

CORPORATE TAX CUT TO HAVE 'MINOR' IMPACT ON FISCAL DEFICIT: NITI AAYOG

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

MUMBAI: The Rs 1.45-lakh crore tax giveaway is unlikely to widen [fiscal deficit](#) much as the shortfall will be met through increased tax collections due to higher growth which the massive tax cuts are expected to achieve, [Niti Aayog](#) Vice Chairman [Rajiv Kumar](#) said here on Saturday.

On Friday, the government had announced tax cuts for corporates by 10-12 percentage points, bringing down the effective [corporate tax](#) to 25.17 per cent inclusive of all [cess](#) and surcharges for domestic companies. The new tax rate will be applicable from April 1, involving a revenue loss of Rs 1.45 lakh crore this fiscal.

"I don't think tax cuts will leave a gaping hole in the fiscal numbers. There will be some, which will be minor," Kumar said at an event.

Budget had estimated fiscal deficit at 3.3 per cent of the GDP for the current fiscal but many analysts have pegged it overshooting by at least 70 bps to 4.1 per cent as the quantum of the giveaways is worth 0.7 per cent of the GDP.

Significantly, it can be noted that neither the finance minister or her senior cabinet colleagues who talked to the media after the announcement took questions on the shape of fiscal deficit numbers post the tax cuts.

Even, Reserve Bank Governor Shaktikanta Das had lapped it up as growth boosting just a day before warning the government that it has no leeway to undertake any fiscally expansionary measures.

It can be noted that while the GST collection has been ebbing below the desired Rs 1 lakh crore mark all through the year except one month, the direct tax mop-up for the first half lagged way behind the target. It grew a paltry 4.7 per cent in H1 of this fiscal at Rs 5.5 lakh crore against a budgeted target of 17.5 per cent growth in collections for the full year.

Kumar said direct and indirect tax revenues are expected to go up with growth picking up after these tax cuts.

"There is buoyancy in growth. In the past, our tax buoyancy has been very good. Therefore, both direct and in direct tax collections will go up with growth," he said.

Kumar said another area for his optimism is the government focus on divestment which he budgeted at Rs 1.05 lakh crore.

"Asset sales will yield an additional Rs 52,000 crore over the budget estimate. Then you have got another Rs 50,000 crore from the RBI which was not included in the Budget," he said.

The higher revenue from tax and non-tax fronts will help the government finance the fiscal deficit, he added.

Kumar said the 5 per cent GDP growth is not yet a crisis and the first quarter number marks the

bottoming out of the cycle.

"We will achieve a nearly 6.5 per cent growth this year and we will be on track for doubling up our per capita income in the next five years," he added.

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