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## **Karnataka to improve revenue collections**

*Central transfers to be lower this year due to stimulus package.*

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Bangalore, June 9 To offset shortfalls in Central tax transfers, the Karnataka Government has stepped up efforts to enhance tax collections from the northern regions.

State Government officials said here that more officers would be appointed in the regions for improving commercial tax collections and eliminating leakages.

Karnataka has a tax to GSDP (Gross State Domestic Product) ratio of 11 per cent, among the highest in the country.

The State Government, the officials said, intended to achieve fiscal consolidation through improved revenue mobilisation.

This year, Karnataka's own tax receipts are targeted at Rs 33,000 crore or about 12 per cent of GSDP.

The officials said that stepping up the tax to GSDP ratio would help them to improve tax collections and continue with the target of achieving a fiscal surplus.

## Eyes fiscal surplus

The officials said that if the tax to GSDP ratio was raised to about 15-16 per cent, the State would easily achieve a fiscal surplus. This was without resorting to extraordinary steps, such as selling assets and stakes in the public sector undertakings.

Stepping up the tax to GSDP ratio to the targeted levels will take the tax collections in the State to Rs 44,000 crore.

This would translate into a fiscal surplus by at least Rs 3,000 crore, the officials said.

However, stepping up the tax to GSDP ratio was daunting.

A committee headed by the current Union Minister of Law and Parliamentary Affairs in 2003 had recommended raising the tax-to-GSDP ratios, through improved tax collections, in the State.

However, these recommendations were put on the backburner in view of the political instability.

### higher oil prices

Besides, the State Government also had the cushion of high petroleum prices that allowed it to realise high taxes. Taxes from petroleum products generate at least 35-40 per cent of the State's tax receipts.

Since petroleum continues to be taxed on ad valorem basis, Karnataka like other States was able to meet or exceed its tax receipt targets, when oil prices were high.

This year though, the situation was different, especially with the Centre reducing excise duties as part of the fiscal stimulus package. Besides, the Centre's indirect tax collections were also expected to take a knock, translating into the resource transfer slippages to the States.

The officials said among the sectors targeted for improving the tax to GSDP ratio were the State excise and stamp duties.

Both these sectors have seen high level of leakages, resulting in revenue shortfalls to the State.

In addition, the officials said there were shortfalls in value-added tax collections in the northern industrial regions, through understatement of the actual value additions.

The State Government officials said that efforts were under way to plug the leakages.