Other suggestions: Hike taxes on liquor, spend more on health exploit sand mining

AVAIL FRBM ENHANCEMENT
In its recommendations for short-term and long-term measures to help state finances and economy, the GoI has underlined the need for the state to avail of enhancement of FRBM (Fiscal Responsibility and Budget Management Act) limit by 0.5 per cent for increasing the borrowing limit by opting for three out of four preconditions that include ‘one nation, one ration card scheme, improving the ease of doing business, implementing local body reforms and power sector reforms. It has also recommended measures like deferment of salaries, enhancement of professional tax, increasing excise duty.

The report says that the Finance Department has estimated a revenue shortfall for the current year which is almost 25 per cent of the budgeted revenues of the state or about 4 per cent of GDP. Meanwhile, the report points out, the Union Finance Minister has announced that states will be allowed to borrow an additional two per cent of GDP subject to fulfilling some reform conditions. It adds that though this will cover only half of the estimated shortfall in revenues, the state should fully exploit this possibility to avoid excessive cuts in expenditure.

HIKE TAXES ON ALCOHOL
The report has stated that Punjab should consider substantially increasing the excise duty at least for the next two years.

“The impact of Covid-19 on the agricultural sector has been less than on other sectors. Punjab farmers have had a good harvest and timely procurement. This is a sergeury tax and the objective is to reduce consumption by keeping high duty,” the report says. The excise duty has been an issue in Punjab in the recent past with the contractors refusing to open vendas post Covid lockdowns saying their sale was affected. The report suggests that Chandigarh is a Union Territory with lower tax rates and this could create some diversion in sales, but that would be confined to places close to the city.

INCREASE HEALTH SPEND
Various administrative departments have voluntarily agreed to reduce their appropriations by Rs 1,625.87 crore. While these cuts are welcome, we would emphasise that our assessment on the health front is that additional expenditure of about Rs 500 crore for health should be provided in the current year and there should be a 20 per cent increase every year for the next five years.

EXPLOIT SAND MINING
The GoI has touched another controversial issue of sand mining by saying the state should revise fees and royalties payable on minor minerals. Punjab deals in mining of sand and it has remained a controversial issue confronting the state government as the government has not been able to make enough revenues from sand. Illegal sand mining continues unabated in the state. The report says, “The state should explore this source to raise more revenue as the revenue potential in the sector has not been fully realised.”

SELL LAND FOR REVENUE
Making a cases for tapping into real estate for revenues, the reports says that an inventory should be made of parcels of land in major cities of the state such as Mohali, Patiala, Jalandhar, Amritsar, Ludhiana which can be converted into residential, commercial and industrial plots and can be sold by the development authorities in these cities on behalf of the government. It notes that Karnataka has already initiated such a measure and hopes to generate almost Rs 15,000 crore this year itself.

REUSE LAND OF REDUNDANT POWER PLANTS
Land from uneconomic power plants which are to be closed including Bathinda, Lehra Mohabbat and Ropar could be used for new industrial estates. “We strongly endorse this proposal and visible action to this end would send a good signal. It would be best if the industrial estate is developed in partnership with the private sector,” the report says.

FIGHT FOR GST COMPENSATION
The report mentions that the failure of Centre to compensate states for the shortfall in GST revenue growth from the expected growth of 14 per cent as was earlier indicated is a major setback. The shortfall has been paid only up to February 2020. The situation is likely to worsen in 2020-21 because Centre’s revenue position will be much worse than in 2019-20. More worryingly, the compensation scheme stops in 2022-23 and the states will be left to fund for themselves thereafter.

The GoI has recommended that Punjab must join other state governments in the GST Council urge the Centre to make timely payment to the states of the compensation promised to them as a condition for their support on GST.