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NEW DELHI, TUESDAY, 17 MAY 2022

Centre-state tie-up can cut fuel taxes: Bajaj

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Central and state governments should collaborate to cut taxes on petrol and diesel in order to moderate inflation, said Sanjiv Bajaj, chairman and managing director of Bajaj Finserv and newly elected president of Confederation of Indian Industry (CII).

The industry body expects the economy to grow in the range of 7.4-8.2% in FY23, "with the outlook critically hinging on the trajectory of global crude oil prices," said a statement from CII quoting Bajaj.

"An immediate measure to moderate inflation could be to moderate taxes on fuel products, which constitute a large share of the retail pump prices of petrol and diesel... CII would encourage Centre and state governments to collaborate in reducing these duties," the statement said quoting Bajaj.

The appeal to cut taxes on petrol and diesel comes in the context of retail inflation measured by consumer price index (CPI) surging to an eight-year high in April at 7.79%, led by a surge in food and fuel prices. It raised expectations that the central bank may favour more aggressive rate hikes in June to cool prices.

According to Bajaj, global headwinds and inflation will have to be countered with policy reforms to unlock the growth potential of the economy. "Tailwinds that are supportive of growth in the short-term include government capital expenditure, private sector investment which is showing an uptick aided by strong demand in some sectors and the production linked incentive push in the others, good agriculture season on the back of the expectations of a good monsoon and positive export momentum," Bajaj said.

He said the Indian economy has the potential to reach $40 trillion by 2047, with milestones at $5 trillion by 2026-27 and $9 trillion by 2030-31.

The finance ministry said last week that the April update of the World Economic Outlook (WEO) of the IMF implied that the cost of restraining inflation will be slowing global growth. The multilateral agency projected growth of global output to decline from 6.1% in 2021 to 3.6% in 2022 as well as 2023.

If global inflation does not sufficiently decline despite aggressive monetary tightening sharply slowing growth, it points at the persistence of supply-demand imbalances that only coordinated action by world leaders can resolve, the ministry said last week in its monthly economic review. IMF expects India's economy to grow at 8.2% in 2022-23. The government's optimism stems from scaled-up capital spending, tax buoyancy and some other high frequency indicators like electricity consumption.

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> **Sanjiv Bajaj**
> President, CII

Bajaj suggested that both central and state governments should scale up their expenditure on public health and education to make these services accessible to all.

"This will drive inclusive and equitable growth, improve workforce productivity, and make the economy more resilient. This will also drive consumption demand, the biggest engine of the economy, by reducing out of pocket expenses on these two essentials leaving people with more to spend," the statement said quoting Bajaj.

He also suggested that providing universal coverage in health and education will create good quality jobs at scale. He said the country should extend the production linked incentive scheme to more sectors, especially those which are labour intensive such as leather, footwear and toys, and sectors where imports are high. He said employment linked incentive schemes should be launched for select services sectors with high growth potential.