

'Widening of tax base may not necessarily lead to higher revenues'

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GOING by past experiences, the coming budget may be yet another exercise focusing on control of fiscal deficit. Problems pertaining to infrastructure, such as roads, power, telecom and transport, among others, may be kept at the backburner to address the more populist issues. However, the social sector might also not get the required funds because of the government's inability to reduce non-development expenditure.

It is to be seen whether the finance minister attains the targets of the last year's budget or not. Despite the upswing in tax collections, he might not be able to achieve the fiscal and revenue deficit targets. But he would certainly try to keep fiscal and revenue deficits in the next budget within control through widening of the tax base and reduction in subsidies, particularly on food

and fertilisers. Control of wasteful expenditure remains a distant dream. Downsizing the government is not possible. Zero-based budgeting and performance budgets need serious attention.

Taxation is an area where the government needs to do a lot of homework. It might raise the

the budget, it would be very difficult for the government to withstand the pressure of various lobbies. In fact, the minimum salary exemption limit might have to be raised to keep the salaried classes in good humour, especially if items of mass consumption such as cooking gas, kerosene and diesel become costlier.

Ideally, the government should revamp its tax collection machinery and improve the tax administration, so as to net bigger fishes and tax evaders. However, some of the services need to be taxed. With the capital market already agog with positive sentiments and the Sensex scaling new heights, the finance minister would not be keen to grant additional concessions to industry, as was done last year.

There has to be added emphasis on growth with equity. The reforms can't be lent a human face, unless concerted efforts are made to address vital areas of human development like food security, health care, education, employment and shelter.

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number of assesses by widening the tax base. But as higher taxes do not necessarily yield higher tax revenues, a larger number of assesseees also may not necessarily yield larger tax collections. Imposing new taxes might, in fact, expose the government to new pressures. The idea of taxing agriculture and rural incomes, as favoured by various sections of industry, is one such example.

If such taxes are introduced in

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Rs 44,000 crore were allocated last year for these programmes, how has this money been spent and with what results remains to be seen. The forthcoming budget should focus more on human development rather than on industry and capital market.

It is, however, expected that the coming budget would offer some incentives to shore up the BoP situation and and boost foreign direct investment. In the background of the developments that took place over last one year, defence has assumed a critical dimension. This strategic area cannot be left to chance. Certainly defence deserves and is likely to get higher allocation.

In spite of the finance minister's desire to present a hard budget, he may not be able to do this, given the divergent views of the alliance partners. □

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