



Common man pays for states' revenue loss; duties hiked this much for petrol, diesel, alcohol

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By: **Samrat Sharma** October 29, 2020 2:22 PM



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The common man of India is compensating for the revenue loss that the states had to undergo in the wake of the coronavirus pandemic. To garner additional revenues during these unprecedented times, 22 states and Union Territories have hiked duties on petrol and diesel, while 25 states and UTs have hiked duties on alcohol. The consequent rise in petrol and diesel prices is in the range of 60 paise to Rs 8, while for alcohol, it is in the range of 10-120 per cent, on an average basis, according to a report by [Care Ratings](#).



Petroleum and alcohol account for nearly 25-35 per cent of the tax revenue of states. Therefore, it is estimated that the move to hike duties will provide a revenue gain in the range of 0.03 to 0.35 per cent of states' GDP. Earlier, the states budgeted for higher tax revenue collection in anticipation of a growth in the economy, however, the slump in economic activity due to the pandemic-led lockdown is now projecting a threat to the revenue collection.

The major head under states' own tax revenue, which is the taxes on commodities and services would be impacted the most, the report added. SGST fell 47.2 per cent during the first quarter of the current fiscal, which was sharper than the overall GST decline. However, the quantum of fall moderated to 6.4 per cent in the second quarter. In 2020-21, about half of the states have budgeted the GFD/GSDP ratio at or above the 3 per cent threshold. However, the direction of possible revision is evident as the states presented their budgets before the outbreak of the

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Meanwhile, stamp duties, which are a major source of revenue under states' direct taxes, are also expected to see a shortfall due to contraction in construction activity, reverse migration of labourers, and social distancing norms, Care Ratings said. Further, revenue specific measures, such as the extension of deadlines for payment of taxes to provide relief to businesses and citizens may further dent the already worsening revenue situation of states.

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