

Pandemic again tightening ironclad embrace - Revenue back to dancing on greasy pole!

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SO, we are back to square one! A bright twinkle of hope was born when the science had lab-produced the Coronavirus vaccine in a record-smashing time span! But, it seems, it is too premature for the world to wriggle out of the pandemic's ironclad embrace! The profusion of promises in the form of new vaccines, new life-saving treatments and innovative relief packages by the governments across the world appears to be woefully inadequate to stymie the rising loss of precious lives! It is literally raining deaths, again! Oof! Over 10,000 a day! For India, we are back to the viciously terrifying numeric of three digits - Over 275 a day! Over 50,000 new cases, again! Although I had profusely talked about how India cannot wish away the return of the second tempest (See [Cob\(Web\) - 745](#)) but the crippling virus has come back at a shocking pace! Thankfully for India, it is thus far not an explosively virulent mutant albeit the Ministry of Health has detected 'double mutant variant' in 18 States!

So, one possible view that prevails in the country is that unlike in the US, Brazil and the EU where it has turned into an unstoppable carrier of genocide (for suicide and massacres, humans are themselves capable enough **a la**

Atlanta and Colorado gunfire tragedies!), the pathogen is not so cruel to Indians! It is only in hundreds against thousands in the West! It may be true that we have turned thick-skinned to the human losses in a few hundreds or stubbornly unmoved by deaths or perhaps, have raised our sensitivity threshold so high that it is yet to unnerve our Freudian indices!

But, what about our economic well-being? Is it not true that our psychological threshold for economic comforts is too low? With a large swathe of our vulnerable population rapidly slipping on the greasy pole of per capita income as the spooked economy has eaten away their measly jobs, is it not going to derail the pace of our economic recovery? With Maharashtra reporting over 60 per cent of India's total daily caseload, is it not going to cease the 'financial engine' of the Indian economy?

Are we not heading for a confidence-sapping pause? Is it too early to say that the pandemic may not succeed in yanking the re-ignited engine of the Indian economy?

If the economy is once again going to stray from the script authored by the Union Finance Minister, the financial health of the Central as well as State Exchequers may once again head for a trolley of problems! After the pandemic squeezing the economy to the bare bones, the macro parameters have, in the last four months, begun to look up! Although some key variables may be seen vacillating but the PMI clocked above 57 in January and February months. The pace of shop floor activities was measured to be the quickest in the past nine years and almost all factories were heard humming!

A flurry of activities also clocked abnormal rise in input inventories. As the pandemic plagued the international demand, it was found to be largely domestic-led rise.

Although demand may record a back-and-forth trend but it has so far been pretty robust for the tax collectors.

And such a finding clearly comes out of the advance tax payments on March 15 and also GST monthly revenue statistics!

The 4th instalment of advance tax has afforded the much-needed cylinder of oxygen for the Union Finance Minister and the Revenue tsars nesting in the North Block. The net direct tax collections have finally turned positive even after liberal loosening of refund purse. The hiatus in tax mop-up is now down to four per cent from 13 per cent on December 15. Eye-wateringly large corporate earnings also imply that there would be more job creations in the coming months as it would kickstart the drowsy cycle of domestic investments.

So far as production of goods goes, it is indeed a remarkable resurgence. However, goods represent just one engine of growth. The second engine - the services - is yet to turn twinkle-toed.

The pandemic has hugely soaked up its growth-friendly gases and it would take months to turn its crosshairs on full recovery. In this backdrop, my fiscal nous indicates that the second surge of the pandemic may grievously bruise both the engines again. And that would indeed be a scenario divebombed by a gaggle of misfortunes for the Revenue! No amount of fiscal wizardry would work! If our manufacturing sector once again collapses in its cocoon it would clobber all the efforts of the Revenue to meet its slippery targets!

A whacking time may roll out for the field officials who would have no choice but to dragoon the taxpayers into unrealistic cycles of tax

payments, ITC blockage and litigation.

Also See - [Why Petroleum Products not in GST?](#)

Litigation has been an unmitigated nemesis for the Indian tax system. Although a heavy jab of credit ought to be given to the Modi Government for taking a broil of measures to reduce the number of appeals filed by the Revenue and triggering **en masse** withdrawal of low tax effect cases from courts but the faucet of fresh barrel of supply is not yet plugged. To unlock revenue from the rising silos of tax arrears, the Government had come out with two dispute resolution schemes - **Vivad se Vishwas Scheme**

(VsV) on the direct tax side and **Sabka Vishwas** Legacy Dispute Resolution Scheme(SVLDRS) on indirect tax side. Both the Schemes have proven 'gorilla' success for the Exchequer. What may add a bit more fiscal flab to them is a bit extra breathing time to deposit the settled amount till April 30

if the declaration is made on March 31. Since there are conflicting instructions from the Board, the trade and industry is a bit bewildered.

On the SVLDRS front, this Scheme ended and an extended window to pay tax was provided till June 30, 2020. This was the peak of the ruinous pandemic period and a good number of declarants failed to mobilise resources to make the deposits. As per the CBIC's letter dated July 14, 2020, a sum of Rs 3972 Crore from about 24,000 ARNs was pending realisation as on July 1, 2020. These are SVLDRS-3 cases where an intimation was telegraphed to deposit the tax. Ideally, given the need for resources to fund the on-going vaccination campaign and also the objective of the Scheme to reduce mounting litigation, the

Union Finance Minister should open a new window to deal with this unusual fiscal whodunnit and pocket this neat sum of Rs 4000 Cr when every penny counts for the Nation today!

Also See - [Unchartered Audit?](#)

Any semblance of rule-based intransigence or rabidly stringent rules to debar these small businesses to settle their disputes would go against the words of the Prime Minister who knows it very well that how difficult it is for small businesses to survive today

. Besides, a clear-eyed message coming from the number of declarations made under the scheme is that the 'dinosaurs' of the industry have simply let it go and the keen takers have been small and medium-sized enterprises which continue to crave for hand-holding when the pandemic seems hell bent on deepening the craters in the economy! I sincerely hope that the Union Finance Minister would not prefer getting caught or hamstrung by rules when the taxpayers freighted with legacy disputes, are keen to pay the pending taxes and start with a clean slate!