

Jaitley Shuns Demand for Sharp Cut in Tax on Fuel

Minister says suggestion is a 'trap' that will burden India with 'unmanageable debt'

Finance minister Arun Jaitley rejected the demand for a sharp cut in taxes on fuel, saying the suggestion was a "trap" that would burden India with "unmanageable debt," as he highlighted the macroeconomic stability achieved by the government

India has firmly established itself as the world's fastest-growing major economy with "phenomenal" 7.7% growth in the March quarter, Jaitley said in a Facebook post on Monday. This followed two challenging quarters due to structural reforms including demonetisation, the goods and services tax (GST) and the Insolvency and Bankruptcy Code (IBC).

"The future looks much brighter than the past. This trend is likely to continue for some years," said Jaitley, who is recuperating after a kidney transplant. Railway minister Piyush Goyal is handling the portfolio in his absence. On the issue of employment, Jaitley said job-creating sectors were all doing well, pointing to double-digit growth in construction, rising overseas investment, bad loans being resolved under IBC, expansion in manufacturing and greater spending on infrastructure. "The social sector schemes, more particularly the financial inclusion programmes, have created a wave of self-employment," he said.

OIL TAXES

Without naming former finance minister P Chidambaram, he dismissed the latter's assertion that petrol prices can be cut. "Another distinguished predecessor of mine had stated that the tax on oil should be cut by 25 rupees per litre. He never endeavoured to do so himself," Jaitley said. "This is a 'trap' suggestion. It is intended to push India into an unmanageable debt—something which the UPA (United Progressive Alliance) government left as its legacy."

It was up to states that are earning more due to the abnormal increase in oil prices to provide relief to consumers. "The states charge ad valorem taxes on oil. If oil prices go up, states earn more," he said.

He said the economy and markets reward structural reforms, fiscal prudence and macroeconomic stability, pointing out that the current National Democratic Alliance (NDA) government has a "very strong reputation for fiscal prudence and macroeconomically responsible behaviour."

"They (markets) punish fiscal indiscipline and irresponsibility. The transformation from UPA's 'policy paralysis' to the NDA's "fastest growing economy" conclusively demonstrates this," he said as he effectively ruled out tax cuts, flagging the adverse impact that the lower tax revenue would have on infrastructure, rural India, the social sector and development in general.

GROWTH

Jaitley also hit out at former prime minister Manmohan Singh and former finance minister Yashwant Sinha for their criticism of demonetisation. "Those who predicted a two percent decline

in GDP growth have been conclusively proved wrong,” Jaitley said. Following demonetisation, Singh had said GDP would decline 2% while Sinha had attacked Jaitley saying he was working overtime to make sure that all Indians see poverty from close quarters.

“A distinguished predecessor of mine feared that he may have to live his future in poverty. We have enabled every Indian to be a part of the world’s fastest-growing economy,” Jaitley said. Growth declined to 6.6% in FY18 from 7.1% a year ago following a slump in the first two quarters but recovered to 7.7% by the fourth one.

He said development works in roads, railways, housing, power, sanitation – which yield high social benefits – require a high level of government expenditure. “This type of high government spending promotes growth,” he said. “This is what we are witnessing today.”

REVENUES

Demonetisation, GST, digitisation, Aadhar and anti-black money measures are leading to gradual formalisation of the Indian economy, he said. Measures such as the Foreign Black Money Act, Benami Prohibition Act, Income Disclosure Scheme, and the amended tax treaties with Singapore and Mauritius have all yielded rich dividends, he said

(Economic Times)