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Despite record tax mop-up, govt continues to borrow heavily, hits 46 pc of target for FY22: Report

Mumbai, Aug 20 (PTI) Despite the massive windfall gains from fuel taxes and GST collections, the Centre continues to borrow heavily from the market, with the total drawdown crossing 90 per cent of the notified amount so far or 46 per cent of the total borrowings for FY22, even though the second quarter is only halfway, as per a report.

Overall, the government has collected 25.1 per cent of the budgeted taxes in Q1, which traditionally is low on taxation.

Despite the second COVID-19 wave, overall Q1 tax collections rose 39 per cent to Rs 5.6 lakh crore, according to an analysis by Icra Ratings, which also expects the gross tax revenue to surpass the FY22 budget estimate of Rs 22.2 lakh crore.

In the first quarter, the Centre collected a whopping Rs 94,181 crore from excise duty on petrol and diesel, which was 88 per cent more than Q1 of FY21.

It collected Rs 3.35 lakh crore in duties in the whole of last fiscal, which was only Rs 1.78 lakh crore in FY20 and Rs 2.13 lakh crore in FY19, Minister of State for Finance Pankaj Choudhary told the Lok Sabha last month.

On the other hand, it collected record-high GST, with April and May being the highest ever and June falling to Rs 92,849 crore.

At the auction held on Friday, the government borrowed Rs 26,000 crore from 2-year, 10-year and 40-year tenor securities. It did not allow any devolution in any of the three securities.

This is the fourth weekly auction from the 20 so far conducted in FY22 where there have been no devolutions to primary dealers or over-subscription or cancellation of auction, according to a note by Care Ratings.

Total borrowings by the government between April 9, when the first auction was held, and August 20 is Rs 5.52 lakh crore, almost 10 per cent less than that in the same period in FY21 when it had borrowed Rs 6.16 lakh crore, and just Rs 17,511 crore less than the notified amount.

The amount raised so far is 46 per cent of the total budgeted borrowing limit of Rs 12.05 lakh crore in FY22 and 41 per cent if the GST compensation amounting to Rs 1.58 lakh crore is added to the borrowing limit, Madan Sabnavis, chief economist at Care Ratings said.

The cost of borrowings at Friday"s auction moderated to a three-week low, with the weighted average yield across tenures falling to 6.32 per cent, down 4 bps from last week"s auction and 14 bps lower than that in the first week of August.

The decline in yields can be attributed to the softening of global crude and commodity prices and the fall in US treasury yields which typically prompts higher foreign inflows into domestic bonds, Sabnavis said.

Another reason is the RBI announcement of purchasing Rs 25,000 crore of gilts next week under the GSAP programme, which could have boosted investor sentiment, he added.

However, the yields continue to be at elevated levels. It has been ruling over 6.20 per cent on a sustained basis since the third week of June.

On a year-to-date basis, yields have risen by 18 bps, which can be largely attributed to the demand-supply dynamics.

Meanwhile, auctions worth Rs 67,000 crore have been cancelled so far in FY22 and 84 per cent or Rs 56,000 crore were in the 10-year securities. PTI BEN ABM

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