

## Advance tax buoyancy calls for reduction of petroleum taxes

India's advance tax collection of corporation and personal income taxes has grown by 146 per cent in Q1 FY 2021-22 over last year, while the overall net direct taxes have doubled during this period. This is indicative of the lower disruption in economic activity compared to last year, given the partial lockdowns spanning the country.

Further, the dividend received from the RBI of Rs 99,000 crore is also higher than the budgeted dividend of Rs 60,000 crore. This calls for lowering of petroleum taxes as it can have a cascading effect on demand generation. Higher taxes on petrol and diesel are not only fueling inflation, but also reduce disposable incomes in the hands of the people.

This can have an adverse effect on economic revival as lower consumption demand can reduce investment demand. Given the buoyancy in advance tax collection, the government should, therefore, consider lowering indirect taxes. Further, petroleum products should be brought under the ambit of GST, with the imposition of a cess that compensates for the loss of revenues to the government due to the lower GST levy than the prevailing levies in the initial years, which can eventually be phased out.

As regards rural incomes, although fewer migrant workers have returned to their hometowns during the second wave, it is important that they be provided work under NREGA as it will not only boost incomes, but also lead to rural development and reduce the strain on urban infrastructure. Especially, it is important to develop Tier II and III cities and offer incentives for industrial development in these areas, as it can lead to ancillary units sprouting up and labour coming from nearby areas, thereby enhancing regional development.

### Notifications

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