On Target: FY25 Fiscal Deficit Hits 4.8% of GDP

Goal of containing deficit at 4.4% of GDP in the current fiscal seems more realistic now, say analysts

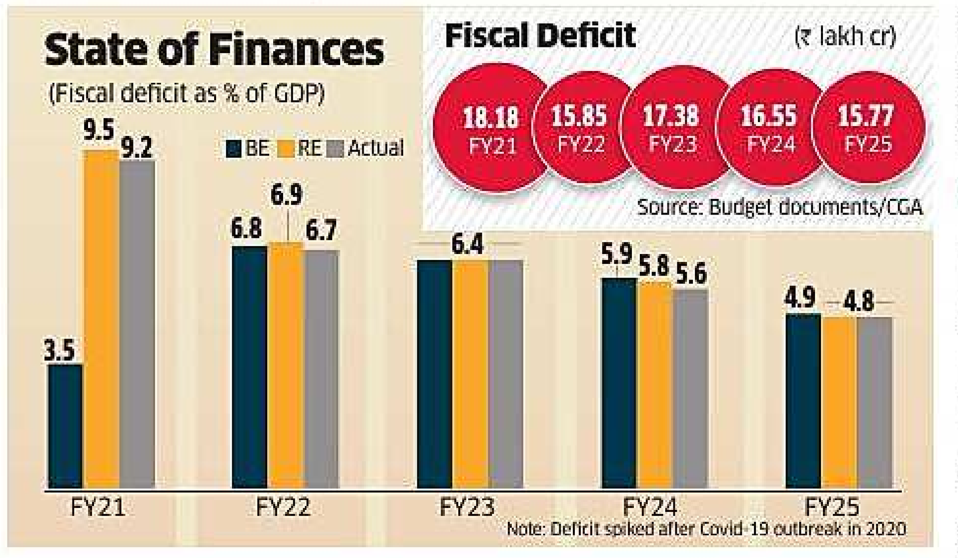
Our Bureau

New Delhi: The central government reined in its fiscal deficit at the targeted level of 4.8% of gross domestic product (GDP) in FY25, official data released Friday showed.

Although in absolute terms, the fiscal gap touched ₹15.77 lakh crore in FY25, a tad higher than the revised estimate of almost ₹15.70 lakh crore, the targeted ratio was realised due to a higher-than-expected nominal GDP, showed the data. Nominal GDP touched ₹330.68 lakh crore in FY25, against the projected ₹324.11 lakh crore.

The government, too, kept a lid on revenue spending, which nearly offset a shortfall in resource mop-up and an increase in capital expenditure last fiscal.

Revenue expenditure in FY25 stood at ₹36.04 lakh crore, trailing the revised estimate of ₹36.98 lakh crore.



Analysts said the Centre's goal of containing its deficit at 4.4% of GDP in the current fiscal seems all the more realistic now, especially after a record ₹2.69 lakh crore dividend transfer by the central bank earlier this month.

The government had in 2021 set a target to bring down its fiscal deficit to 4.5% of GDP by FY26 (from 9.2% in the Covid year of FY21). In the budget for FY26, it aimed to lower that target to 4.4%.

Capital spending, which had faltered in the early part of the last fiscal due to the general election and led to a cut in its initial target, hit Rs 10.52 lakh crore, exceeding the revised estimate of ₹10.18 lakh crore. Total expenditure in FY25 eased to ₹46.56 lakh crore from the revised estimate of ₹47.16 lakh crore, primarily due to lower revenue spending.

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The generous RBI dividend transfer will likely provide additional leeway of ₹60,000-70,000 crore to the government for enhanced expenditures, some analysts said. It may make up for any unaccounted for rise in defence expenditure on account of Operation Sindoor, they have said.

"The upward revision in the FY25 nominal GDP number also augurs well for meeting the deficit and debt-to-GDP targets for FY26," said ICRA chief economist Aditi Nayar.

Total receipts touched ₹30.78 lakh crore in FY25, down from the revised estimate of Rs 31.47 lakh crore, thanks to lower-than-expected tax revenue.

Net tax receipts eased about 2.3% from the revised estimate to ₹24.99 lakh crore, while non-tax revenue mop-up overshot the target marginally to touch ₹5.38 lakh crore.

APRIL DEFICIT AT 11.9% OF FY26 TARGET

Meanwhile, the fiscal deficit in the first month of the current fiscal hit 11.9% of the full-year target, against 13% a year before, primarily on account of higher revenue as well as capital expenditure.

In absolute terms, the April deficit touched ₹1.86 lakh crore, against ₹2.10 lakh crore a year before. The pace of capital spending in April shot 61% on-year to ₹1.60 lakh crore, while revenue expenditure jumped 21% to ₹2.57 lakh crore.

India's Economy Poised for Strong FY26 Growth: CEA

Robust private consumption and resilient services exports to drive expansion

Our Bureau

New Delhi: The Indian economy has achieved a 6.5% expansion in FY25 in a "growth-scarce" global environment, outshining other major economies, chief economic advisor V Anantha Nageswaran said on Friday.

The growth momentum had a strong start to the current fiscal as well, with key indicators in April suggesting strong industrial and commercial activity and a continuation of the traction witnessed in the March quarter, he said.

Nageswaran was briefing reporters after the release of the FY25 gross domestic product (GDP) data.

Conditions, he underscored, remain favourable for realising the growth rate of 6.3-6.8% in FY26, as projected in the Economic Survey released late January. The growth will be driven significantly by strong private consumption, especially the rural rebound, and resilient services exports, the CEA said.

This rate of expansion would enable India to beat Japan to emerge as the world's fourth-largest economy in FY26, as per the International Monetary Fund's forecast, he said.

While the IMF has predicted a 6.2% growth rate for India in FY26, some other agencies have pegged it at 6.3-6.7%.

Nageswaran said food inflation remains benign due to good rabi harvest, higher summer sowing, healthy procurement, and above-normal monsoon.

The easing of interest rates by the central bank and income tax relief provided by the government in the budget for FY26 are going to boost overall consumption. Capital formation in the private sector will likely pick up, as capacity utilisation levels are high, he said. Private investment intentions are gathering pace, with highest quarterly new investment project announcements in the three months through March. Capacity utilisation remained well above the long run average of 73.8%.

However, he cautioned against excessive optimism on this front, given the strong external headwinds. Nevertheless, private investments rose in FY25 from the previous year, he stressed.

CII ANNUAL CONFERENCE

Vision 2047: Mandaviya Pushes for 5-Point Strategy

Our Bureau

New Delhi: Labour and employment minister Mansukh Mandaviya outlined a five-pronged strategy that includes a citizen-centric growth model, an enabling environment for inclusive and sustainable development, leveraging India's demographic dividend, skilling India's youth, and nurturing a culture of innovation, responsibility, and national pride, to help transform India into a developed nation by 2047.

Speaking at the Confederation of Indian Industry's (CII) Annual Business Summit 2025 on Friday, Mandaviya called for a collaborative approach between government, industry, and academia to impart skills training to India's youth to cater to the global demand for a skilled workforce.

"Cluster-based industrial training institutes (ITIs) are being developed, where industry-relevant skills will be taught to trainees under the hub-and-spoke model," Mandaviya said.

According to Mandaviya, the 6-7% economic growth witnessed in India leads to wealth creation, increased purchasing power, job creation, and enhanced productivity.

India is one of the world's best investment destinations because of its large democracy, transparent judiciary, rising purchasing power, large market, and skilled workforce, Mandaviya said.

"The government's vision is grounded in India's demographic strength and cultural legacy. It is committed to leverage the nation's demographic advantage, as 65% of India's population is below the age of 35," he said.

India Fastest Growing Economy for Fourth Straight Year, says FM

New Delhi: Finance Minister Nirmala Sitharaman on Friday said India is sustaining its GDP growth momentum as the fastest-growing economy for the fourth year in a row, aided by manufacturing by small, medium and large industries, services and farm sector.

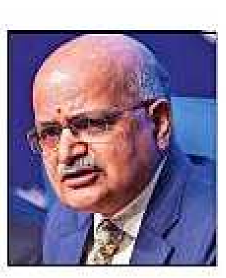
She said India's manufacturing sector has been "good" during the March quarter of 2024-25, which helped clock a GDP growth of 6.5% for the full fiscal.

"India is sustaining this growth as the fastest growing economy now for the fourth year continuously without a break, thanks to the work of small and medium, large industries, which are coming in and making sure our manufacturing capacity, our service capacity are all intact. Agriculture has also sustained us even during the Covid and subsequently," Sitharaman said.

Speaking at the Lakshmipat Singhania -IIM Lucknow National Leadership Award, the minister said that during the January-March quarter, there were views that industry was not investing enough, capacities were not increasing, and questioned its impact on the economy.—**PTI**

National Manufacturing Mission Soon: Niti CEO

New Delhi: The National Manufacturing Mission will have an overarching body with the authority to issue directions, exercise control, and ensure implementation of government initiatives to further elevate the manufacturing sector, said BVR Subrahmanyam, chief executive officer at government think-tank Niti Aayog. "We're in the final stages of that; probably in a month's time, it will probably get announced," Subrahmanyam said, addressing the Confederation of Indian Industry's annual conference on Friday.



"What we need is a body with teeth; a body which can get things done. So, we are looking at how it is to be structured, how it gets that kind of a muscle that it actually gets things done across multiple departments," he said. —**Our Bureau**

SUPPLIES AMPLE, SAYS MINISTER

'Oil Prices to Stay At $65 a Barrel'

Our Bureau

New Delhi: Oil prices will hover around $65 per barrel as ample supplies are available in the market, said Oil Minister Hardeep Singh Puri. "My sense is that with more supplies becoming available, prices will be close to $65, not $80 per barrel," Puri told an industry gathering on Friday. International benchmark Brent has been oscillating between $60 and $66 for a month amid increasing supplies from the producer group OPEC+ and rising demand uncertainties due to the US tariff war.

High spare production capacity is weighing on the oil market, Puri said. "Even when there are disruptions, the market knows that more supply is available," he added, noting that one has to be "intelligent" in using the opportunity provided by low oil prices.

"Obviously, when you have strategic reserves, you want to fill them up when the price is low." The government has allocated ₹5,600 crore in this year's budget to fill the partly-empty Strategic Petroleum Reserves. Puri said global supplies could further rise in the future if sanctions are lifted on Iran and Russia. "I'm optimistic that, at some stage, the (sanctions) issue will be resolved. Iran will become a major supplier again," he said, adding that Russia could also ramp up production.

AMAZON AVOIDS RAIN ON ITS CLOUD REVENUE IN INDIA

HC Rules in Favour of Amazon Web Services in Tax Battle

Upholds two-year-old ITAT order, says that AWS is not liable for royalty tax

Indu Bhan

New Delhi: Payments received by Amazon Web Services, from Indian entities for rendering cloud computing services are not taxable as royalty and fees for technical service (FTS), the Delhi High Court said Thursday, validating a nearly two-year old tax tribunal order that had ruled in favour of the American major.

A division bench of justices Vibhu Bakhru and Tejas Karia dismissed the income tax department's petition holding that rendering such services by Amazon cannot be taxed either under the Income Tax Act or the India-US Avoidance of Double Taxation and Prevention of Fiscal evasion with respect to taxes on income.

"We find no merit in the contention (of the department) that the amount received by the assessee for providing services would be taxable as equipment royalty," ruled the bench.

The court said that Amazon' customers did not acquire any right of using the infrastructure and software of the US service provider for the purposes of commercial exploitation.

The charges paid by Amazon's customers are for availing services, which the company provides by using its proprietary equipment and other assets, it also added.

"No part of its equipment or IPRs (Intellectual Property Rights) are alienated by the assessee (Amazon Web Services) in favour of its customers for their use," the court said in its 36-page judgement.

Therefore, the payments received cannot be considered as royalties within the meaning of Article 12(3) of the India-US Double Taxation Avoidance Agreement, it added.

The assessee had received certain payments from Indian entities for rendering cloud computing services, which, according to the income tax Assessing Officer (AO), were chargeable to tax as royalty and FTS under the Act as well as the DTAA.

'SERVICES, NOT IPR'

Amazon opposed this view, and claimed that its receipts were for providing standard cloud computing services, which cannot be chargeable to tax either as royalties or as FTS, thus it did not file its return of income.

DELHI HC VERDICT

Court said that Amazon customers did not acquire any right of using the infrastructure and software of the US service provider for the purposes of commercial exploitation

The company's customers that had remitted the charges to the assessee for services had not withheld any tax under Section 195 of the Act for the same reason.

Tax officials had initiated proceedings under Section 201/201(1A) in case of M/s Snapdeal (erstwhile Jasper Infotech), which had availed of the Amazon's services and had remitted funds to the latter as charges for the services rendered by the US company.

The AO was of the opinion that the amounts received by Amazon were chargeable to tax under Act. Accordingly, the assessing officer issued notices to Amazon under Section 148 and commenced proceedings for re-assessment for assessment years (AYs) 2014-15 and 2016-17.

In its final assessment order in 2023, the Assessing Officer determined Amazon's income chargeable to tax at ₹247.68 crore in respect of AY 2014-15 and ₹1,007.81 crore for AY 2016-17.

On appeal, the Income Tax Appellate Tribunal in August 2023 ruled in favour of Amazon, saying the customers were granted only a non-exclusive and non-transferable license to access the standard automated services offered by Amazon.

The tribunal's order was challenged by the department before the HC.

Inter-Ministerial Group Formed to Assess Quality Control Orders

Our Bureau

New Delhi: The government has set up an inter-ministerial group (IMG) to assess the quality control orders (QCO) proposed by various ministries.

The IMG will also examine the possibility of graded standards or exempting Indian manufacturers who meet a 'de minimis' standard from the requirement of obtaining BIS licences or third-party certification.

The group has been formed amid differences of views on the content and need for QCOs and aims to promote a "whole of government" approach, the Cabinet Secretariat said in an office memorandum.

"Implementation of such QCOs often has consequences for sectors handled by other ministries. There are also instances of differences of views on the content of/need for QCOs," the Cabinet Secretariat said.

The IMG comprises senior officials of the ministries of finance, commerce & industry, consumer affairs and the Bureau of Indian Standards (BIS), among others.

Ministries and departments will now have to obtain recommendations of the IMG before notifying any QCO.

As per the memorandum, any proposal for a QCO would have to be referred to the IMG to assess and evaluate the proposal, apart from the consultation with BIS.

The terms of reference of the IMG include evaluation of QCOs and making recommendations, examining requests from ministries and departments for reconsideration and review or modification of existing QCOs.

"In cases of unfair trade practices, it may assess whether the problem is generic and cross-cutting or country specific," it said, adding that the IMG may use quantitative criteria such as a scoring methodology of restrictiveness and qualitative criteria based on relative merits/demerits.

Besides having special regard for the interests of Indian MSMEs, the IMG may explore or examine the possibility of graded standards, specifying different quality levels for the same product, alternate ways of implementing QCOs such as exempting Indian manufacturers who meet a 'de minimis' standard from the requirement of obtaining BIS licences, self certification and third-party certification etc.

In case the QCO imposes standards that are not aligned with international levels, there should be a strong justification which should be recorded, keeping in mind the costs that may arise to exporters and others from such differential.