Chapter 3

RESOURCES: TRENDS AND COMPOSITION

3.1 An important pre-requisite to appreciating the performance of the Union Government is a complete grasp of the resource position, as the quantum of resources in any particular fiscal year determines the expenditure threshold of the Government.

The components and sub-components of Union receipts (Total Resources net of opening cash balance) for the year 2009-10 have been categorised in **Box 3.1**.

Box 3.1: Components and Sub-Components of Total Resources

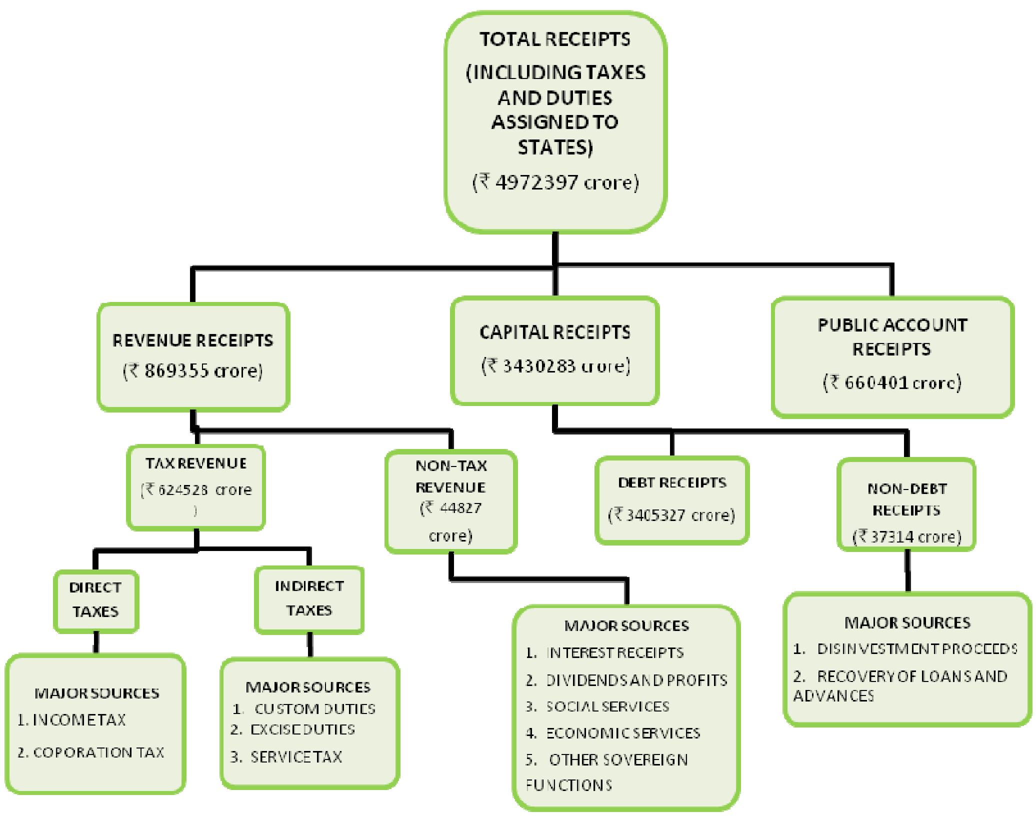


Table 3.1: Components of total receipts: Relative share and trends

(₹ in crore)

Period	Revenue Receipts#	Capital Receipts		Gross Accruals in Public Account	Total Receipts*	GDP at market prices*
		Gross Non-Debt Capital Receipts	Gross Debt Receipts			
X Plan (2002-07) Average	477466	45989	917229	393933	1834616	3317483
Relative share *(Per cent)*	26	3	50	21	100	
2007-08	801226	49187	1868102	460981	3179496	4947857
Relative share *(Per cent)*	25	2	59	15	100	
2008-09	814026	14075	2395765	584478	3808344	5574449
Relative share *(Per cent)*	21	negligible	63	15	100	
2009-10	869355	37314	3405327	660401	4972397	6231171
Relative share *(Per cent)*	18	1	68	13	100	
Annual Rate of Growth *(per cent)*						
X Plan (2002-07) Average	15.62	(-) 29.02	42.05	9.33	24.97	14.18
2007-08	24.08	155.85	13.59	1.31	15.01	15.50
2008-09	1.60	(-)71.38	28.25	26.79	19.78	12.66
2009-10	6.80	165.11	42.14	12.99	30.57	11.78

 # Includes figures of taxes and duties assigned to States (₹ 1,64,832 crore for 2009-10).

*The Central Statistical Organization (CSO), Ministry of Statistics and Programme Implementation Bureau Press Note dated 31st May, 2010 has indicated that the Revised Estimate figures for GDP at current prices/Market prices is ₹ 62,31,171 crore. Figures are continually being revised by CSO and this data is meant for an indicative comparison of fiscal performance with macro-economic performance.

Note: Figures indicating relative shares have been rounded off to the nearest integer and hence the total may not always add to 100. Negligible refers to figures where the share of the sub-component is less than 0.5 *per cent* of Non Tax revenue.

Debt Receipts constitute the single largest component of total receipts. Compared to an average of around 50 *per cent* of the total receipts during the X plan, the share increased considerably in the first three years of the XI plan averaging 64 *per cent* of total receipts. During the current year, the share of debt receipts was 68 *per cent* of the total receipts. This was because there was a growth of 42 *per cent* over the previous year in debt receipts. While a balanced budget can not be conceived of in an emerging economy like India, huge borrowings adversely impact the ability of future governments to plan their expenditure since principal and interest payments are committed liabilities. The higher the committed payments are, the less room future governments have for operational expenditure.

Apart from debt receipts, capital receipts include **Non-Debt Receipts** such as disinvestment of Public sector and other undertakings and recovery of loans and advances, which constitute an insignificant share in total receipts. They also show considerable variance in growth in different years and are, therefore, not a predictable source of receipts. In the current year, non-debt capital receipts showed a considerable growth (165 *per cent*) over the previous year. One reason for this is that in the previous year, there was a negative growth in non-debt capital receipts and hence, the base on which growth is calculated is low. The other reason is that there was considerable disinvestment of minority equity of Government shares in central public sector undertakings[1] this year and a sum of ₹ 23,599 crore (including premium of ₹ 21,366 crore) was collected under this account. Further details are provided in **para 3.6**.

The share of **Revenue Receipts** has fallen from an average of 26 *per cent* of total receipts in X Plan to 21 *per cent* in the first three years of the XI Plan. The fall in share was considerable in the current year due to the general slow down in the economy. Growth in revenue receipts picked up from less than 2 *per cent* in the previous year to almost 7 *per cent* in the current year indicating that the recession had bottomed out. Further analysis of revenue receipts is provided in **para 3.3**.

Public Account refers to those receipts for which Government acts as a banker for the public (**Chapter-1, Box-1.1**). The share of this component of receipts was lower in the first three years of the XI Plan than it was during the X plan period. Year on year growth in Public Accounts show huge variance and hence, this resource cannot be controlled by the Government. In 2009-10, there was almost 13 *per cent* growth in receipts to Public Accounts compared to the previous year. Maximum growth was seen in National Small Savings Fund (42 *per cent*), State Provident Funds (38 *per cent*), Deposits and Advances (44 *per cent*) and in Remittances (197 *per cent*). There was considerable negative growth (minus 87 *per cent*) in Special Deposits and Accounts primarily due to smaller issue of petroleum bonds (minus 86 *per cent*) and non-issue of special bonds to fertilizer companies as compared to the previous year.

3.2 Share of net receipts in GDP:

The receipts and disbursements, particularly those relating to public debt and Public Account, appear on gross basis in the Finance Accounts. Accommodation by way of Ways and Means Advances (WMA) and 14-day Treasury Bills are short-term measures and provide a cover for temporary mismatches. Similarly, accrual in Public Account, is also reported on a gross basis, and needs to be netted out to provide a realistic picture. In view of this, it is more realistic to net the impact of WMA and 14-day Treasury Bills operations of the Government on its resources to arrive at its effective receipts.

[1] Please refer Table 3.10 for details

Table 3.2: Revised receipts and its share in GDP

(₹ in crore)

Year	Revenue Receipts*	Non-Debt Capital Receipts	Debt Receipts**	Net Receipts of WMA	Net Receipts from Treasury Bills	Net Public Account Accruals	Total Net Receipts	Total Receipt/ GDP (*Per cent*)
2002-03	355948	41896	206830	(-) 5176	3134	37011	639643	25.34
2003-04	404866	86780	297096	0	1626	(-) 22650	767718	27.10
2004-05	455466	68664	326960	0	7354	27119	885563	27.34
2005-06	525325	13382	369247	0	24733	3514	936201	25.26
2006-07	645723	19225	408517	0	136	48639	1122240	26.20
2007-08	801226	49187	633418	0	29154	35721	1548706	31.30
2008-09	814026	14075	671488	0	30033	68862	1598484	28.68
2009-10	869355	37314	882979	0	-2995	28268	1814921	29.13

** Includes figures of taxes and duties assigned to States*
*** Net of receipts of Ways and Means Advances and Treasury Bills*

Table 3.2 indicates the impact of such neutralisation on the total receipts and on the ratio of total receipts to GDP for the last eight years. The net receipts of the Union Government for 2009-10 declined by ₹ 31,45,418 crore from the gross figure of ₹ 49,72,397 crore to ₹ 18,14,921 crore (a reduction of around 64 *per cent*). Similarly, while **Table 3.1** indicates that the gross receipts to GDP ratio was as high as around 80 *per cent,* **Table 3.2** indicates that after netting, the net resource ratio to GDP is only 29 *per cent* .

3.3 Revenue receipts: Movement of major aggregates

Part of the gross tax receipts are shared with State Governments according to the recommendations of the Finance Commission. Tax receipts of the Union Government (net of the States' share from its gross tax collections) increased at an average annual rate of around 22 *per cent* during the X Plan while non-tax revenue increased at a lower rate of around five *per cent* during the corresponding period. In comparison to this rate, net tax receipts grew only by around 3 *per cent* in 2009-10, while the growth in non-tax receipts was around 17 *per cent*. It may be noted that the previous year 2008-09 was marked by very low growth in both tax and non-tax receipts because of the general economic slowdown.

Table- 3.3: Composition and trends of revenue receipts

(₹in crore)

Period	Gross Tax Revenue	States' share in Taxes	Net Tax Revenue	Non Tax Revenue *	Net Revenue of the Union
X Plan (2002-07) average	323047	83040	240007	154419	394426
Relative Share (per cent)			*61*	*39*	*100*
XI Plan (2007-12)					
2007-08	593147	151800	441347	208079	649426
Relative Share (per cent)			*68*	*32*	*100*
2008-09	605298	160179	445119	208728	653847
Relative Share (per cent)			*68*	*32*	*100*
2009-10	624528	164832	459696	244827	704523
Relative Share (per cent)			*65*	*35*	*100*
Average Annual Rate of Growth *(per cent)*					
X Plan (2002-07)	21.31	20.76	21.50	4.86	14.59
XI Plan (2007-12)					
2007-08	25.27	26.15	24.96	20.83	23.61
2008-09	2.05	5.52	0.85	0.31	0.68
2009-10	3.18	2.90	3.27	17.29	7.75

*Note: *Non Tax Revenue includes Grants in Aid provided by International Agencies as well as receipts from Railways, Posts and Departmental Undertakings.*

Non-tax revenue constituted on an average 39 *per cent* of the net revenue of the Union Government during the X Plan period 2002-2007 (**Table 3.3**). There has been a deceleration in the share of non-tax revenue in net revenue receipts of the Union. In the first three years of the XI Plan, the average share dropped to around 33 *per cent*. There was, however, considerable growth under this category in the current year (17 *per cent*). A detailed analysis of the sub-components of non-tax revenue is provided in **para 3.5** of this chapter.

3.4 Major taxes: Relative performance

In the current year the growth rate of corporation tax and income tax picked up considerably compared to the previous year while customs, excise and service tax receipts showed negative growth.

Table 3.4: Components of Tax Revenue (gross)

(₹ in crore)

Period	Total Gross Tax Revenue#	Corpo-ration Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others**
X Plan (2002-07) average	323047	87602	51720	60497	100210	17373	5645
XI Plan (2007-12)							
2007-08	593147	192911	102659	104119	123611	51302	18545
2008-09	605298	213395	106075	99879	108613	60941	16395
2009-10	624528	244725	122417	83324	102991	58422	12649

(₹ in crore)

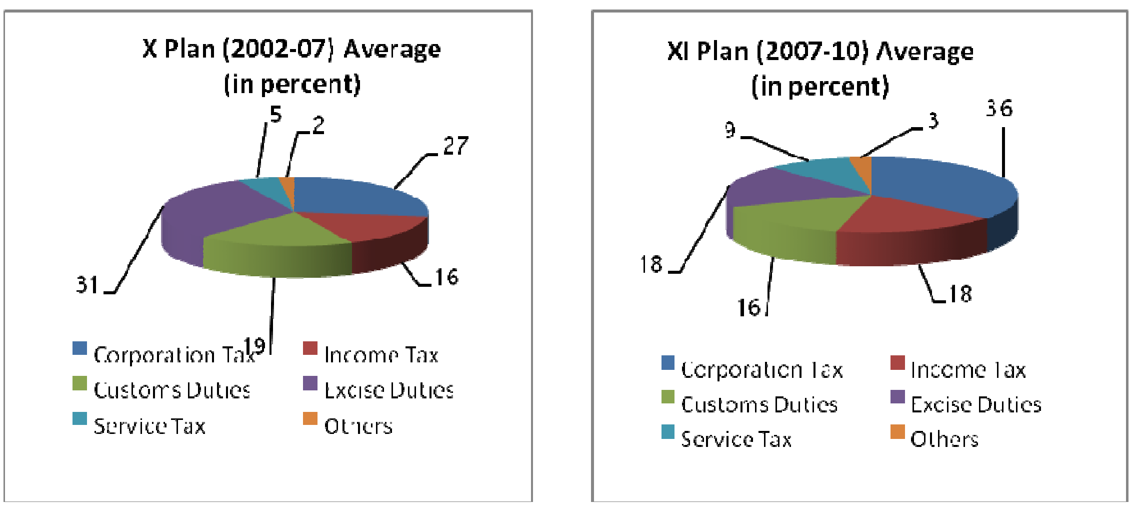
Period	Total Gross Tax Revenue#	Corpo-ration Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others**
Average Annual Rate of Growth (*per cent*)							
X Plan (2002-07)	21.31	31.59	18.83	17.36	9.60	73.21	68.93
XI Plan (2007-12)							
2007-08	25.27	33.67	36.71	20.61	5.10	36.45	47.62
2008-09	2.05	10.62	3.33	(-)4.07	(-)12.13	18.79	(-)11.59
2009-10	3.18	14.68	15.41	(-)16.58	(-)5.18	(-)4.13	(-)22.85

** Service Tax was introduced in 1994-95 # Includes figures of taxes/duties assigned to States/UTs.*
*** Other taxes include Hotel Receipts Tax, Interest Tax, Wealth Tax, Gift Tax, Fringe Benefit Tax, Securities Transactions Tax, Banking cash Transaction Tax etc.*

Note: Figures indicating relative shares have been rounded off to the nearest integer and hence, the total may not always add to 100. Negligible refers to figures where the share of the sub component is less than 0.5 per cent of Gross Tax revenue.

The key reasons for the decrease of ₹ 2,519 crore in the Service Tax collection was reduction in the rate of taxes from 12 *per cent* to 10 *per cent* in the year 2009-10. Apart from reduction in rates, the other factors responsible for reduction in collection was exemptions from payment of service tax granted to exporters on services received from Goods Transport Agents, on transportation through passenger vehicles having contract carriage permits, on packing/cargo handling/warehousing provided to Goods Transport Agents en route, etc.

Chart 3.1 : Components of Tax Revenue – Relative share



As indicated in **Chart 3.1**, the share of direct taxes (Corporation tax and income tax) has been increasing in the total tax receipts in the first three years of the XI Plan compared to the corresponding share in the X Plan. The shares of customs duties and excise duties have been falling in the first three years of the XI Plan as compared to the X Plan. The share of service tax, however, has been much higher in the recent years compared to the X Plan period because of larger collection of service tax due to increase in rates as well as increase in tax base. At present 116 services are subjected to service tax. In the current year, 5 new services were brought under the service tax net and ₹ 142 crore was collected from these five service providers. There was a decrease in service tax collection by ₹ 2,519 crore in the current year compared to the previous year. Items which showed major decrease in revenue collection in service tax in the current year are given in **Box 3.2**.

Box. 3.2 Negative Growth of Service Tax in 2009-10 compared to 2008-09 occurred under the following heads

		Reduction of revenue (₹ in crore)
❖	Tax on Telephone billing	1506
❖	Tax on General Insurance Premium	154
❖	Advertising Services	171
❖	Consulting engineer services	182
❖	Real estate agent /consultant services	108
❖	Management consultant services	203
❖	Business Auxiliary services	501
❖	Maintenance and Repair services	60
❖	Transport of goods by road	582
❖	Construction services in respect of commercial or industrial buildings and civil structures	228
❖	Construction of residential complex having more than twelve houses	107
❖	Credit\debit card, change card related services	284
❖	Services provided by a telegraph authority in relation to telecom	239
❖	Services provided in renting of immovable property for use in further some business or commerce	563
❖	Education cess	171

3.4.1 Tax buoyancy: This refers to the built-in elasticity of growth in tax revenue in relation to economic growth and development of a country. Tax buoyancy not only depends upon tax policy and administration but also on the general performance of the economy. Assuming that GDP is a good indicator of the performance of the economy, the buoyancy coefficients indicate the rate of percentage growth of various taxes in comparison to one *per cent* increase in the GDP (the tax base).

Table 3.5: Buoyancy of major taxes

(per cent)

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
X Plan (2002-07) Average	1.502	2.227	1.327	1.224	0.677	5.162
XI Plan (2007-12)						
2007-08	1.630	2.173	2.369	1.330	0.329	2.352
2008-09	0.162	0.838	0.263	(-)0.322	(-)0.958	1.484
2009-10	0.270	1.246	1.308	(-)1.407	(-)0.439	(-)0.351

Tax buoyancy was more than one in the X Plan (1.502) mainly on account of the revival of growth especially in the industrial sector of the economy on which the tax collections of the government critically depend. The other important factor behind the high tax buoyancy was the increase in the rate of service tax as well as the widening of its base by inclusion of new services into the tax net. In the year 2007-08, all components of gross tax revenue (with the exception of excise duties) had a buoyancy of greater than one. In fact for every one *per cent* increase in GDP, there was more than 2 *per cent* increase in corporation tax, income tax and service tax. However, in the last two years, when there was an industrial slowdown, there was significant negative growth of indirect taxes but the current year was marked with a negative growth in service tax as well.

The policy of expanding the tax base rather than increasing the rate and moving towards CENVAT rate, reduction in excise duty on identified goods and granting exemption to others has been mainly responsible for slow pace in the collections under the excise duty. The declining share of customs and excise duties in the total tax receipts of the Union despite the buoyant GDP growth indicates towards their diluted role as a revenue-generating device in the wake of the tariff reductions associated with trade liberalization.

3.5 Non-tax revenue

Non-tax revenues of government could be considered as being composed of two components: income from its sovereign functions like judiciary, police, currency and coinage, etc., and income arising from its assets/investments either as intermediation returns or dividends or user charges such as Railways, Posts and Departmental Undertakings. While the revenue from sovereign functions, financial intermediation and investment are in terms of actual realisation, income from social and economic services is on gross basis and is not netted of the operating costs of service delivery. Further, dividend income also includes the surplus transferred from the Reserve Bank of India and is akin to seignorage (seignorage is non-inflationary increase in money stock) rather than investment related.

3.5.1 Shift in relative share of the various sub-components of Non-tax revenue (NTR):

Interest receipts as a *per cent* of total non tax receipts, reduced significantly from the X Plan average of 24 *per cent* to a low 17 *per cent* in 2007-08 and 15 *per cent* each in 2008-09 and 2009-10. The fall in share in recent years was on account of the implementation of the debt swap scheme that resulted in a reduced corpus of outstanding loans with lower interest rates and consolidation and re-schedulement of outstanding loans at lower rate of interest under the scheme of Debt Consolidation and Relief Facility scheme recommended by the Twelfth Finance Commission for the award period 2005-06 to 2009-10.

There was an upward trend in the share of dividends and profits in 2007-08 and 2008-09. The share reached almost 21 *per cent* in 2009-10. This component is mainly made up of dividends from Public Sector Undertakings, contribution of Railways, share of surplus profits from RBI, LIC and nationalised banks and dividends from other investments.

Table 3.6: Non-Tax Revenue- Relative Composition of Sub-Components and Trends

(₹in crore)

Period	Total Non-Tax Revenue #	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions **
X Plan (2002-07) Average	154419	37023	24018	687	77953	14738
Relative share *(Per cent)*	100	24	16	Negligible	50	10
XI Plan (2007-12)						
2007-08	208079	34612	34500	742	120998	17227
Relative share *(Per cent)*	100	17	17	Negligible	58	8
2008-09	**208728**	**30846**	**38608**	**540**	**118146**	**20588**
Relative share *(Per cent)*	100	15	19	Negligible	57	10
2009-10	**244827**	**35849**	**50250**	**713**	**133038**	**24977**
Relative share *(Per cent)*	100	15	21	Negligible	54	10
Average Annual Rate of Growth						
X Plan (2002-07)	4.86	(-) 13.56	8.65	16.07	13.07	5.59
XI Plan (2007-12)						
2007-08	20.83	30.35	17.71	58.89	20.44	11.75
2008-09	0.31	(-)10.88	11.91	(-)27.22	(-)2.36	19.51
2009-10	17.29	16.22	30.15	32.04	12.60	21.32

Note: Figures indicating relative shares have been rounded off to the nearest integer and hence, the total may not always add to 100. Negligible refers to figures where the share of the sub-component is less than 0.5 per cent of Non Tax revenue.

 # includes Grants in Aid provided by International Agencies.

Social Services include education, health, water supply, sanitation and social security etc.

Economic Services include dairy development, animal husbandry, fisheries, forestry, plantation, food storage and warehousing, agricultural and rural development programmes, user charges for irrigation, provision of energy, receipts of PSEs and government undertakings like Railways, Posts, Shipping etc.

*** Fiscal services and other General Services (Police, Public Works, Stationery and Printing etc.)*

Non-tax revenue from dividends and profits (inclusive of surplus transferred from the Reserve Bank of India) was the component growing fastest in recent years. Compared to the X Plan average annual growth of nearly 9 *per cent*, in the first three years of the XI Plan, dividends and profits have been growing at an average of around 20 per *cent* with maximum growth of more than 30 *per cent* in the current year. As the economy recovers, receipts under this head could contribute significantly to the non-tax revenues of the country.

Receipts under Economic services (mainly power, petroleum, crop husbandry and animal husbandry) have a large share of over 50 *per cent* in the NTR basket. Rationalisation of user charges and better service provision could increase collections under this head in the medium term.

Table 3.7: Growth in Petroleum receipts

(₹in crore)

Years	Profit on Petroleum	Petroleum Concession Fees and Royalties	Receipts under the Petroleum Act	License Fees and Mining Lease Rent	Commercial Discovery Bonus	Other Receipts	Total
2004-05	2690	2572	20	37	0	0	5319
2005-06	3278	2422	19	63	0	0	5782
2006-07	4342	3332	23	102	0	520	8319
2007-08	4199	3498	22	72	2	52	7845
2008-09	5036	3289	16	43	0	109	8493
2009-10	5926	4266	28	72	0	39	10331

From 2004-05 onwards, petroleum receipts accounted for around 4 to 5 *per cent* of the non-tax revenue basket. As observed in **Table 3.7**, profit on petroleum, which accounted for 50 *per cent* share in 2004-05, continued to remain the major contributor to petroleum receipts in 2009-10 (around 57 *per cent*). The relative share of the other significant sub-components under petroleum receipts viz. petroleum concession fees and royalties fell from around 48 *per cent* in 2004-05 to around 41 *per cent* in 2009-10.

Table 3.8 Growth in Telecom receipts

(₹in crore)

Years	Receipts of the Monitoring Organisation	Receipts from Wireless Planning and Coordination Organisation	Telecom License Fee	Universal Access Levy	Other Receipts	Refunds	Total
2004-05	0	1040	6038	778	120	0	7976
2005-06	13	1372	3433	3215	2032	0	10065
2006-07	0	2090	3097	3941	3336	0	12464
2007-08	0	3056	3449	5406	14818	0	26729
2008-09	0	3455	3996	5515	156	(-)124	12998
2009-10	0	3810	4001	5778	2291	0	15880

Another important component of non-tax revenue has been Telecom receipts which accounted for around 5 *per cent* of the NTR basket in 2004-05 and increased to around 13 *per cent* of the basket in 2007-08. The share of telecom receipts to the total NTR fell significantly in 2009-10 to above 6 *per cent*. **Table 3.8** indicates that telecommunication licence fee which had a very high relative share among telecom receipts in 2004-05 (around 76 *per cent*) had a significantly lower share in 2009-10 (around 25 *per cent*). In comparison, the share of receipts from Wireless Planning and Co-ordination Organisation increased from around 13 *per cent* in 2004-05 to 24 *per cent* in 2009-10 and the share of Universal Access Levy increased from around 10 *per cent* in 2004-05 to as much as around 36 *per cent* in the current year.

3.6 Non-debt capital receipts

Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. **Table 3.9** gives the details of non-debt capital receipts from disinvestment and recovery of loans and advances given by the Union Government to State and Union Territory governments, foreign governments, government corporations, non-government institutions and government servants. This table also indicates the budget estimates and actual realisation of the proceeds from disinvestment along with actual recovery of loans and advances of the Union Government.

Table 3.9: Realisation from disinvestment and recovery of loans in the last decade

Period	Disinvestment			Recovery of Loans		
	Budget Estimates	Actual Realisation	*Per cent* Realisation	Budget Estimates	Actual Realisation	*Per cent* Realisation
	(₹ in crore)			*(₹ in crore)*		
2002-03	12000	3149	26.24	20080	38745	192.95
2003-04	13200	16632	126.00	20523	69827	340.24
2004-05	4000	4363	109.10	29625	64240	216.84
2005-06	0.0	1570	--	13525	11801	87.25
2006-07	3840	534*	0.00	9530	18691	196.13
2007-08	1651	4387	265.72	3030	10391	342.94
2008-09	1165	22	1.89	5993	13509	225.41
2009-10	1120	23599+	2107	5720	12733	222.61

**mainly on account of issue of bonus shares by Oil and Natural Gas Commission.*

+please refer Table 3.10 for details

3.6.1 Trends in disinvestment proceeds in the last decade: From January 2005 onwards, the Government set up a National Investment Fund (NIF). The proceeds from disinvestment of Central Public Sector Enterprises are channelized into the NIF, which is maintained outside the Consolidated Fund of India. The trends in miscellaneous capital receipts (MCR), i.e. disinvestment proceeds indicate wide fluctuations during the last five years from 2005-06 to 2009-10. While ₹ 1,570 crore were booked as MCR on account of disinvestment of government equity in public sector and other undertakings during 2005-06 (against the 'nil' budget estimates for the year), during 2006-07, (against the budget estimates of ₹ 3,840 crore on account of partial disinvestment of equity holdings in Central Public Sector Enterprises), there was no receipt on account of disinvestment of government equity during the year. However, the receipt of ₹ 534 crore was booked under capital receipts mainly on account of issue of bonus shares by Oil and Natural Gas Commission. During 2007-08, the actual realisation from disinvestment at ₹ 4,387 crore in Finance Accounts was nearly three times of the budget estimates (₹ 1,651 crore) for the year. During the current year, ₹ 23,599 crore (including premium of ₹ 21,366 crore) was actually realised from disinvestment in Central Public Sector Undertakings (as shown in **Table 3.10** below) as against budget estimate of ₹ 1,120 crore.

Table 3.10 Disinvestment proceeds from sale of minority shareholding in Central Public Sector Enterprises (CPSE) during 2009-10

(₹ in crore)

S. No.	Name of CPSE	Total value realised
1.	**National Hydroelectric Power Corporation Limited (NHPCL):** Government on 8th February, 2007 approved disinvestment of 5% equity of the company out of Government's shareholding along with the fresh issue of equity of 10% of the pre-issue paid-up capital of NHPC Ltd. The IPO was completed in August 2009 and Government realized an amount of ₹ 2012.85 crore.	2012.84
2.	**National Mineral Development Corporation Limited (NMDC)** : Government offered **8.38% pre Issue paid-up capital** of NMDC Limited out of Government's shareholding through follow-on public offering in March 2010 and realized an amount of ₹ 9930.42 crores.	9930.42
3.	**National Thermal Power Corporation Limited (NTPC)**: Government offered **5% pre Issue paid-up capital** of NTPC Limited out of Government's shareholding through follow-on public offering in February 2010 and realized an amount of ₹ 8480.10 crore.	8480.10
4.	**Oil India Limited (OIL)**: Government on 30th August, 2007 approved disinvestment of 10% equity of the company out of Government's shareholding along with the fresh issue of equity of 11% of the post-issue paid-up capital of Oil India Limited and to simultaneously **disinvest 10%** equity in favour of IOC, HPCL and BPCL in the ratio of 2:1:1, at the market discovered price. The IPO was completed in September 2009 and Government realized an amount of ₹ 2247.05 crore.	2247.05

(₹ in crore)

S. No.	Name of CPSE	Total value realised
5.	**Rural Electrification Corporation Limited (REC)** : Government offered **5% pre Issue** paid-up capital of REC Limited out of Government's shareholding in conjunction with issue of fresh equity of 15% by the Company through a follow-on public offering in March 2010 and Government realized an amount of ₹ 882.52 crore.	882.51
6.	**Cochin Shipyard Limited**	40.00
7.	**Hindustan Paper Corporation Ltd**	5.68
	Total	**23598.60**

On 27th January 2005, the Government had decided to constitute a "National Investment Fund" (NIF) outside the Consolidated Fund of India, to channelize proceeds from sale of minority shareholding of the Government in profitable CPSEs. The income from the Fund would be used for investment in social sector projects and Capital investment in selected profitable and revivable Public Sector Enterprises.

In view of the difficult economic situation caused by the global slowdown of 2008-09 Government in November 2009 decided to give one time exemption for utilization of proceeds from disinvestment of CPSEs for a period of three years - from April 2009 to March 2012 – i.e. disinvestment proceeds during this period would be available in full for investment in specific social sector schemes decided by Planning Commission/Department of Expenditure. The status quo ante will be restored from April 2012. However, the existing corpus of the NIF shall remain untouched and continue to be managed by the Fund Managers. The disinvestment proceeds are being used for funding the capital expenditure under the social sector schemes of the Government, namely:-

(i) Mahatma Gandhi National Rural Employment Guarantee Scheme
(ii) Indira Awas Yojana
(iii) Rajiv Gandhi Gramin Vidyutikaran Yojana
(iv) Jawaharlal Nehru National Urban Renewal Mission
(v) Accelerated Irrigation Benefits Programme
(vi) Accelerated Power Development Reform Programme

Further, under the revised accounting procedure, the disinvestment proceeds collected during the period 1 April 2009 to 31 March 2012 were to be transferred to NIF under the minor head '8452-102-Disinvestment proceeds of Government of India for the period from 1.4.2009 to 31.3.2012'. Scrutiny of the Union Finance Accounts 2009-10 revealed that the said minor head had not been opened and the booking of transfers to / from NIF of ₹ 23,552.97

crore had been done under the existing minor head '8452-101-Proceeds of Disinvestment of Government equity holding including premium'.

3.6.2 Trends in recovery of loans: With the prepayment of high cost loans by States as well as by some public sector undertakings under the debt swap scheme in 2003-04 and 2004-05 to take advantage of the soft-interest regime, the receipts under recovery of loans showed a predictable decline since 2005-06. The recovery of loans not only significantly declined from the previous year but fell short of the meagre budget target of ₹ 13,525 crore during 2005-06. Given the fact that the role of Union Government as financial intermediary for the State Government has been discontinued based on the recommendation of the Twelfth Finance Commission and the outstanding loans of States from the Union Government has been rescheduled at reduced rate of interest under Debt Consolidation and Relief Facility (DCRF), the budget estimates for recovery of loans was steeply reduced by the Union Government during 2006-07 and 2007-08. Owing to the comfortable fiscal position of the States, recovery of loans from States in recent year's vis-à-vis budget estimates has improved. For the year 2008-09 and 2009-10, the budget estimate was realized by more than two times.

Other capital receipts consist of borrowing and accruals in the Public Account, which are debt creating in nature and are discussed in later chapters.

3.7 The gap between Budget Estimates and Finance Accounts of Key Revenue related Variables.

In this para, an effort has been made to capture the deviation in actual performance of key revenue variables in 2009-10 (as emerging from the Finance Accounts) over what was estimated in the Budget for that year. The Twelfth Finance Commission's revenue estimates for 2009-10[2] have also been compared to actual figures to get an idea of the deviation in actual data from what was estimated at the time of the Twelfth Finance Commission award.

[2] as given in Annex 5.2 of the Report of the Twelfth Finance Commission (2005-10)

Table 3.11: Deviation in Key Revenue Parameters – A Comparison of Actual Performance in 2009-10 vis a vis Budget Estimates (BE) and Estimates of the Twelfth Finance Commission (TFC)

(₹in crore)

Parameters	Actual	BE ^	Deviation of Actual as a *per cent* of BE	TFC Estimates	Deviation of Actual as a *per cent* of TFC estimates
(1) Gross Tax Revenue	624528	641079	(-)3	595485	5
(2) State's Share of Taxes	164832	164362	1	159070	4
(3) Net Tax Revenue {(1)-(2)}	459696	476717	(-) 4	434815	6
(4) Tax Revenue					
(a) Corporation Tax	244725	256725	(-) 5	203509	20
(b) Income Tax	122417	106800	15	104187	17
(c) Customs	83324	98000	(-) 15	76802	9
(d) Excise	102991	106477	(-) 3	172933	(-) 40
(e) Service Tax	58422	65000	(-)10	36701	59
(5) Non Tax Revenue	244827	269198	(-)10	123151	99
Of which					
(a) interest receipts	35849	27099	32		
(b) profits and dividends	50250	49750	1		
(6) Capital Receipts	3444141	2246218	53	189883	1714

^ Source: Annual Financial Statement – 2010-11

When we compare the actual receipts with the budget estimates, it is observed that major negative variations were in Customs (15 *per cent)*, Service tax (10 *per cent)* and Corporation tax (*5 per cent)*. In the case of capital receipts and Income tax receipts there was a positive variation were 53 and 15 *per cent* respectively, compared to budget estimates.

3.8 Future Prospects

The economy is showing signs of recovery and every effort should be made to increase the proportion of non-debt receipts in total resources through tax rationalization (as envisaged in the Direct Tax Code and the Goods and Service Tax Bill, both of which will come in to force before the end of the XI Plan period), reduction in tax administration expenses, control of evasion etc. However, as pointed out by the XII Finance Commission, in order to achieve fiscal consolidation, expenditure adjustments at the Centre should be resorted to rather than excessive reliance on revenue growth.