

CHAPTER III: GROWTH OF RECEIPTS

3. Receipts of the Union Government

Receipts of the Union Government consist of revenue receipts and capital receipts. Revenue receipts are the major source of income of the Union Government, which mostly come from taxation and other allied activities. On the other hand, capital receipts, which are classified in the accounts as miscellaneous receipts, embrace receipts from disinvestment of equities and value of bonus shares.

3.1 Revenue Receipts

Revenue receipts consist of tax revenue, non-tax revenue and others. Tax revenue comprises proceeds of taxes and other duties levied by the Union Government viz. taxes on income and expenditure, customs, union excise duty etc. Non-tax revenue comprises interest receipts, dividends and profits, receipt from miscellaneous general services, broadcasting, petroleum, power, railways, post and telecommunications and receipts from Grants-in-aid and contributions.

The gross revenue receipts including share of net proceeds of taxes on income other than corporation tax assigned to states, which is not accounted for in the Finance Accounts and is being directly transferred to the respective states during the last five years were as under:

Table 3.1 : Growth of revenue receipts
(Rupees in crore)

Year	Budget estimate	Actual receipts (gross)	Share of net proceeds of taxes on income other than corporation tax assigned to states	Revenue receipts as per accounts (3-4)	Increase over the previous year (with reference to col. 3)	% age increase	% age of GDP
1	2	3	4	5	6	7	8
1998-99	261260	254369	14480	239889	22562	9.73	14.43
1997-98	246766	231807	13508	218299	24573	11.85	14.83
1996-97	211662	207234	13516	193718	27389	15.22	16.23
1995-96	170320	179845	11274	168571	24615	15.85	16.37
1994-95	151126	155230	8560	146670	27861	21.87	16.41

Revenue receipts decreased from 16.41 to 14.43 per cent of GDP over the last five years.

In five years, the gross revenue receipts increased from Rs 155230 crore in 1994-95 to Rs 254369 crore in 1998-99, an increase of 63.87 per cent. Over GDP, however, it declined by 1.98 per cent in the same period. Not only did the revenue receipts as percentage of GDP continued its decline, the growth in revenue receipts in absolute terms over the previous year also declined. This is suggestive of sluggishness of fiscal measures.

Rise in revenue receipts during 1998-99 over 1997-98 was mainly due to increase in receipts from corporation tax: Rs 4513 crore, taxes on income other than corporation tax: Rs 3139 crore, customs: Rs 475 crore, union excise duties: Rs 5285 crore, service tax: Rs 370 crore, other taxes and duties on commodities and services: Rs 132 crore, currency, coinage and mint: Rs 81 crore, interests: Rs 4733 crore, miscellaneous general services: Rs 362 crore, dividends & profits: Rs 1466 crore, police: Rs 98 crore, telecommunication: Rs 3157 crore, railways commercial lines revenue: Rs 1003 crore, defence services: Rs 791 crore, power: Rs 1029 crore, petroleum: Rs 7026 crore, industries: Rs 55 crore and postal: Rs 156 crore.

3.2.1 Tax revenue

Following table depicts growth of tax revenue over the last five years since 1994-95 and last years of seventies and eighties i.e. 1978-79 and 1988-89 as also the percentage of tax revenue to the total revenue receipts. The figures of tax revenue include share of net proceeds of taxes on income other than corporation tax assigned to states, which are not accounted for in the Finance Accounts.

Table 3.2.1 : Growth of tax revenue

(Rupees in crore)

Year	Tax revenue (gross) ^ψ	Total revenue	% age of tax revenue to total revenue receipts	%age growth of tax revenue over previous year	Tax revenue as %age of GDP [•]
1998-99	143797	254369	56.53	3.29	8.16
1997-98	139220	231807	60.06	8.12	8.90
1996-97	128762	207234	62.13	15.77	10.08
1995-96	111224	179845	61.84	20.50	10.12
1994-95	92297	155230	59.45	21.86*	9.76
1988-89	44473	68649	64.78	18.09*	11.24
1978-79	10514	16263	64.65	18.82*	10.09

The annual growth of tax revenue which reached a peak of 21.86 per cent in 1994-95 over the previous year declined to 8.12 per cent in 1997-98 and further plummeted to 3.29 per cent in 1998-99. The ratio of tax revenues to total revenue remained constant at around 60 per cent during 1994-98 but came down to 56.53 per cent during 1998-99.

Detailed observations on tax revenue (direct and indirect) are contained in CAG's Reports No. 10, 11 and 12 of 2000 on Revenue Receipts.

3.2.2 Direct and indirect taxes

The gross collection of direct taxes and indirect taxes during the last five years was as under :

^ψ Includes assignment of share of net proceeds of income tax to the states (Rs 14480 crore).

[•] GDP : Rs 1762609 crore

* Gross tax revenue during 1977-78 and 1993-94 were Rs 8849 crore, Rs 37660 crore and Rs 75742 crore respectively.

Table 3.2.2 : Growth of direct and indirect taxes**(Rupees in crore)**

Year	Direct taxes gross [^]	As %age of GDP	As %age of tax revenues	Indirect taxes	As %age of GDP	As %age of tax revenues
1998-99	46600 (32120)	2.64 (1.82)	32.41 (24.84)	97197	5.52	67.59
1997-98	48280 (34772)	3.09 (2.22)	34.68 (27.66)	90940	5.81	65.32
1996-97	38895 (25379)	3.04 (1.99)	30.21 (22.02)	89867	7.04	69.79
1995-96	33564 (22290)	3.05 (2.03)	30.18 (22.30)	77660	7.07	69.82
1994-95	26971 (18411)	2.85 (1.95)	29.22 (21.99)	65326	6.91	70.78

(Figure in bracket denote net direct tax and its ratio to GDP and net tax revenue)

Over the five year period 1994-99, the gross direct taxes increased by 72.78 per cent from Rs 26971 crore to Rs 46600 crore. During the same period the indirect taxes increased by only 48.79 per cent from Rs 65326 crore to Rs 97197 crore.

Over the same period the direct and indirect taxes as percentage of GDP decreased from 2.85 to 2.64 per cent, and from 6.91 to 5.52 per cent respectively. In absolute term, the direct taxes collection during 1998-99 decreased by Rs 1680 crore with reference to previous year bringing down the GDP ratio by 0.45 percentage points. The indirect taxes as percentage of GDP dropped from 5.81 in 1997-98 to 5.52 per cent in 1998-99, although in the absolute terms it went up by Rs 6257 crore.

Share of indirect taxes in total tax revenue declined.

As percentage of total tax revenue the direct taxes went up from 29.22 per cent in 1994-95 to 32.41 per cent in 1998-99, and consequently the share of indirect taxes declined from 70.78 per cent to 67.59 per cent during the same period.

3.2.3 Actual collection vis-a-vis estimates

The actual gross collection of both direct and indirect taxes during 1998-99 was lower than the estimates as under :

[^] Includes states share of income tax.

**Table 3.2.3(i) : Comparison of tax revenue with Budget Estimates
(Rupees in crore)**

Year	Direct tax			Indirect tax		
	BE	Actual	Short fall (-) Excess (+)	BE	Actual	Short fall (-) Excess (+)
1998-99	48856	46600	(-) 2256	108855	97197	(-) 11658
1997-98	45711	48280	(+) 2569 ^Σ	107936	90940	(-) 16996
1996-97	39004	38895	(-) 109	93140	89867	(-) 3273
1995-96	30276	33564	(+) 3288	73486	77660	(+) 4174
1994-95	24790	26971	(+) 2181	62346	65326	(+) 2980

Collection of both direct and indirect taxes fell short of the budget and revised estimates.

Collection of direct taxes fell short of Budget Estimates by Rs 2256 during 1998-99. The indirect taxes also fell short by Rs 3273 crore, Rs 16996 crore and Rs 11658 crore during 1996-97, 1997-98 and 1998-99 respectively with reference to the Budget Estimates.

The major components of direct and indirect taxes are as under :

Table 3.2.3(ii) : Major components of direct and indirect taxes and their budget estimates

(Rupees in crore)

		Direct taxes				Indirect taxes		
		Corporation tax	Taxes on income	Interest tax	Other taxes on income and expenditure	Customs	Union excise duties	Service tax
1998-99	BE	26550	20930	920	300	48148	57690	1867
	Actual	24529	20240	1264	395	40668	53246	1957
	Short fall (-)/ Excess (+)	(-) 2021	(-) 690	(+) 344	(+) 95	(-) 7480	(-) 4444	(+) 90
1997-98	BE	21860	21700	1800	210	52550	52200	2150
	Actual	20016	17101	1205	9834	40193	47962	1586
	Short fall (-)/ Excess (+)	(-) 1844	(-) 4599	(-) 595	(+) 9624	(-) 12357	(-) 4238	(-) 564
1996-97	BE	19600	17843	1250	190	44435	46883	970
	Actual	18567	18234	1712	293	42851	45008	1059
	Short fall (-)/ Excess (+)	(-) 1033	(+) 391	(+) 462	(+) 103	(-) 1584	(-) 1875	(+) 89
1995-96	BE	15500	13500	1000	175	29500	42780	600
	Actual	16487	15592	1170	228	35757	40187	861
	Short fall (-)/ Excess (+)	(+) 987	(+) 2092	(+) 170	(+) 53	(+) 6257	(-) 2593	(+) 261
1994-95	BE	12480	10925	1044	210	25200	36700	--
	Actual	13822	12029	801	197	26789	37347	407
	Short fall (-)/ Excess (+)	(+) 1342	(+) 1104	(-) 243	(-) 13	(+) 1589	(+) 647	(+) 407

^Σ Mainly due to VDIS

Major components of direct taxes and indirect taxes fell short of BEs.

Direct taxes

The corporation tax fell short by Rs 1033 crore, Rs 1844 crore and Rs 2021 crore during 1996-97, 1997-98 and 1998-99 respectively over Budget Estimates. The taxes on income fell short by Rs 4599 crore and Rs 690 crore during 1997-98 and 1998-99 respectively over Budget Estimates. Of the taxes on income, Rs 14480 crore were assigned to the state governments under Article 270 of the Constitution, which constituted 74 per cent of the total taxes on income collected by the Union Government minus the cost of collection of Rs 754 crore.

Indirect taxes

Customs duty, union excise duties and service tax constituted 98.3 per cent of the total indirect taxes. The customs receipt fell short over the Budget Estimates by Rs 1584 crore, Rs 12357 crore and Rs 7480 crore during 1996-97, 1997-98 and 1998-99 respectively. Receipt from Union excise duties also fell short of Budget Estimates by Rs 2593 crore, Rs 1875 crore, Rs 4238 crore and Rs 4444 crore during 1995-96, 1996-97, 1997-98 and 1998-99 respectively. Actual receipts of the major components of direct and indirect taxes for the last five years were as under:-

Table 3.2.3 (iii) Receipt under major components of direct and indirect taxes

	(Rupees in crore)				
	1998-99	1997-98	1996-97	1995-96	1994-95
Direct taxes	46600	48280	38895	33564	26971
	(32.41)	(34.68)	(30.21)	(30.18)	(29.22)
Of which,					
Corporation tax	24529	20016	18567	16487	13822
	(17.06)	(14.38)	(14.42)	(14.82)	(14.98)
Taxes on income	20240	17101	18234	15592	12029
	(14.08)	(12.28)	(14.16)	(14.02)	(13.03)
Interest tax	1264	1205	1712	1170	801
	(0.88)	(0.87)	(1.33)	(1.05)	(0.87)
Other taxes on income and	395	9834	293	228	197
Expenditure	(0.27)	(7.06)	(0.23)	(0.20)	(0.21)
Indirect taxes	97197	90940	89867	77660	65326
	(67.59)	(65.32)	(69.79)	(69.82)	(70.78)
Of which,					
Customs	40668	40193	42851	35757	26789
	(28.28)	(28.87)	(33.28)	(32.15)	(29.02)
Union excise duties	53246	47962	45008	40187	37347
	(37.03)	(34.45)	(34.95)	(36.13)	(40.46)
Service tax	1957	1586	1059	861	407
	(1.36)	(1.14)	(0.82)	(0.77)	(0.44)

Note: Figures in bracket indicates percentage of total tax revenue

During 1998-99, all the major components of direct and indirect taxes registered positive growth in nominal terms as compared to the previous year except other taxes on income and expenditure which otherwise registered a steep increase in 1997-98 due to VDIS'97. During 1998-99, Rs 116 crore has been booked under other taxes on income and expenditure as arrears of VDIS'97.

3.2.4 Performance of taxes

Table below shows the evolution of tax shares in the Indian economy during the period 1974-79 to 1994-99.

Table 3.2.4 : Performance of taxes

(Percentage of total tax revenue)

1978-79	1977-78	1976-77	1975-76	1974-75		1994-95	1995-96	1996-97	1997-98	1998-99
18.45	21.04	21.90	21.30	19.45	Direct taxes	29.22	30.18	30.21	34.68	32.41
					Of which,					
69.12	70.99	59.06	58.92	62.85	Corporation tax	51.25	49.12	47.74	41.46	52.64
26.02	19.01	32.53	32.81	32.09	Taxes on income	44.60	46.45	46.88	35.42	43.43
--	--	--	--	--	Interest tax	2.97	3.49	4.40	2.50	2.71
1.38	6.74	4.26	3.96	0.96	Other taxes on income and expenditure	0.73	0.68	0.75	20.37	0.85
81.55	78.96	78.10	78.70	80.55	Indirect taxes	70.78	69.82	69.79	65.32	67.59
					Of which,					
30.62	28.27	26.15	26.26	28.53	Customs	41.01	46.04	47.68	44.20	41.84
66.79	68.93	71.04	71.15	69.16	Union excise duties	57.17	51.75	50.08	52.74	54.78
--	--	--	--	--	Service tax	0.62	1.11	1.18	1.74	2.01

In the late seventies, there was heavy dependency on indirect taxes, which ranged between 78 and 82 per cent of the tax revenue. Of the indirect taxes, contribution from union excise duties ranged as high as 67 to 71 per cent. With the process of economic reforms rolled out in early nineties, the dependency on indirect taxes in the late nineties came down to the range of 65 to 71 per cent of tax revenue and the share of union excise duties also came down to the range of 50 to 57 per cent of the indirect taxes.

On the other hand, share of direct taxes increased from the range of 18 to 22 per cent in late seventies of tax revenue to 29 to 35 per cent in the late nineties. Still there is much scope left to shift the dependency of the Government towards the direct taxes to raise its tax revenue.

It is discernible that there have been some changes since the tax reforms began in 1991. These include: (i) income tax rates at the top have been cut and the number of slabs has come down, (ii) the mean and variance of import duties have been decreased (iii) quotas have been replaced by tariffs, (iv) some rationalisation of the commodity tax structure has taken place. Despite these changes the process of tax reforms is far from complete. There is scope for broadening the tax base.

3.2.5 Transfer of taxes collected by the Union to states

Different taxes and duties collected by the Union are assigned to/ distributed among the States partly or entirely under Article 269 (duties and taxes relating to succession to property other than agricultural land, estate duty in respect of property, taxes on railway fares and freights, taxes other than stamp duties on transactions in stock-exchange etc.), Article 270 (taxes on income other than agricultural income) and Article 272 (net proceeds of union excise duties) of the Constitution of India.

During the last five years the assignment and distribution of net proceeds of taxes and duties under the Constitution among the States were as under :

Table 3.2.5 (i) : Transfer to States

(Rupees in crore)

Year	Transfer/assignment to States under Article				Cost of collection		Gross tax revenue	Gross tax revenue of Union Government after deducting cost of collection Col 8 - Col 6 and 7	%age of Col. 5 to 9
	269 (others)	270• (Income tax)	272 (Union excise duties)	Total	Income tax	Excise			
1	2	3	4	5	6	7	8	9	10
1998-99	20	14480	24665	39165	754	508	143797	142535	27.48
1997-98	21	13508	22446	35975	646	456	139220	138118	26.04
1996-97	17	13516	21545	35078	452	335	128762	127975	27.41
1995-96	16	11274	18011	29301	398	292	111224	110534	26.50
1994-95	14	8560	16283	24857	331	254	92297	91712	27.10

During 1998-99, 27.48 per cent of total tax revenue collected by the Union Government after deducting cost of collection, was assigned to States.

The assignment/transfer of taxes and duties collected by the Union Government during 1998-99 with reference to the budget provision was as under :

Table 3.2.5(ii) : Comparison of taxes assigned to States with Budget Estimates

(Rupees in crore)

Items	Actual collection (gross) ^ψ	Assigned to States		Net tax revenue to Union Col 2 - Col 4	%age of shareable taxes assigned to States Col 4 to Col 2
		Budget Estimates	Actual		
1	2	3	4	5	6
Land revenue and stamp duty	20	19	20	-	100 (100)
Taxes on income* other than corporation tax	19486	14695	14480	5006	74 (82)
Union excise duties	52738	26908	24665	28073	47 (47)
Total	69244		39165	33079	56 (56)

Note: Figures in bracket denote previous year percentage.

* Not explicitly depicted in Finance and Appropriation of the Union Government

^ψ After reducing the cost of collection.

* The transfer of net proceeds on income is not explicitly depicted in Finance and Appropriation Accounts

The transfer of shareable taxes and duties during 1998-99 as percentage of the total was same as during the previous year.

3.2.6 Customs and Union excise duties

The growth of customs and gross union excise receipts during the last two decades and during the last five years for the major components in the entire tax revenue was as under:

Table 3.2.6(i) : Customs and union excise duty

(Rupees in crore)

Year	Customs	As percentage of GDP	Excise	As percentage of GDP	%age share of manufacture sector in GDP*
1998-99	40668	2.31	53246	3.02	17.16
1997-98	40193	2.57	47962	3.06	17.65
1996-97	42851	3.36	45008	3.52	22.50
1995-96	35757	3.25	40187	3.66	22.28
1994-95	26789	2.83	37347	3.95	21.00
1988-89	15805	3.99	18841	4.76	20.09
1978-79	2449	2.35	5342	5.13	18.52

Customs duty increased by 16.61 times from Rs 2449 crore in 1978-79 to Rs 40668 crore in 1998-99. In absolute terms the collection of customs duty increased by Rs 475 crore in 1998-99 over the previous year.

On the other hand, growth of excise duty was only about 9.97 times over the two decades 1978-99. As compared to the previous year, it increased by Rs 5284 crore in 1998-99 in absolute terms.

However, as percentage of GDP, the customs duty decreased marginally from 2.35 to 2.31 over the period 1978-79 to 1998-99, while the union excise duty dropped drastically from 5.13 to 3.02 per cent during the same period.

It would be seen from the above that the customs duty continues to be a major source of revenue of the Union Government. The share of manufacturing sector in GDP came down from 18.52 to 17.16 per cent over the same period.

The customs and union excise receipts and the collection charges during the last five years were as under :

* GDP Rs 1762609 crore

Table 3.2.6(ii) : Customs and union excise duties and collection charges
(Rupees in crore)

Year	Customs duty	Collection charges	Excise duty	Collection charges
1998-99	40668	466	53246	508
1997-98	40193	431	47962	456
1996-97	42851	336	45008	335
1995-96	35757	280	40187	292
1994-95	26789	244	37347	254

Collection charges of Customs duty grew at a much faster rate than that of union excise duties

The growth of customs duty during 1998-99 was 51.81 per cent over 1994-95, whereas the growth of collection charges was 90.98 per cent over the same period. The growth of excise duty during 1998-99 was 42.57 per cent over 1994-95 whereas the growth of collection charges was 100 per cent over the same period.

Thus, in terms of percentage increase, the collection charges have far outstripped the growth in actual collection. The Government needs to look into the reasons of rapid increase in collection cost and take measures to curtail it.

3.3 Non-tax revenue

The growth of non-tax revenue during the last two decades, and during the last five years was as under :

Table 3.3 (i): Growth of non-tax revenue

Year	Non tax revenue [∇]	As % age of GDP	As % age of gross revenue receipt
1998-99	110572	6.27	43.47
1997-98	92587	5.92	39.94
1996-97	78472	6.15	37.86
1995-96	68621	6.25	38.15
1994-95	62932	6.66	40.54
1988-89	24176	6.11	35.22
1978-79	5749	5.52	35.35

In absolute terms, the non-tax revenues increased substantially from Rs 92587 crore in 1997-98 to Rs 110572 crore in 1998-99, which constituted an increase of 19.42 per cent over the previous year.

[∇] Includes External Grant Assistance and Material Equipment

As percentage of GDP also, it increased by 0.305 per cent over the previous year. Major components of non-tax revenue which registered increase over the previous year were interest receipts (Rs 4733 crore), dividends and profit (Rs 1466 crore), miscellaneous general services (Rs 362 crore), power (Rs 1029 crore) and petroleum (Rs 7026 crore).

Receipts from the major components of non-tax revenue for the last five years were as under:-

Table 3.3(ii) Major components of non-tax revenue

(Rupees in crore)

	1998-99	1997-98	1996-97	1995-96	1994-95
Interest receipts	30076	25343	22119	18429	15806
Dividends and profits	9411	7944	6293	5306	8304
Misc. general services	3210	2848	2339	2147	1929
Power	2087	1058	665	604	581
Telecommunication	17744	14587	12266	9761	7799
Railway commercial lines	29521	28518	24255	22374	20038
Other communication services	775	1992	1325	1362	9
Postal	1723	1566	1215	1150	1170
Petroleum	8470	1444	1298	1263	1217
Police	640	542	439	368	421

3.3.1 Interest receipts and dividends

Interest receipt, dividend and profit together constituted more than one third of the non tax revenue receipts. The trend of receipts for the last five years was as under:

Table 3.3.1 : Comparison of interest receipts,0 dividends and profits with non-tax revenue

(Rupees in crore)

	Interest	As %age of non tax revenue	Dividend and profit	As %age of non tax revenue
1998-99	30076	27.20	9411	8.51
1997-98	25343	27.37	7944	8.58
1996-97	22119	28.19	62093	8.02
1995-96	18430	26.86	5306	7.73
1994-95	15806	25.12	8304	13.20

In absolute terms the receipts from interest increased by Rs 4733 crore in 1998-99 over the previous year. Out of the total interest receipts of Rs 30076 crore, nearly 71 per cent was realised from States/UTs Government.

Of the total dividend and profits of Rs 9411 crore during 1998-99, Rs 2555.86 crore was dividend from the PSUs, while the share of profits from RBI, LIC, Nationalised Banks and IDBI was Rs 5977.10 crore, Rs 235.70 crore, Rs 384.19 crore and Rs 218.51 crore respectively.

Rs 5977.10 crore transferred by RBI as surplus of profit to the Government account during 1998-99 is not wholly on account of surplus of profit. It includes certain liabilities discharged by the RBI. The actual share of profit available with the Government amounted to only Rs 3000 crore. Out of surplus profit of Rs 5977.10 crore in 1998-99, Rs 1826.60 crore was transferred to meet the exchange risk liability relating to FCNRA deposits on the outflows of US\$ 1317 million during 1997-98 to enable the Union Government to meet the losses without any additional budgetary provision.

In addition, surplus profit of Rs 5977.10 crore transferred by RBI also includes payment to Government towards the interest differential of Rs 1150.50 crore on account of conversion of special securities of Rs 20000 crore into market securities during 1997-98. The above transfer was intended to compensate the Government for the difference in interest expenditure, which the Government had to bear consequent upon the conversion.