

The Budget math



BUDGET 2017-18 has been rather conservative in its approach. While nominal GDP is projected to grow at 11.75 per cent in FY18, tax revenues are budgeted at a

modest 12.2 per cent, as shown in Chart 1. Perhaps, the uncertainty in indirect tax revenues after the shift to the goods and service tax (GST) prompted this approach.

As the Centre has imposed fresh surcharges, the states' share in tax is projected to grow marginally lower than that of the Centre, at 10.9 per cent, as shown in Chart 2.

Within direct taxes, taxes on personal income are budgeted to grow at 24.9 per cent, as seen in Chart 3, while on the indirect tax front, as shown in Chart 4, growth in Union excise duties is projected to slow to five per cent after growing at 34.5 per cent in FY17. Growth in service tax collections, too, is expected to slow to 11.1 per cent.

On the non-tax revenue side, the government hopes to collect ₹1.42 lakh crore in FY18 as dividend from PSUs, marginally lower than collections in FY17, as shown in Chart 5. And while the target for strategic disinvestment has been scaled down to ₹15,000 crore in FY18, the government hopes to mop up ₹11,000 crore from the listing of insurance companies, as seen in Chart 6.

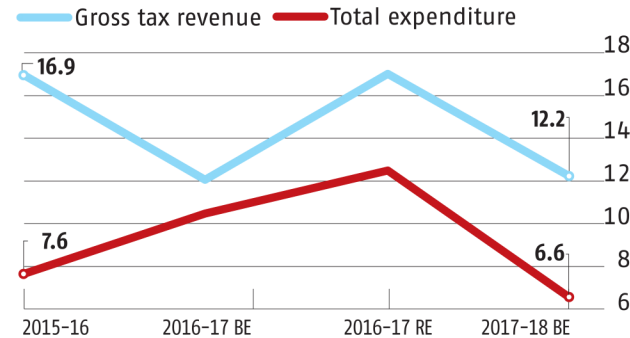
Total expenditure is budgeted to grow at 6.6 per cent, but as Chart 7 shows, major central government subsidies are budgeted to grow at 3.2 per cent. The fiscal deficit is projected to decline to 3.2 per cent of GDP in FY18, as seen in Chart 8.

As Chart 9 shows, the debt-to-GDP ratio of the central government is projected to decline to 40.9 per cent by 2019-20, in line with the recommendations of the FRBM review committee.

ISHAN BAKSHI

1: TAX REVENUE BUDGETED TO GROW AT 12.2% IN FY18, EXPENDITURE AT 6.6%

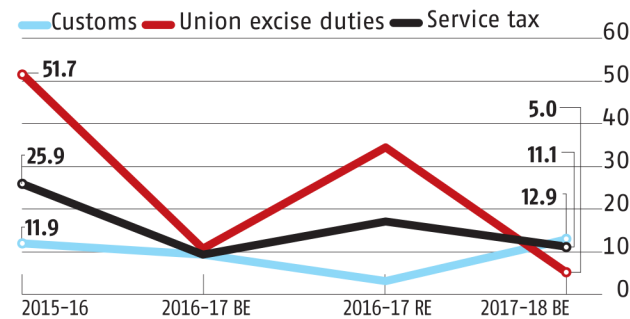
(%, y-o-y)



Source: Union Budget 2016-17 and 2017-18

4: EXCISE COLLECTIONS TO GROW AT A SLOWER PACE, CUSTOMS AT HIGHER

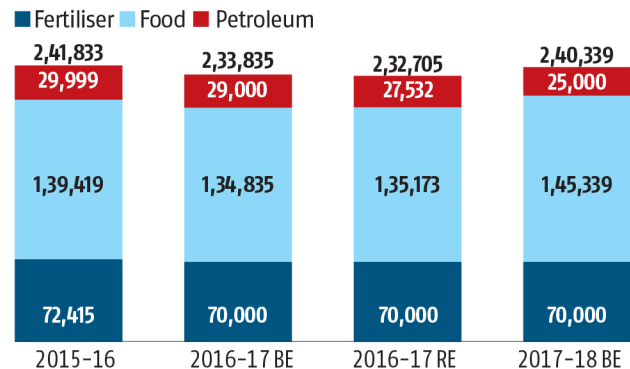
(%, y-o-y)



Source: Union Budget 2016-17 and 2017-18

7: MAJOR CENTRAL GOVERNMENT SUBSIDIES TO INCREASE MARGINALLY

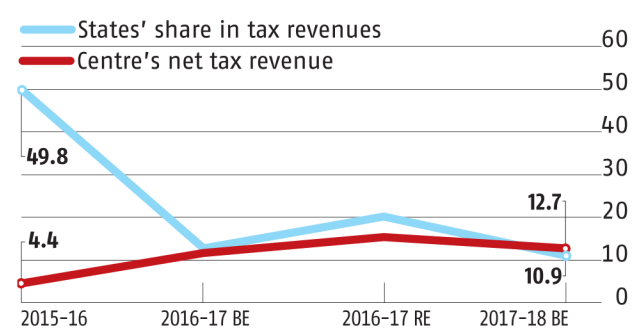
(₹ cr)



Source: Union Budget 2016-17

2: STATES' SHARE IN TAXES TO GROW AT A SLOWER PACE IN FY18 AS COMPARED TO FY17

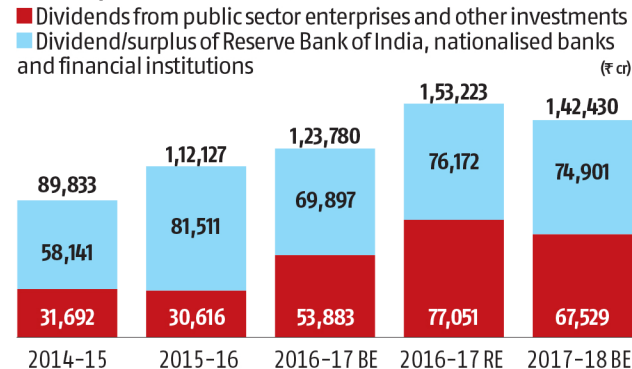
(%, y-o-y)



Source: Union Budget 2016-17 and 2017-18

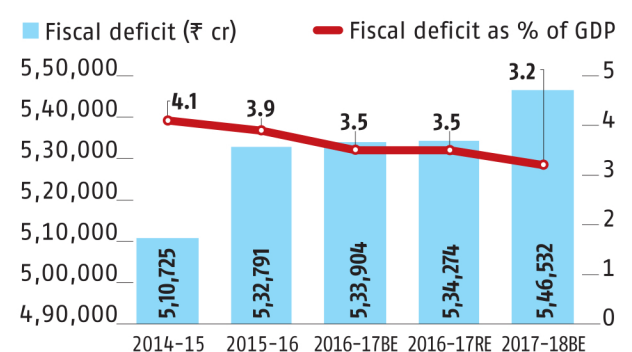
5: CENTRE HOPES TO COLLECT ₹1.42 LAKH CR AS DIVIDEND IN FY18, DOWN FROM ₹1.5 LAKH CR IN FY17

(₹ cr)



Source: Union Budget 2016-17 and 2017-18

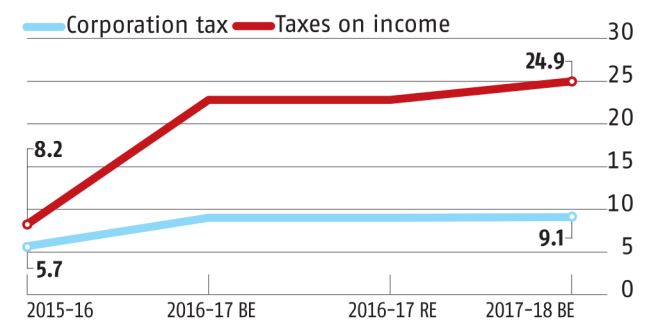
8: FISCAL DEFICIT PROJECTED TO DECLINE TO 3.2% OF GDP



Source: Union Budget 2016-17 and 2017-18

3: PERSONAL TAX COLLECTIONS SEEN GROWING AT A FASTER PACE THAN CORPORATE TAXES

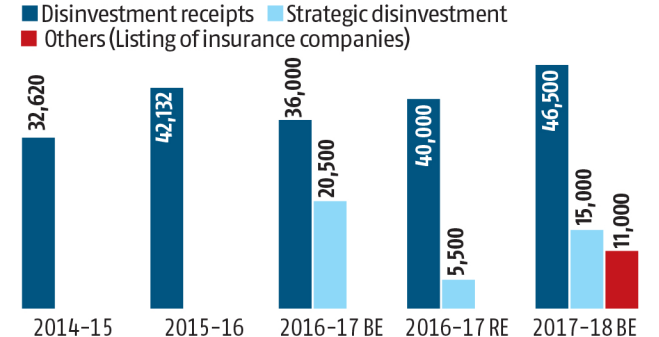
(%, y-o-y)



Source: Union Budget 2016-17 and 2017-18

6: STRATEGIC DISINVESTMENT TARGET SCALED DOWN, LISTING OF INSURANCE COMPANIES EXPECTED TO PROVIDE ₹11,000 CRORE

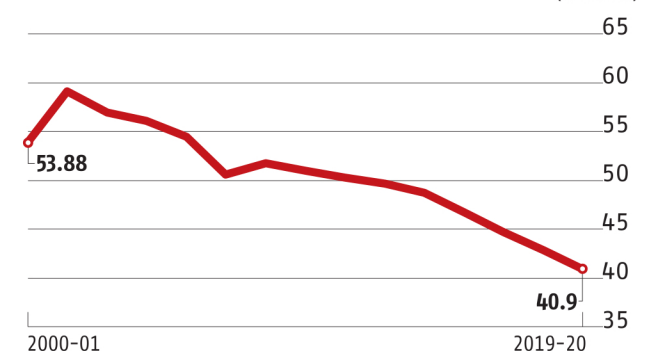
(₹ cr)



Source: Union Budget 2016-17 and 2017-18

9: OUTSTANDING DEBT OF CENTRE AT 46.7% OF GDP IN FY17, EXPECTED TO DECLINE TO 40.9% IN FY20

(as % of GDP)



Sources: Indian Public Finance Statistics 2015-2016, Budget 2017-18 Medium-term fiscal policy statement