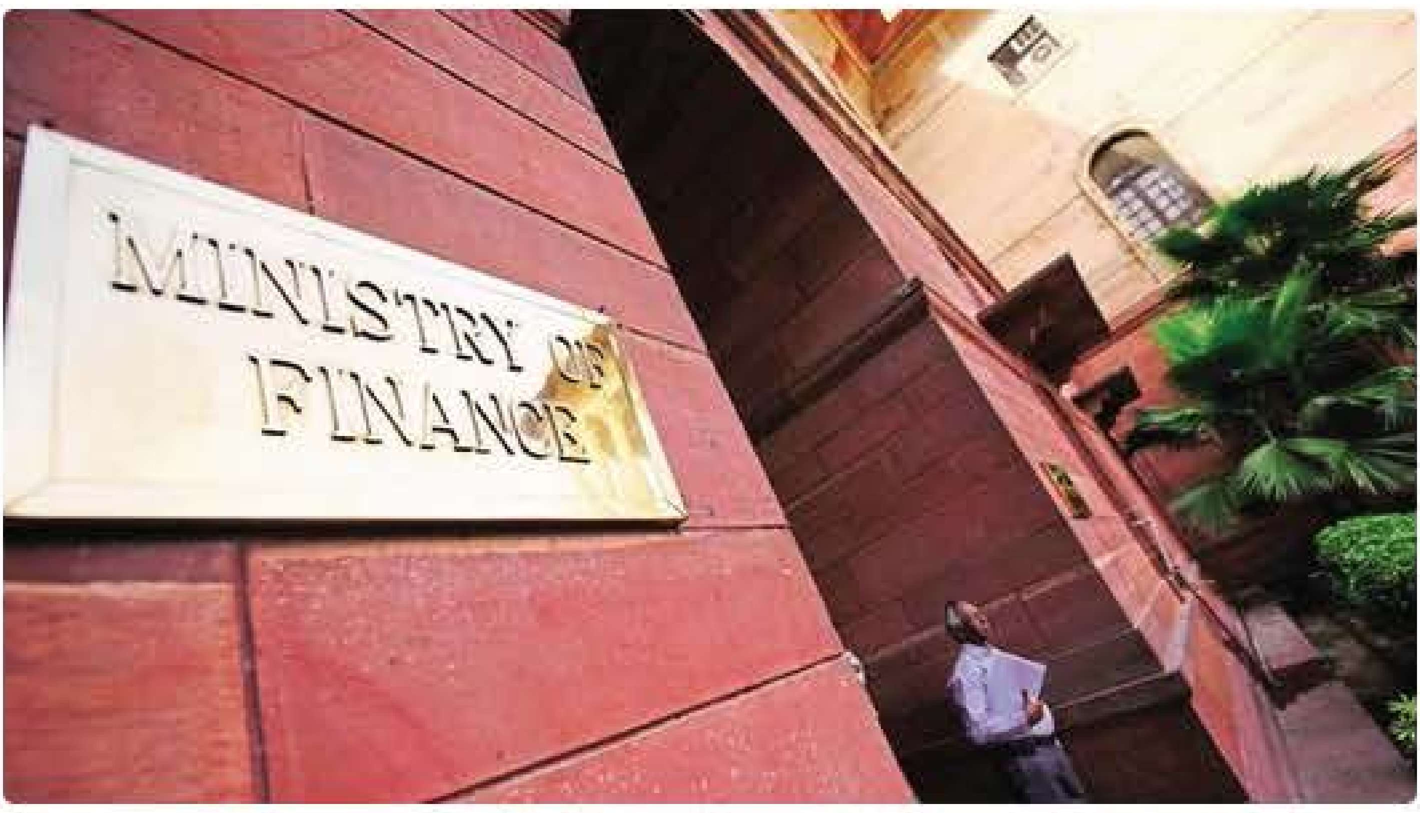

Representational image(Pradeep Gaur/ Mint)

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By Roshan Kishore , Rajeev Jayaswal, New Delhi

India's fiscal deficit stood at 6.7% of gross domestic product (GDP) in 2021-22 on higher tax receipts and prudent expenditure, data released by the Controller General of Accounts (CGA) showed on Tuesday.

The deficit was lower than 6.9% estimated in the national budget tabled in February.

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To be sure, the improved fiscal performance could be a result of higher-than-expected inflation in the economy. The 2021-22 budget had assumed a 14.4% nominal growth rate for the Indian economy. This year's nominal growth rate, as per the provisional estimates released by the National Statistical Office, is expected to be 19.5%.

Since taxes are a fraction of nominal income, a higher nominal growth also generates tail winds for tax collections. At ₹27.08 lakh crore, gross tax revenue for 2021-22 was 107.6% of the revised estimates for 2021-22.

The latest numbers suggest the central government spent a higher amount on subsidies than accounted for in its revised estimates for 2021-22. This was largely on account of higher spending on food and fertilizer (mainly urea) subsidies, where the provisional spending numbers are 101% and 133% (for urea) of the revised estimates.

At just ₹3,421 crore, the Union government's petroleum subsidy burden was low. However, it did collect less-than-expected revenue via oil taxes, perhaps on account of the excise duty cuts announced in November last year. Provisional Union excise duty collections stood at ₹3.9 lakh crore, slightly lower than the ₹3.94 lakh crore in the revised estimates for 2021-22.

A possible red flag in the numbers is the Union government not being able to match the revised estimate numbers for capital expenditure, with the provisional numbers being 98.5% of the revised estimate.

The government's priority is to calm inflation, provide relief to the poor, and protect micro, small and medium enterprises, while ensuring growth and make sure enough resources are available to achieve these objectives, a government official said, seeking anonymity

There is no need currently to go for additional borrowing, other than what is envisaged in the budget, he said.

It is still the first quarter of 2022-23 and the budget has some built-in fiscal space to accommodate some of the expenditures incurred to tackle inflation, a finance ministry official said, declining to be named. Besides, the government may explore options for generating additional resources if the global crisis continues for long, he added.