

Jaitley against cut in tax on fuels

Sound economics: The economy and markets reward fiscal prudence, says Arun Jaitley. Reuters

Reducing taxes on fuel could push India towards “unmanageable debt,” according to Union Minister Arun Jaitley.

He also said that increased tax compliance could reduce the country’s dependence on the revenue earned from taxes on fuel.

Alluding to former Finance Minister P. Chidambaram’s remark that the government can reduce the tax on petrol by Rs. 25 a litre, Mr. Jaitley said this was a “trap.”

“Another distinguished predecessor of mine had stated that the tax on oil should be cut by Rs. 25 per litre,” Mr. Jaitley said in a blog post. “He never endeavoured to do so himself. This is a ‘trap’ suggestion. It is intended to push India into an unmanageable debt — something which the UPA Government left as its legacy.

“We must remember that the economy and the markets reward structural reforms, fiscal prudence and macro-economic stability.”

Tax compliance is still a problem in India, Mr. Jaitley added, saying better compliance would reduce the dependence on tax collections from petroleum products.

“The tragedy of the honest taxpayer is that he not only pays his own share of taxes but also has to compensate for the evader,” Mr. Jaitley said. “My earnest appeal, therefore, to political leaders and opinion makers is that the full and complete suggestion would be that evasion in the non-oil tax category must be stopped and, if people pay their taxes honestly, the high dependence on oil products for taxation eventually comes down.”

‘States earn more’

Mr. Jaitley also pointed out that States charged ad valorem taxes on oil, and so, if oil prices rise, the States earned more.

“As far as the non-oil taxes are concerned, we are still far from being a tax-complaint society,” he added. “Salaried employees is one category of tax-compliant assesseees. Most other sections still have to improve their track record.” The effort for the next few years has to be to replicate the last four years and improve India’s tax-to-GDP ratio by another 1.5%,” Mr. Jaitley said. “The increase must come from the non-oil segment since there is scope for improvement.”

On employment, he said several job-creating sectors such as construction, infrastructure and rural projects had started growing strongly. “An analysis of the data released clearly shows that the construction sector is expanding by double digits,” he said. “It is a job-creating sector. Investment is increasing. Domestic investment is also increasing. The FDI is at an unprecedented level... We are spending huge amounts on infrastructure creation. “

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