

# Step up revenue mop-up, cut spending: PMEAC chief to government

## fe Bureau

New Delhi, Aug 1: The economic advisory council to Prime Minister Manmohan Singh has urged the government to make structural changes to step up revenue collection, reduce tax arrears and to make major savings in public spending in order to put its finances in order. The Council, chaired by C Rangarajan, described the government's task of fiscal consolidation as "formidable" in his economic outlook for 2011-12 and called for major fundamental changes in policies.

So far, fiscal consolidation was being achieved partly by way of revenue receipts arising from economic growth and one time collections such as receipts from auction of telecom spectrum. However, the government has to redouble its efforts to make structural changes to meet short

term and medium term goals of fiscal consolidation, Rangarajan said. The government has set a fiscal deficit target of 4.6% for the current year.

The Council pointed out that the high crude oil price is making it difficult for the government to contain the fuel subsidy bill at budgeted level. "Removing the import duty on crude oil and reducing the excise duty on diesel announced earlier in the year compounds the problem," Rangarajan said.

In such a context, subsidy can be maintained at budgeted levels if prices are adjusted to international crude oil prices, Rangarajan suggested. Rangarajan also pointed out that state governments have to take urgent measures to address the financial problems of their electricity utilities, that have incurred losses and have resorted to large borrowings.