

Excise duty helps fill Centre's fiscal gap

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Excise duty, mostly from petrol and diesel, helped the government bridge a major gap in its revenue in FY21, even as receipts from goods and services tax (GST) revenue moderated from the year before, according to official data.

In spite of a dramatic recovery in GST collections since last October, overall collection from this tax on consumption contracted by 7.6% in FY21 to ₹4.56 trillion. On the other hand, revenue receipts from excise duty, collected mostly from petrol and diesel, jumped almost 63% to ₹3.89 trillion in FY21 from the year-ago period, as per data available with the Controller General of Accounts (CGA) for the full year.

The sharp rise in excise duty receipts also helped boost overall tax collections. Excise collections' share in the Centre's gross tax revenue (GTR) grew from 11.9% in FY20 to 19.2% in FY21, while that of Central GST (CGST) moderated from 24.6% to 22.5% in the same period.

On the direct tax side, the

Recovery road

The sharp rise in excise duty receipts also helped boost overall tax collections.

Share in gross tax revenue (in %)



Source: Controller General of Accounts



share of corporate tax collections in the Centre's gross tax receipts too declined in FY21 from a year ago, while that of personal income tax remained more or less the same.

The sharp increase in the contribution of excise duty on the Centre's revenue recently became a matter of strain in Centre-state relations after Punjab finance minister Manpreet Singh

Badal pointed out that a part of the excise duty is levied in the form of cess, which is not shared with states.

Revenue receipts from excise duty on petrol and diesel rose 63% to ₹3.89 trillion in FY21 from the year-ago period

The additional excise duty on petrol and diesel is collected as road and infrastructure cess. According to Badal, the high fuel price has made India an "expensive econ-

omy". Odisha chief minister Naveen Patnaik last month

urged Union finance minister Nirmala Sitharaman to share the proceeds of all the cess it collects, with states. Although states are free to increase the value-added tax on petrol and diesel as these are outside the GST, in reality they are not in a position to do so because the price to the consumer inclusive of central and state taxes is already high. Neither the Centre, nor the states are taking the lead in cutting the tax on auto fuel as it might open up the room for the other to step up their taxes further.

While taxes on petrol and diesel remain high, the Centre had earlier given full tax rebate to those with taxable incomes of up to ₹5 lakh and revamped the tax slab system to offer a flexible alternative plan to those who do not avail of tax incentives.

In addition, businesses not availing incentives and new factories were offered a concessional tax rate regime. Unlike taxes on personal and corporate income, ease of collection of tax at the point of sale makes auto fuel the preferred revenue source for central and state governments, a government official said on condition of anonymity.