

Corporate Karza Maafi at Rs. 36.5 Trillion*

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A SHORT HISTORY OF HANDOUTS

REVENUE FOREGONE UNDER CORPORATE INCOME TAX, CUSTOMS & EXCISE DUTY IN RS. CRORE

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total revenue foregone 2005-06 to 2013-14	Percentage increase 2013-14 over 2005-06
Corporate Income Tax	34618	50075	62199	66901	72881	57912	61765	68720	76116	551187	119.87
Excise Duty	66760	99690	87468	128293	169121	192227	195590	209940	195679	1344768	193.11
Customs Duty	127730	123682	153593	225752	195288	172740	250003	254039	260714	1763541	104.11
Total	229108	273447	303260	420946	437290	422879	507358	532699	532509	3659496	132.43

It was business as usual in 2013-14. Business with a capital B. This year's budget document says that we gave away another Rs. 5.32 lakh crores to the corporate needy and the under-nourished rich in that year. Well, it says that Rs. 5.72 lakh crores are given away but I am leaving out the Rs. 40 K crore foregone on personal income tax since that write-off benefits a wider group of people. The rest is mostly about a feeding frenzy at the corporate trough, and, of course, that of other well-off people. The major write-offs come in direct corporate income tax, customs and excise duties.

If you think that sparing the super-rich taxes and duties worth Rs. 5.32 lakh crores is a trifle excessive, think again. The amount we have written off for them since 2005-06 under the very same heads is well over Rs. 36.5 lakh crore (a sixth of that in just corporate income tax). That is **Rs. 3650000000000** wiped off for the big boys in nine years.

With **Rs. 36.5 trillion** – for that is what it is – you could:

- Fund the Mahatma Gandhi National Rural Employment Guarantee Scheme for around 105 years, at present levels. That is more than any human being could expect to live, and a hell of a lot more than any agricultural labourer would. You could, in fact, run the MNREGS on that sum, across the working lives of two generations of such labourers. The current allocation for the scheme is around Rs. 34,000 crore.
- Fund the Public Distribution System for 31 years (current allocation is Rs. 1,15,000 crores).

By the way, if these revenues had been realized, around 30 per cent of their value would have devolved to the states. So their fiscal health is affected by the Centre's massive corporate karza maafi.

Even just the amount foregone in 2013-14 can fund the rural jobs scheme for three decades, or the PDS for four and a half years. It is also over four times the ‘losses’ of the Oil Marketing Companies by way of so-called ‘under-recoveries’ in 2012-13.

Look at some of the exemptions under customs duty. There is a neat Rs. 48,635 crore written off on ‘Diamonds and Gold’ – hardly aam aadmi or aam aurat items. And that is more than what we spend on rural jobs. Fact is that concessions on diamonds and gold over the past 36 months amount to a total of Rs. 1.6 trillion (a lot more than we shall spend on the PDS in the coming year). In the latest figures, it accounts for 16 per cent of the total revenue foregone.

The break-up of the budget’s revenue foregone figure of Rs. 5.72 lakh crore for 2013-14 is interesting. Of this, Rs. 76,116 crore was written off on just direct corporate income tax. More than twice that sum (Rs.1,95,679 crore) was foregone on Excise Duty. And well over three times of the sum was sacrificed in Customs Duty (Rs. 2,60,714 crores).

This, of course, has been going on for many years in the ‘reforms’ period. But the budget only started carrying the data on revenue foregone around 2006-07. Hence, the Rs. 36.5 trillion write-off figure would be higher if we had the data for earlier years (all of this, by the way, falls within the UPA period). And the trend in this direction only grows. As the budget document itself recognizes, “the total revenue foregone from central taxes is showing an upward trend.”

It sure is. The amount written off in 2013-14 shows an increase of 132 per cent compared to the same concessions in 2005-06.

Corporate karza maafi is a growth industry, and an efficient one.

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