

{ **INTERVIEW** } AJAY BHUSHAN PANDEY, FINANCE SECRETARY

# 'Did not resort to tax hike to boost revenue'

India needs to change a mindset that believes higher taxes are necessary to generate resources and exemptions for tax relief, finance secretary Ajay Bhushan Pandey says. In a conversation with **Rajeev Jayaswal** a day after finance minister Nirmala Sitharaman presented the Budget, Pandey said revenues can increase by bringing greater efficiency to tax collection and reduction of the compliance burden. Edited excerpts:

## As finance secretary and the head of revenue department, how do you see the budget?

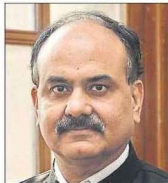
This Budget is a reform budget in the backdrop of extraordinary circumstances, the pandemic, which is of a very unusual nature. In this difficult time, during the last 10 months, we came out with several [stimulus] packages. Each **Atmanirbhar Bharat** package could be termed a mini budget. This Budget is substantial... taking a quantum leap into the future. It has shown the direction and also the commitment of the government. One of the major pillars of this Budget is health. The second one is infrastructure and capital [expenditure]. There also, almost a 34% increase [in fund alloca-

tion] has been given. And, the third is reform in the financial sector. Two public sector banks will be disinvested or privatised... one is general insurance company... IDBI, LIC IPO [initial public offering]. In addition to that various public assets, like airports, pipelines, roads, land with the government, they will be monetised and assets will be created. Similarly, DFI — Development Finance Institution — for long-term funding; the financial sector has to perform well to realise higher economic growth. These are some of the important steps.

## On the taxation front?

On taxation front, we have introduced several reforms in the last two years. Starting from the massive reduction in the corporate tax [to] among the lowest in the world, abolition of dividend distribution tax, faceless assessment, faceless appeal. Now we have gone one more step where we are saying it would be faceless ITAT [Income-Tax Appellate Tribunal], and a dispute resolution mechanism for small taxpayers, putting more trust in them; their cases cannot be reopened beyond three years unless there is a tax evasion of ₹50 lakh or more.

Another thing, on the customs



duty, we have tried to reduce various discretions. One important thing related to the taxation system, we have tried to reform the administration by making it discretion-free and hassle-free. For increasing our revenue, we are not resorting to any tax increase or levy any new tax. What we are resorting to is the improvement of tax administration, reduction in compliance burden, and to create an environment whereby people will voluntarily comply and pay taxes which are at reasonable levels. Recent improvement in GST proves that in order to collect more tax one need not necessarily increase the tax rate.

**Budget has provided some compliance relief to senior citizens. Why not to give**

## them more tax relief?

When we were preparing the Budget, we looked at areas where we could provide relief... Most of the senior citizens have pension income and some fixed deposits... If the income is derived from pension and interest on the fixed deposits, banks could be asked to collect the full income tax [on behalf of the government] and those people will not be required to file income-tax returns.

If you see our exemption limit, the people who are having income less than ₹5 lakh, they are not required to pay any income-tax. ₹5 lakhs would mean that those earning up to ₹50,000 per month are not required to pay tax. Those who are getting much higher income, they also need to contribute to the society. What we wanted was to reduce this compliance burden. That was our objective.

**People are pleasantly surprised that the Budget did not levy any Covid tax. But public expenditure is high. How did you manage revenue without such levies?**

Naturally, our fiscal deficit has gone up to 9.5% [of gross domestic product]. What we need to do is that we need to get out of this

mindset that such kind of funding can be done only by increasing taxes. Or, you can help people only by reducing taxes. So, I think, we need to change this mindset that for resource generation you need to increase taxes and for giving relief you need to give exemptions or reduce taxes. What we need to focus more on is improving collection efficiency and reducing the compliance burden. Use of technology, use of data analytics to ensure that people pay the correct amount of tax. And we have seen in the case of GST that without increasing any tax rate our collections have improved over the last two months.

**The finance minister said in her Budget speech that inverted duty structures in the GST regime will be corrected. How will you do it?**

FM has already mentioned it; so in the next GST Council meeting... we will work with the GST Council to correct certain anomalies, which is there in the GST system. Inverted duty structures are in some areas such as textiles, fertilisers, plastics. Those are the areas... where inverted duty structures are there, so we will try and see what best can be done.