

Indirect tax mop-up exceeds Revised Estimate by 9%

Govt hopeful of better days ahead; experts fear some bumps due to 2nd Covid wave

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The Centre's indirect tax collection during fiscal year 2020-21 (FY21) has exceeded not just the Revised Estimate but also actual collection of fiscal year 2019-20 (FY 20). However, experts feel that growth in collection may slow down a bit during FY21 on account of local lockdowns and curfew imposed by many States.

"March saw the highest indirect tax collection during the financial year (FY 21). We have exceeded last year's actual by about 13 per cent and Revised Budget Estimates by about 9 per cent," M Ajit Kumar, Chairman of Central

Board of Indirect Taxes and Customs (CBIC), wrote in his weekly correspondence with all his officers and staff. "These are welcome signs of economic activity picking up in the country," he said.

Indirect taxes mainly comprise custom duty, Central excise duty and goods & services tax (CGST and Compensation Cess).

Almost entire collection of Central excise duty comes from petrol-diesel. On April 1, the Centre announced that the overall GST collection (CGST, SGST, IGST and Compensation Cess) reached all time high of nearly ₹1.24-lakh crore in March. This was six successive months of ₹1-



Indirect Tax Collection (In ₹ crore)	
	Amount
Actual for FY 2019-20	9,60,510.26
Budget Estimate for FY 2020-21	11,04,020.00
Revised Estimate for FY 2020-21	9,95,279.83
Approximate collection for FY 2020-21*	10,85,000.00

Source: Union Budget, *based on initial growth no

lakh crore or more collection.

Second Covid-19 wave

The government expects recovery to continue and tax

collection would be better this fiscal.

However, as the second wave of pandemic forcing many States to go for localised curbs, including mini lockdowns and night curfews, there is fear that recovery might be affected and hit tax collection too. In its resolution, announced on Wednesday, the Monetary Policy Committee said: "The renewed jump in Covid-19 infections in certain parts of the country and the associated localised lockdowns could dampen the demand for contact-intensive services, restrain growth impulses and prolong the return to normalcy."

The RBI Governor, Shaktikanta Das, too highlighted the concern, but with optimism.

"The recent surge in Covid-19 infections adds uncertainty to the domestic growth outlook amidst tightening of restrictions by some state governments. In India, we are now better prepared to meet the challenges posed by this resurgence in infections. Fiscal and monetary authorities stand ready to act in a coordinated manner to limit its spillovers to the economy at large and contain its fallout on the ongoing recovery," he said.

Lockdown impact

Meanwhile, economists feel that local curbs will have some impact. Devendra Kumar Pant, Chief Economist with India Ratings, said no doubt, local and regional lockdowns will have an impact on demand and govern-

ment revenue. However, actual impact will depend on severity and duration of lockdown. Among three major indirect taxes — customs, excise and GST — maximum impact will be on GST followed by excise and customs.

"If more and more States implement lockdowns/night curfew adverse impact on demand and government revenues will start increasing," he said.

Adding to this Aditi Nayar, Principal Economist with ICRA, said: "The renewed surge in Covid cases and reimposition of localised restrictions are likely to impact the contact intensive services, which would have an adverse impact on the indirect taxes generated in those geographies."