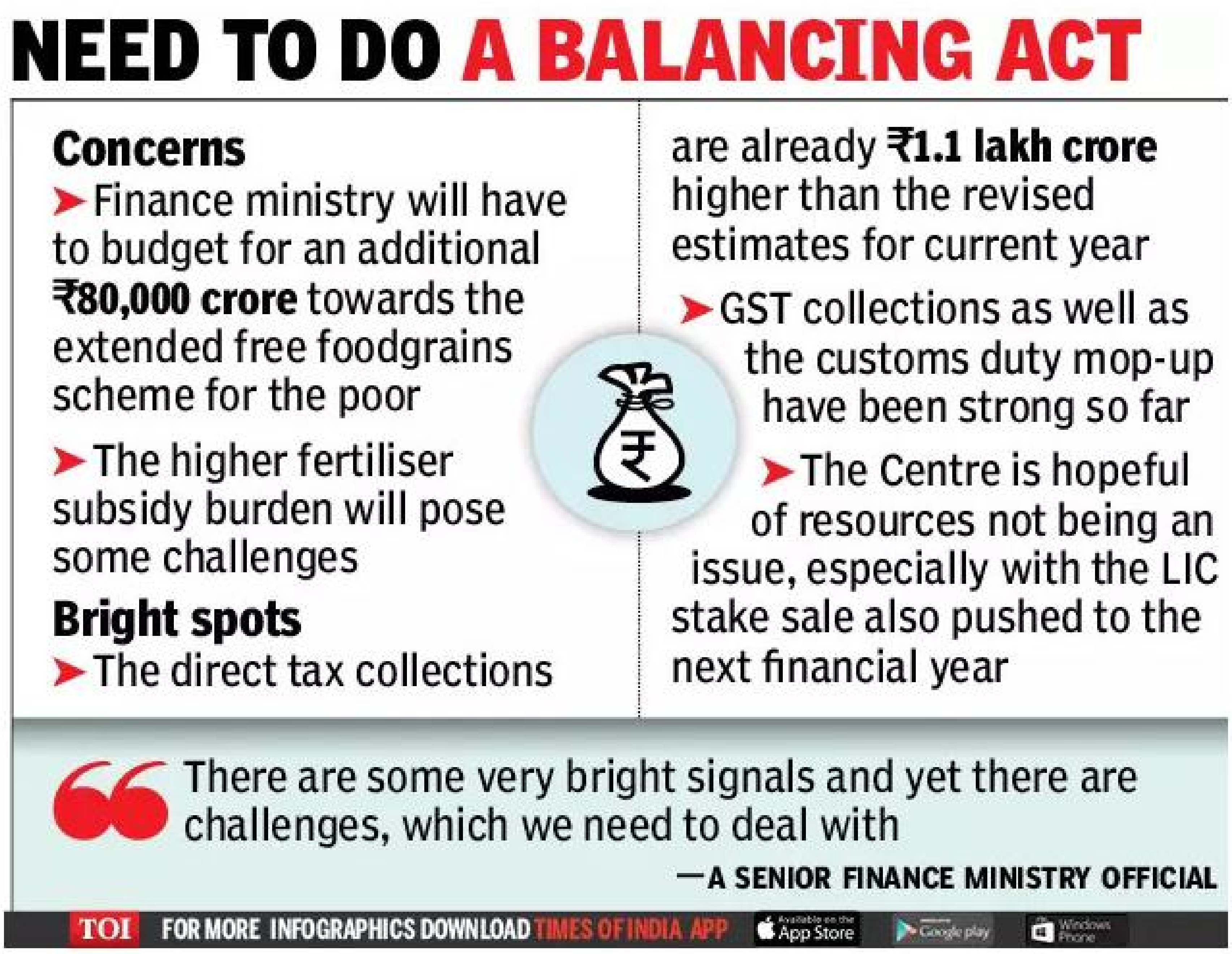
THE TIMES OF INDIA

# FY23 may see strong revenue, higher spends

TNN | Mar 28, 2022, 07.35 AM IST

NEW DELHI: With the economy appearing to be back on track, the Centre is upbeat on revenue generation but wary of how the war in Ukraine could upset its fiscal calculations in the coming months, apart from disturbing the inflation arithmetic.

"There are some very bright signals and yet there are challenges, which we need to deal with," said a senior finance ministry official, days after the Lok Sabha completed the Budget exercise for the next financial year.




Even before the 2022-23 financial year begins, the finance ministry will have to budget for an additional Rs 80,000 crore on account of the government's decision to extend the free foodgrains scheme for the poor by another six month up to September. Besides, government sources said, as a result of the Ukraine crisis, fertiliser prices — DAP and potash prices as well as inputs such as sulphur — are seeing a significant increase. If the price pressure persists, it is likely to translate into an additional burden on the already-bloated fertiliser subsidy bill. The higher subsidy burden will pose some challenges to the government's Budget team as they will have to find out the fiscal balance. Given the robust direct tax collections, which are already Rs 1. 1 lakh crore higher than the revised estimates for the current year, the Centre is hopeful of resources not being an issue, especially with the LIC stake sale also pushed to the next financial year. By all accounts, GST collections as well as the customs duty mopup have been strong so far.

In addition, there are concerns over the price situation as edible oil prices have soared over the last four-five weeks due to Ukraine-driven supply disruptions and steps taken by Indonesia to curb palm oil exports. In any case, higher petroleum and natural gas prices and a further spurt in metal prices is likely to add to manufacturing inflation, which the government and the RBI are seeking to control. "If good exports are reducing the pressure on farmers, who are getting a good market price, there is a challenge on the edible oil front. Similarly, if demand for goods has improved, the industry has to tackle fresh challenges due to fertiliser and chip shortage and other raw material issues," a source said. Given the strong revenue flows this year, the Centre may end the year with a better than budgeted fiscal deficit. Finance minister Nirmala Sitharaman had budgeted for a fiscal deficit of 6. 9% of GDP when she presented the Budget on February 1. But the direct tax numbers were conservative, helping her to more than offset the shortfall from the LIC mega issue. Besides, some savings on the expenditure side are also expected.