Finance Panel seeks revised tax revenue forecast

Commission believes that the impact of the pandemic needs to be taken into account

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THE Fifteenth Finance Commission (FFC), which is in the process of preparing its final report with recommendations for years 2021-26, has asked the Centre to put together a realistic, post-Covid-19, projection of the government revenue collections for the period.

“There is a common conclusion that revenue collection will be severely impacted by the Covid-19 corona pandemic. So, there is a need to reassess the earlier projections since they are redundant now. The commission wants the revenue department to give it a realistic assessment of the situation post the outbreak of the pandemic. This is important... is needed before the commission gives its final recommendation report,” a source from the finance ministry told TNIE. The commission is likely to submit its final report in December.

According to the source, the FFC is of the view that much of the Centre-States rift came since the revenue collection growth was not as projected by the Fourteenth Finance Commission, on which the compensation to the States was based. So, it opined, there is a need to re-assess revenue projections, especially seen in the backdrop of Covid-19.

The Fifteenth Finance Commission, chaired by NK Singh, also held a detailed meeting in this regard with the officials of the Revenue Department, including finance and revenue secretary Ajay Bhushan Pandey, CBDT chairman CB Mody, CBIC Chairman M Ajit Kumar and other key officials via video conferencing.

So far, revenue collections have been subdued, far below the projections of the government. The central government’s net direct tax collections stood at ₹10.27 lakh crore during 2019-20, a record shortfall of ₹1.45 lakh crore, even after lowering the target in the revised estimates (RE).

The revenue deficit for the first two months of this fiscal year stand at ₹4.12 lakh crore, against ₹3.21 lakh crore last year.

This has created a major concern for the government, and will result in reduced revenue for the states too. In the current fiscal year till June 30, the Centre has transferred ₹92,077 crore to State Governments as Devolution of Share of Taxes in April and May, ₹7,010 crore lower than the previous year.