

New finance minister to inherit Rs 1 lakh cr of unpaid bills

Even before the new finance minister gets down to preparing the next budget, he has to grapple with unpaid subsidies of at least Rs 1 lakh crore left behind by the UPA government.

While the food subsidy bill accounts for almost half the amount with unpaid subsidies adding up to over Rs 50,000 crore. Then, there are dues of Rs 38,000 crore to fertilizer companies and another Rs 24,000 crore to public sector oil marketing companies, which sold cooking gas and kerosene below the international price. There are also additional taxes that the government had mopped up from companies in its bid to meet its ambitious tax targets, and show healthier finances, which now need to be refunded, with interest.

Tax department officials, however, said that companies were not coaxed into paying higher taxes and refunds were not stopped.

While economists and corporate chiefs have been critical of the UPA leaving behind a large liability for the new finance minister, finance minister P Chidambaram had said that these payments are for the fourth quarter of the 2013-14 financial year, which are to be paid this fiscal.

Officials dealing with sectors that have been hit as government didn't clear dues are, however, complaining that the held back payments are resulting in the companies having to borrow from banks to meet their cash requirements. In fact, they are severely critical of the Manmohan Singh government's subsidy policy, saying that the government burden was transferred to oil and fertilizer companies in addition to the Food Corporation of India, rendering many of them financially unviable.

In fact, during UPA 1, the finance ministry had resorted to issuing bonds to oil and fertilizer companies, which were not explicitly shown as subsidies and had faced stiff criticism as the system was not transparent. But thanks to the unexpected 3G bonanza in 2010, Pranab Mukherjee cleared the dues, although some of the companies had to take a hit.

Even during UPA-II, transparency was often missing. Under pressure from the rating agencies, the government sought to cut down on spending to show a healthier fiscal deficit. The government has budgeted for fiscal deficit of 4.1% of GDP for 2014-15, compared to 4.6% last year. But if the government had budgeted for the over Rs 1 lakh crore outgo last year, the number would have been vastly different.

As reported by TOI on Friday, several ministries, including finance, fertilizer and petroleum are going to make a fresh pitch for a reduction in subsidies by focusing only on the poor.

(Times of India)