

Outlook

2.64 The encouraging buoyancy of revenues, particularly tax revenues, of both the Centre and the States observed in the recent past is likely to continue with tax reforms and improved compliance. But, such tax reforms must also involve accelerated improvement in tax administration, including the putting in place of an impersonal, hassle free collection mechanism that punishes evaders but does not inconvenience the honest tax payer. Building up a comprehensive data base of tax payers, taxes paid, income, and transactions in the asset markets, and linking it up effectively

with scrutiny and assessment process is critical in this regard.

2.65 The sustained improvement in the fiscal position of the Centre and the States in the post-FRBM era has been attained mostly through enhanced revenues. Success in containing or managing expenditure has been limited. The benign interest rate regime has also helped in the consolidation process. Expenditure management, particularly careful monitoring of outcomes of outlays and targeting of subsidies, remains an unfinished task. Considerable downside risks remain from potential pressures on the expenditure front.