

Chapter – I : Non Tax Receipts Of The Union Government

1. Introduction

1.1 The non-tax receipts of the government are divided into three categories:

- *Currency, Coinage and Mint:* This category covers the receipts of Currency Note Press; Security Paper Mill; Bank Note Press and of the Mints as well as the profit from circulation of small coins.
- *Interest receipts, Dividends and Profits:* This category comprises, apart from interest receipts on loans by the Government to other parties, dividends and profits from public sector undertakings run by or as government departments including other income generating departments, e.g. contributions from railways and posts and telecommunications, and surplus profits of the Reserve Bank of India transferred to the Government. The income and profit accrued from the creation of currency by the government are also included in this group of revenue.
- *Other non-tax receipts:* This category covers revenue from various government activities and services such as from administrative services, public service commission, police, jails, agriculture and allied services, industry and minerals, water and power development services, transport and communications, supplies and disposal, public works, education, housing, information and publicity, broadcasting, grants-in-aid and contributions etc.

1.2 This Chapter provides a trend analysis of the growth and composition of non-tax receipts of the Union Government during the five years from 2000-01 to 2004-05 based on the information contained in the Finance Accounts.

Growth of non-tax receipts vis-a-vis total revenue receipts

1.3 The trends in the growth of total revenue receipts as well as receipts of non-tax revenue of the Union and their relative to gross domestic product (GDP) during each year from 2000-01 to 2004-05 are exhibited in the Table 1.

(Rs. in crore)

Year	Receipts in Revenue Account		Non-Tax Receipts (NTR)			Share in GDP in percent	
	Total Rs	Rate of growth in percent	Total Rs	Rate of growth in percent	Share in Total Receipts in percent	Total Revenue receipts	NTRs
2000-01	256036	-9.06	118307	-5.52	46.21	12.25	5.67
2001-02	265279	3.61	129309	9.30	48.74	11.68	5.63
2002-03	299826	13.02	137814	6.58	45.96	12.18	5.62
2003-04	339100	13.09	148359	7.65	43.75	12.28	5.38
2004-05	376871	11.14	147946	-0.28	39.26	12.13	4.76

1.4 The overall non-tax receipts¹ of the government increased from Rs. 118307 crore in 2000-01 to Rs. 147946 crore in 2004-05 registering an increase of Rs 29639 crore while the total receipts in revenue account increased by Rs. 120835 crore during the period, resulting in declining share of the non-tax revenue receipts to the total revenue receipts of the Union of India, especially after 2001-02. The share of non-tax receipts in the overall receipts has witnessed a decrease from 46.21 *per cent* in 2000-01 to 39.26 *per cent* in 2004-05, which was partly due to the corporatisation of telecom services and setting up of Prasar Bharati. The share of the total revenue receipts and non-tax receipts in GDP at current prices has remained on an average around 12 and 5 per cent respectively over the last five years.

1.5 A major portion of the non-tax receipts accrue to commercial departments viz Railways, Posts and Canteen Stores Department. The trend of non-tax receipts from commercial departments and from other sources are exhibited in Table 2.

(Rs. in crore)

Table 2: Receipts from Commercial Departments							
Year	Receipt from commercial departments					Receipts from Civil Departments	Total Non-tax revenue
	Railways	Posts	CSD	Others*	Total [§]		
2000-01	36011	3298	3296	4670	47275	71032	118307
2001-02	39358	3697	3688	4881	51624	77685	129309
2002-03	42741	4010	4150	4658	55559	82255	137814
2003-04	44911	4257	4432	4932	58532	89827	148359
2004-05	49047	4432	4674	3768	61921	86025	147946

* Includes receipts from Currency Note Press, Bank Note Press, Security Paper Mill, India Nasik Press, Security Printing Press, DMS Scheme, Opium and Alkaloid Factories, Fuel Fabrication Facility, Badarpur Thermal Power Station, Fuel inventory, Heavy Water Pool Management and Lighthouses.

[§] As per Finance Accounts.

1.6 The non-tax revenue accruing to the Government from commercial departments varied from 39 to 42 *per cent* of its total non-tax receipts during the period 2000-05. Major portion of the receipts from commercial departments originated from Railways (75 *per cent*), Posts (7 *per cent*) and Canteen Stores Department (7 *per cent*). These receipts were however utilised by these departments themselves and were not available to the Government for other purposes.

Budget estimates vs actuals

1.7 A comparison of budget estimates and actual receipts of non-tax revenue during the years 2000-01 to 2004-05 (Table 3) revealed that the actual receipts of non-tax revenue exceeded the budget estimates in three out of the five years. In 2003-04 and 2004-05, increased collections *vis-à-vis* budget estimates were attributable to revenues under 'Economic Services' and 'income from dividends'.

¹ Not-tax receipts exclude grants-in-aid. The receipts are in gross terms as the expenditure on maintenance or otherwise are reflected as revenue expenditure in Finance Accounts.

(Rs in crore)

Year	Commercial Departments			Civil Departments			Total Non-Revenue Receipts		
	BE	AR	Variation	BE	AR	Variation	BE	AR	Variation
2000-01	47363	47275	(-) 88	82662	71032	(-) 11630	130025	118307	(-) 11718
2001-02	53421	51624	(-) 1797	73707	77685	(+) 3978	127128	129309	(+) 2181
2002-03	56740	55559	(-) 1181	81993	82255	(+) 262	138733	137814	(-) 919
2003-04	59087	58532	(-) 555	75855	89827	(+) 13972	134942	148359	(+) 13417
2004-05	61507	61921	(+) 414	79732	86025	(+) 6293	141239	147946	(+) 6707

BE - Budget Estimates, AR - Actual Receipts and Variation is the difference between AR and BE

1.8 A comparative analysis of actual non-tax receipts and budget estimates for commercial departments and civil departments reveals that while actual receipts of commercial departments fell short of budget estimates except during the year 2004-05, the actual receipts of the civil departments exceeded their budget estimates during the five year period 2000-05 except in 2000-01. Amongst the commercial departments, the variations during the period 2001-05 could be explained largely by trends in the gap between actual receipts and budgetary estimates of Railways.

As regards the civil departments, the non-realisation of Rs 2005 crore in the form of actual interest receipts as compared to the budgetary estimates largely explains the variation during 2000-01. For the remaining four years 2001-05, the actual receipts were more than the budget estimates mainly on account of receipts from Telecommunication services within the major group of 'economic services'.

For instance, the realisation of Rs 8018 crore against the BE of Rs 3752 crore during 2001-02 on account of increased receipts in the form of telecom fee and increased receipts from Wireless Planning and Coordination Organization were mainly responsible for high overall receipts by civil departments during the year. Similarly, during 2003-04 and 2004-05 the receipts exceeded the budget estimates mainly on account of larger receipts in the form of telecom licence fee recorded under the minor head 'other communication services' and also under the major head 'interest receipts' in the form of other interest receipts of central government and dividends and profits.

Composition of non-tax receipts

1.9 Non-tax receipts are composed of the following six major groups:-

- Fiscal services
- Interest receipts
- Dividends & Profits
- General Services
- Social Services, and
- Economic services

1.10 The growth trend under various major components of non-tax receipts during the years 2000-01 to 2004-05 is exhibited in Table 4.

(Rs in crore)

Period	Total NTR	Fiscal Services	Interest Receipts	Dividends and Profits	General Services	Social Services	Economic Services
2000-01	118307	918	36721	13575	7770	361	58962
2001-02	129309	1082	42250	17290	9076	297	59313
2002-03	137814	1157	44705	21230	9634	424	60664
2003-04	148359	1448	46645	21160	10501	449	68156
2004-05	147946	1058	36411	22939	11499	451	75588

1.11 Non-tax revenue from dividends and profits (inclusive of surplus transferred from the Reserve Bank of India) was the component which grew fastest at an average rate of 14 per cent during 2001-05. However, during the years 2002-03 and 2003-04, the revenue from this source was virtually static and registered a moderate increase of 8 per cent during 2004-05 over the previous year. This was largely due to the decline in the surplus transferred from the Reserve Bank of India from Rs. 10,320 crore in 2002-03 to Rs. 8,834 crore in 2003-04 and further to Rs. 5,400 crore in 2004-05. The receipts under 'Dividends' from Public Sector Undertakings (PSUs) increased by 7 per cent and 52 per cent respectively in 2003-04 and 2004-05, while the collection under 'Economic Services' increased by 12 per cent and 11 per cent during the period. Although the average rate of interest on loans and advances was maintained above the average cost of borrowing, there was a decline in the interest receipts during 2004-05 mainly due to the implementation of debt swap scheme enabling pre-payment of high cost Central Government loans. The receipts from the fiscal services which grew at an average rate of about 14 per cent during the first four years registered a substantial decline of 27 per cent in 2004-05 suppressing the annual average growth in receipts from the fiscal services to 4 per cent during the five year period 2000-05. An increase of about 25 per cent recorded under fiscal services in 2003-04 over the previous year was in fact on account of a sharp increase of receipts of Bank Note Press from Rs 301 crore in 2002-03 to Rs 606 crore in 2003-04 which in the subsequent year came down to the level of 2002-03.

1.12 The commercial departments are mainly engaged in the provision of services within the major groups of fiscal, general and economic services. The contribution of commercial departments vis-à-vis the total non-tax receipts under these sectors are depicted in Table 5.

(Rs in crore)

Year	Fiscal Services		General Services		Economic Services	
	Total Receipts	Share of Commercial Departments	Total Receipts	Share of Commercial Departments	Total Receipts	Share of Commercial Departments
2000-01	918	671 (73.10)	7770	3296 (42.42)	58962	43308 (73.45)
2001-02	1082	724 (66.91)	9076	3688 (40.63)	59313	47212 (79.60)
2002-03	1157	882 (76.23)	9634	4150 (43.08)	60664	50527 (83.29)
2003-04	1448	1113 (76.86)	10501	4432 (42.20)	68156	52987 (77.74)
2004-05	1058	767 (72.49)	11499	4674 (40.65)	75588	56479 (74.72)

Figures in the brackets indicate the percentage share of commercial undertakings in total non-tax receipts of the respective Major Head

1.13 Out of the total non-tax receipts of Rs 274911 crore from commercial departments during 2000-05 (which amounts to 40 per cent of the total non tax receipts of the Union during the period), about 91 per cent was contributed by the commercial departments under 'Economic Services'. The average share of commercial departments was 73 and 42 per cent respectively under the sector 'fiscal services' and 'general services' in their respective total non tax receipts during the period 2000-05. Since the expenses of these commercial departments were being met out of the receipts being generated by them and depicted as non tax receipts, these were not available to the Union Government for utilisation for other purposes, i.e. about 40 percent of non tax receipts were actually not available for public expenses.

Relative Contribution

1.14 The relative contribution of major components of non-tax receipts during the year 2000-01 to 2004-05 is exhibited in Table 6.

(in per cent)

Year	Total NTR	Fiscal Services	Interest receipts	Dividend	General Services	Social Services	Economic Services
2000-01	100.00	0.78	31.04	11.47	6.57	0.30	49.84
2001-02	100.00	0.84	32.67	13.37	7.02	0.23	45.87
2002-03	100.00	0.84	32.44	15.40	6.99	0.31	44.02
2003-04	100.00	0.98	31.44	14.26	7.08	0.30	45.94
2004-05	100.00	0.72	24.61	15.51	7.77	0.30	51.09

1.15 Relative shares of the various components of non-tax revenue witnessed insignificant changes during the years 2000-05. Notwithstanding inter year variations and a moderate growth in the last two years, the share of dividend and profits increased from 11 per cent during 2000-01 to around 16 per cent during 2004-05. In the year 2004-05 the share of interest receipts in the overall non-tax receipts was 24.61 per cent and was below the trend rate of 32 per cent observed during 2001-04. Non-tax receipts from economic services contributed almost half of the total non-tax receipts. Overall contribution of the general services in non-tax revenue remained around 7 per cent during 2000-05 while the share of social and fiscal services was insignificant, i.e. less than one percent.

Component- wise analysis of Non-tax Receipts

1.16 A detailed analysis of various components of Non-tax Receipts during the period 2000-05 is discussed under this sub-section.

Receipts from Fiscal Services

1.17 The trends and major components of receipts of the Union under the head 'Fiscal Services' during 2000-05 are exhibited in Table 7.

(Rs in crore)

Minor Heads	2000-01	2001-02	2002-03	2003-04	2004-05
Currency Note Press	271.11	252.03	294.81	228.73	249.40
Bank Note Press	222.12	245.00	300.58	605.90	275.30
Security Paper Mill	57.38	78.14	98.00	92.30	68.76
Mint Receipts	19.37	11.66	31.15	13.82	61.63
Profits from circulation of Small Coins	174.70	297.22	179.70	253.33	107.11
Smugglers and forfeiture of property	2.03	0.46	0.21	0.10	0.52
India Security Press, Nasik	96.62	118.11	151.01	149.54	147.19
Security Printing Press, Hyderabad	24.21	30.90	37.69	36.77	26.79
Other Receipts	50.86	48.79	63.28	67.77	120.96
Total - Fiscal Services	918.40	1082.31	1156.43	1448.26	1057.66

1.18 The receipts under fiscal services are yielded mainly on account of production and supply of currency notes, coins, postage stamps, judicial and non-judicial stamps etc which are the sole responsibility of the Union Government.

Under the Coinage Act 1906, Government of India is charged with the responsibility of production and supply of coins to Reserve Bank of India. The RBI places an annual indent for this purpose to Government of India. The RBI under the Reserve Bank of India Act has the authority to issue currency notes in the country. Based on the annual assessment of the requirement of the currency

notes of various denominations as well as of coins by RBI, Government of India draws up the production programme for the India Government Mints and the printing schedules of the Security Printing Presses. The receipts accrued to Union solely as custodian of circulation of currency notes, coins and security papers accounted for around 95 per cent of total receipts under 'Fiscal Services' during 2000-05 except for the year 2004-05 when it was reduced to 89 per cent largely due to decline in receipts by Bank Note Press and profit earned on circulation of small coins, while collections under minor head 'other receipts' substantially increased in 2004-05 over the previous year. Notwithstanding the fact that mint receipts and receipts from India Nasik Press were perpetually lower than the revenue expenditure incurred by the Government, the non-tax revenue receipts under 'Fiscal Services' net of revenue expenditure turn out to be positive in each of the years 2000-05.

Non-Tax Revenue Receipts arising from Financial Intermediation

1.19 Apart from receipts on account of interest on loans and advances by the Central Government, this section comprises dividends and profits from central public sector enterprises including the surplus profit transferred to Union Government by the RBI and other financial institutions. The trends in interest receipts of the Union for the last five years are given in Table 8.

(Rs in crore)

Sub Major Heads	2000-01	2001-02	2002-03	2003-04	2004-05
Interest from State Govts	26198.76	27579.15	28886.08	28051.61	22610.57
Interest from UT Govts	771.25	673.6	713.35	589.67	377.34
Other Interest Receipts of the Central Government	9750.84	13997.71	15105.76	18003.41	13423.62
Other Interest Receipts of the Central Government (a+b+c+d)	9750.84	13997.71	15105.76	18003.41	13423.62
(a) Interest from Railways	281.78	1311.32	2688.98	3361.22	3083.62
(b) Interest from departmental commercial undertakings	1283.06	899.87	991.83	811.34	314.00
(c) Interest from public sector and other undertakings	3423.74	4350.05	3552.58	2226.27	2459.28
(d) Others	4762.26	7436.47	7872.37	11604.58	7566.72
Total – Interest Receipts	36720.85	42250.46	44705.19	46644.69	36411.53

[§] As per Finance Accounts

1.20 Interest receipts from the State and UT Governments include mainly interest on loans for State/UT Plan Schemes, Central Plan Schemes and Centrally Sponsored Plan Schemes, Non-plan schemes besides the interest receipts on Ways and Means Advances to State Governments. The major share under the head 'Other Interest Receipts of Central Government' is contributed in the form of interest realized from departmental commercial undertakings, public sector

enterprises, railways, posts and telegraphs, market stabilisation scheme, investment of cash balances and interest receipts on other accounts recorded under 'other receipts'. The trends in Table 8 reveal that the share of interest receipts from State/UT governments has declined from Rs. 26199 crore in 2000-01 to Rs.22611 crore in 2004-05. For the year 2004-05 total interest receipts of the Union have gone down substantially by more than Rs 10200 crore. The decline in the interest receipts from the State/UT governments during 2004-05 was mainly due to the debt swap scheme enabling pre-payment of high cost Central Government loans while the dip in the 'Other Interest receipts' was largely on account of a sharp decline in receipts from residual accounts recorded under minor head 'other receipts' from Rs.9937 crore in 2003-04 to Rs.5863 crore in 2004-05.

Another important trend in interest receipts emerged during the period 2000-05 is that contribution in the form of interest receipts from commercial departments as well as from central public enterprises have declined from Rs.4707 crore in 2000-01 to Rs.2773 crore in 2004-05 and they have almost equally shared the decline of around Rs.1900 crore during this period. The interest receipts from railways has, however increased from a meagre sum of Rs.282 crore in 2000-01 to Rs.3084 crore in 2004-05 and the share of interest/premium arising out of market stabilisation scheme and return on investment of cash balances have also increased significantly during the last two years.

1.21 Dividends and profits to Union Government is another component of gains arising as a result of financial intermediation or investments in commercial departments, public sector enterprises, nationalised banks and other financial institutions. The major head 'dividends and profits' in Finance Accounts also include surplus transferred by the Reserve Bank of India under section 47 of RBI Act as a gain from seignorage, which is revenue accruing to the Government from the newly issued reserve money. The growth and shares of various components of dividends and profits of the Union during the period 2000-05 is given in Table 9.

(Rs in crore)

Minor Heads	2000-01	2001-02	2002-03	2003-04	2004-05
Dividends from PSUs	3322.72	7088.03	9664.78	10385.93	15797.89
Contribution from Railways	-	-	-	-	90.00
Contribution in lieu of taxes of Passengers Fare	23.12	23.12	23.12	23.12	23.12
Share of Surplus Profits from RBI	9350.00	9350.00	10320.00	8834.00	5400.00
Share of Profits from LIC	161.39	93.44	433.25	488.09	476.5
Profits from Nationalized Banks	464.88	504.88	669.75	1310.2	1071.67
Share of Surplus Profits from IDBI	243.76	171.78	57.25	57.26	57.26
Dividends from Other Investments	6.08	58.27	62.14	61.69	22.88
Other receipts	2.77*	0.06	0.07	0.07	0.00
Total	13574.72	17289.58	21230.36	21160.36	22939.32

* Includes Rs 2.73 crore for contributions towards safety works.

1.22 The trends in growth and composition of dividends and profits of Union Government reveal that the share of profits and dividends from production of economic goods and services from the public undertakings has increased from 24 per cent in 2000-01 to 69 per cent in 2004-05 while the share of financial institutions including RBI has dipped from 75 per cent to 30 per cent during this period. The statutory surplus transferred by RBI to the Government contributed 69 per cent of the total dividends and profits of the Union in 2000-01 which consistently declined thereafter and reached 23 per cent in 2004-05 indicating that government reliance on seignorage gains has reduced significantly over the period 2000-05.

A further analysis of the share of profit making statutory corporations and government companies (excluding RBI and other financial institutions) in total dividend and profits of the Union Government indicates that the major contributions were made by the corporations and companies in energy sector (e.g. oil, thermal & nuclear power). For instance, the contribution of both upstream and downstream oil companies has increased from Rs.1483 crore in 2000-01 to Rs.6191 crore in 2004-05 after reaching the peak of Rs.6742 crore in 2003-04. Despite the substantial increase, share of oil companies in total dividend and profits of the Union has declined from 45 per cent in 2000-01 to 39 per cent in 2004-05 indicating improvement in the share of other sectors.

Receipts from Major General Services

1.23 The receipts from the general services comprise of four major groups, namely, Maintenance of Law & Order, Administrative Services, Miscellaneous General Services and Defence Services. An analysis of the receipts from various components under major general services is indicated in Table 10.

(Rs in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Maintenance of Law & Order	829	906	957	1340	1402
Administrative Services	1081	1954	1930	2180	2476
Miscellaneous General Services	4222	4482	4771	4895	5127
Defence Services	1638	1734	1976	2087	2495
Total General Services	7770	9076	9634	10502	11500

1.24 A robust growth of more than 10 per cent was observed in receipts for three out of four broad groups of general services. The receipts from Miscellaneous General Services on average grew at the rate of four per cent, but the Canteen Stores Department which largely comprised this group recorded an average growth of eight per cent during this period. Receipts from police and jails, the two components for maintenance of internal law and order also recorded a healthy growth of 14 per cent during 2004-05. Receipts of the Union government under this category were also buoyant with the increase in the receipts from supply of police forces to other parties largely contributing to this buoyancy.

The receipts from 'Administrative Services' have increased more than twice during the period 2000-05 mainly on account of twofold and sevenfold increase in contributions respectively in the form of 'passport and visa fees' and 'contributions and recoveries – pensions and retirement benefits' within this group. The collections in the form of passport and visa fees have increased from Rs.568 crore in 2000-01 to Rs.1198 crore in 2004-05 and contributed on an average 45 per cent of total receipts of the group during the five year period. The share of receipts from 'contributions and recoveries – pensions and retirement benefits' on the other hand increased from 12 per cent in 2000-01 to 37 per cent in 2004-05 of the total receipts under the group 'Administrative Services'.

The receipts of the Government within the group 'Defence Services' have increased by 52 per cent during 2000-05 mainly due to buoyancy in receipts from works, services and supplies and sale of stores of Army and sale of outputs and stores of ordnance factories.

1.25 Although strict comparison of the receipts of the government collected in the form of various kind of fees, fines, penalties and sale of government stationery etc with the expenditure incurred by the government in discharging its primary and sovereign functions may be difficult, it is noticed that net expenditure of the government in making provision of these general services has increased from Rs. 47390 crore in 2000-01 to Rs. 55726 crore in 2000-05 as indicated in Table 11.

(Rs in crore)

Table 11: Revenue Expenditure Net of Revenue Receipts from General Services					
	2000-01	2001-02	2002-03	2003-04	2004-05
Maintenance of Law & Order	6050	6462	7338	7633	9408
Administrative Services ²	4222	4482	1903	1778	1798
Miscellaneous General Services ³	-120	-801	-654	-581	658
Defence	37238	38059	40709	43203	43862
Total - General services	47390	48202	49296	52033	55726

Receipts from Social Services

1.26 The aggregate receipts from social services like education, health, water supply, sanitation and social security increased from Rs.361 crore in 2000-01 to Rs.451 crore in 2004-05. Overall contribution of the Social Services in total non-tax revenue of the Union remained insignificant (less than one per cent) during the period 2000-05. The relative share of this component in non-tax revenue was 0.30 per cent in the last two years (2003-04 and 2004-05) and had declined progressively from 0.99 per cent in 8th Five Year Plan (1992-97) to 0.49 per cent in 9th Five Year Plan (1997-2002). The total receipts of the government from various Social Services during the years 2000-05 are given in Table 12.

² Administrative services include receipts from Public Service Commission, Supplies & Disposal, Public Works, Elections, and Other fees for emigration, visa, passport, copyright and others.

³ Miscellaneous General Services excludes the expenditure on Pension Payments.

(Rs in crore)

Table 12: Receipts from Social Services- Growth and Composition					
	2000-01	2001-02	2002-03	2003-04	2004-05
Education, Art & Culture	45	55	42	53	66
Medical & Public Health	73	73	119	103	119
Family Welfare	19	17	16	18	34
Water Supply & Sanitation	1	1	2	2	2
Housing	53	56	76	78	82
Urban Development	0	0	0	1	0
Information and Publicity	98	88	163	183	137
Broadcasting	68	1	0	4	3
Labour Welfare	3	5	4	5	6
Other Social Services	1	1	2	2	1
Total Social Services	361	297	424	449	451

1.27 The receipts under the major head 'Medical & Public Health' and 'Information & Publicity' contributed the bulk of the share of total receipts under 'Social Services' which has increased from 47.37 per cent in 2000-01 to 56.76 per cent in 2004-05. 'Medical & Public Health' have recorded an impressive growth of 63 per cent during 2002-03 over the previous year mainly on account of more than 50 per cent increase under minor head 'Urban Health Services'. The receipts from 'Information & Publicity' had increased at an average rate of 21.7 per cent during 2000-04 but declined by 25 per cent in 2004-05 resulting in an average rate of increment of 8 *per cent* during five year period 2000-05. 'Family Welfare' recorded an impressive increase of 88.8 per cent in 2004-05 over the previous year essentially on account of an increase of Rs 16.6 crore on account of 'Sale of Contraceptives'. The receipts under 'Art and Culture' increased at an annual average rate of 9 per cent during 2000-05 and contributed around 87 per cent of total receipts under 'Education, Sports and Art and Culture'.

Similarly, the minor head 'General Pool Accommodation' continued to share the bulk of the receipts ranging from 67 to 71 per cent under 'Housing' during 2000-05 which itself increased at an average rate of 10.4 per cent during this period. The receipts from 'Labour and Employment' showed a two fold increase during 2000-05, but in absolute terms increase was only Rs.2.93 crore which constituted only 3 per cent of the total increase under 'social services' during the period.

Receipts under 'Broadcasting' witnessed a negative growth mainly on account of transfer of these services to the newly constituted Prasar Bharti which also explains the decline of 17.7 per cent in total receipts under social services during 2001-02 over the previous year. The receipts under other components of social services either remained static and/or exhibited less than average growth rate during the period 2000-05.

Non-tax Receipts vis-à-vis Revenue Expenditure on Social Services

1.28 The public expenditure incurred in creation and strengthening of social infrastructure especially in expansion of educational and health care facilities has increased manifold during recent years with only nominal user charges made applicable. As a result, the ratio of revenue receipts from social services to revenue expenditure incurred on providing these services declined from 2.05 per cent in 2000-01 to 1.49 per cent in 2004-05. Although an improvement in this ratio is observed in case of 'Medical & Public Health' (because of increase in contribution for CGHS) and also in Information and Publicity services (because of substantial increase under the head 'other receipts') (Table 13) the receipts are still substantially below the expenditure incurred on running these services.

(in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Education, Art & Culture	0.64	0.74	0.43	0.49	0.48
Medical & Public Health	3.79	3.61	5.14	4.09	3.97
Family Welfare	2.89	2.17	1.96	1.41	2.45
Water Supply & Sanitation	0.16	0.15	0.16	0.13	0.12
Housing	2.87	2.46	3.41	3.17	2.32
Urban Development	0.20	0.03	0.23	0.42	0.23
Information & Publicity	47.70	42.39	82.11	88.06	63.56
Broadcasting	7.08	0.08	0.02	0.38	0.27
Labour Welfare	0.31	0.56	0.55	0.66	0.56
Other Social Services	0.03	0.03	0.09	0.14	0.02
Total Social services	2.05	1.52	2.03	2.05	1.49

Economic Services

1.29 Table 14 exhibits the trends in growth and structure of receipts from 'Economic Services' during the period 2000-05.

(Rs in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Agriculture, Food & Cooperation	117	107	73	80	86
Animal Husbandry & Dairy	128	123	117	146	188
Fisheries	4	6	4	4	5
Forest	21	18	11	10	8
Irrigation	10	10	21	9	16
Power	3064	3191	2928	3010	2540
Village and SSI	19	18	21	23	23
Industries	1101	1267	1144	2106	1519
Mines and Minerals	2168	2440	3039	3199	5319
Railways	36011	39358	42741	44911	49047

Ports	91	105	100	116	113
Road, Water & Other Transport	102	114	114	122	140
Civil Aviation	3	3	3	4	5
Roads and Bridges	112	99	97	93	100
Postal Services	3298	3697	4010	4257	4432
Other Communication Services including Telecommunications	11790	8018	5541	9222	7976
Tourism	2	3	3	4	4
Other Economic Services ⁴	921	736	696	839	4068
Total - Economic services	58962	59313	60663	68156	75588

1.30 The overall receipts from the Economic Services increased from Rs. 58,962 crore in 2000-01 to Rs. 75,588 crore in 2004-05. However, the receipts originating from the Railways continued to share the bulk of the total receipts from 'Economic Services' during 2000-05 ranging from 61 per cent in 2000-01 to 65 per cent in 2004-05 after reaching the peak level of 70.5 per cent in 2002-03.

Communication Services including telecommunications contributed another 20 per cent of total receipts from 'Economic Services' in 2000-01 which subsequently declined to 10.5 per cent in 2004-05 mainly on account of corporatization of the telecom services in India. Although telecom receipts to Union Government have declined since 2000-01, receipts from other communication services including Wireless Planning and Coordination Organisation and telecom licence fee/universal access levy have increased from Rs.1614 crore in 2000-01 to Rs.7976 crore in 2004-05, which maintained the share of communication services in total receipts ranging from 9 to 13.5 per cent during 2001-05.

Receipts from Power declined during 2004-05 by 16 per cent from the level in 2003-04 largely on account of a substantial fall in receipts from Rajasthan Atomic Power Station and also on account of lease charges of fuel during 2000-05.

Amongst other sectors which contributed significantly to the total receipts of 'Economic Services' are 'Mines and Minerals' and 'Postal Services'. The receipts under 'Mines and Minerals' essentially include receipts in form of fees and royalties in the petroleum sector which increased at an average rate of around 12 per cent till 2003-04 but showed sharp northward movement of 66 per cent in 2004-05 over the previous year mainly on account of a receipt of Rs 2689.7 crore as 'profit from petroleum'.

The receipts from the postal services increased at an average rate of 7 per cent during 2000-05 mainly on account of an increase in combined receipts from

⁴ Other Economic Services include non-tax receipts from Atomic Energy & other Scientific Research, Foreign Trade and Export Promotion, Patent Fees, Fees for Registration of Trade Marks, Regulation of Joint Stock Companies, Meteorology, etc.

Rs.2967 crore in 2000-01 to Rs.3982 crore in 2004-05 from 'sale of postal stamps' and 'other services and service fees' which together constituted about 90 per cent of the receipts from postal services.

The buoyancy in receipts under 'Animal Husbandry and Dairy' which have increased at an average rate of 9 per cent during 2000-05 was observed mainly on account of an increase in receipts under 'Delhi Milk Supply Scheme' from Rs.119 crore in 2000-01 to Rs. 178 crore in 2004-05 which constituted about 93 per cent of total receipts under 'Animal Husbandry and Dairying' during 2000-05.

The receipts under the head 'Other Economic Services' exhibited a mixed trend during 2000-04 except for a sudden jump during 2004-05 mainly on account of a record collection of Rs.3140 crore under the minor head 'other receipts'. Similarly, the receipts under the head 'Industries' exhibited a moderate average growth of around seven per cent during 2000-05 but witnessed a sudden jump in 2003-04 again on account of receipt of Rs. 960 crore under minor head 'other receipts'. The other components of 'Economic Services' witnessed either less than the average growth rate or a negative growth rate in receipts during 2000-05.

Non-tax Receipts vis-à-vis Revenue Expenditure on Economic Services

1.31 The trends in the ratio of revenue receipts to revenue expenditure are detailed in Table 15. The overall ratio of revenue receipts to revenue expenditure declined from 52.92 per cent in 2000-01 to 51.37 per cent in 2004-05. The recovery rate was 100 per cent of the revenue expenditure for Railways (as the surplus from the operations of railways was transferred to Railway Development Reserve Fund, revenue exactly matched the expenditure). The recovery also exceeded 100 per cent in Telecommunication sector because consequent upon the corporatization of MTNL and BSNL, the revenue from Telecommunication sector consisted of license fees and there was no requirement as earlier to incur any expenditure on operation and maintenance of services. In other sectors, the recovery varied from 0.25 per cent for the agriculture sector to 76 per cent for postal services during 2004-05.

(In per cent)

Name of Services	2000-01	2001-02	2002-03	2003-04	2004-05
Agriculture, Food & Cooperation	0.61	0.42	0.24	0.25	0.24
Animal Husbandry & Dairy	60.95	53.71	51.54	53.29	51.08
Fisheries	6.77	8.69	5.06	7.28	7.14
Forest	11.35	8.18	3.28	2.48	1.79
Irrigation	2.94	2.52	6.23	2.52	4.50
Power	98.04	86.57	81.49	89.79	80.32
Village and SSI	1.84	1.88	1.74	1.68	1.50
Industries	9.03	11.71	9.55	14.44	10.23
Mines and Minerals	397.79	24.97	53.44	45.08	159.49
Railways	100.00	100.00	99.99	100.00	100.00
Ports	21.01	23.07	29.49	28.20	26.65

Name of Services	2000-01	2001-02	2002-03	2003-04	2004-05
Road, Water & Other Transport	8.81	6.66	7.68	6.81	10.15
Civil Aviation	1.64	1.31	1.23	1.47	1.38
Roads and Bridges	1.52	1.43	1.44	1.38	1.52
Postal	68.02	72.36	74.61	75.58	76.22
Telecommunications	106.80	260.66	162.82	301.71	232.19
Tourism	1.52	2.20	1.74	2.22	1.91
Others	13.16	8.84	5.33	6.02	42.93
Total - Economic services	52.92	47.61	43.06	45.27	51.37

Arrears of non-tax receipts

1.32 As of March 2005, arrears of non-tax revenues amounting to Rs. 45,890.74 crore, was pending as detailed in Table 16 below.

(Rs in crore)

Description / Amounts pending	0-1 years	1-2 years	2-3 years ⁵	Above 5 years	Total
Fiscal Services	2220.61	2557.93	3041.99	26695.40	34515.93
Interest receipts of which					
From State Govts and Union Territory Govts	1.57	5.11	9.30	510.65	526.63
From Railways ⁶	-	-	-	1990.00	1990.00
From Departmental Commercial Undertakings	14.33	119.70	0.14	7215.64	7349.81
From Public Sector & other Undertakings	2204.71	2433.12	3032.55	16979.11	24649.49
Dividends and Profits	6.93	6.93	6.93	19.36	40.15
General Services	945.67	-	621.09	745.04	2311.80
Police receipts	945.67	-	621.09	745.04	2311.80
Economic Services	259.94	15.64	39.77	1106.53	1421.88
Petroleum Cess/Royalty	-	-	-	-	-
Communications (Licence Fee) Receipts	259.94	15.64	39.77	1106.53	1421.88
Other Receipts	1880.96	2917.10	1024.37	1778.55	7600.98
Total	5314.11	5497.60	4734.15	30344.88	45890.74

Notes: These figures, compiled from the reports of respective ministries/departments, may be impacted, inter-alia, by the outcome of any litigation/disputes and improvements in data capture. Figures are rounded off

⁵ In the absence of complete data, certain amounts pending for 3-4 years are reported as part of the amount pending for 2-3 years or above 5 years.

⁶ Arrears are part of dues on account of interest receipts from Railways deferred during 2000-01 and 2001-02.

1.33 It is observed that the outstanding arrears of non-tax receipts as on 31 March 2005 at Rs.45891 crore constitutes 31 per cent of the actual receipts in 2004-05 and two-third of these arrears are pending for more than five years. Moreover, 54 per cent of the total outstanding arrears and 56 per cent of the arrears of the age of more than five years are 'interest receipts' to Union pending from public sector enterprises and other undertakings.

General observations

1.34 In its plan of restructuring public finances, Twelfth Finance Commission (TFC) recommended that the combined non tax revenues of the Union and the States as a proportion to GDP should increase from 2.5 per cent in 2004-05 to 3.4 per cent in 2009-10, but the burden for increasing this ratio is largely placed on states as non tax revenues of the Union are expected to remain at 2.2 per cent of GDP during this period. This recommendation of TFC, however, implicitly assumed that to maintain the same proportion of GDP, non tax revenues of the Union have to increase at least at the nominal rate of growth of GDP which itself is expected to increase at 12 per cent per annum during the TFC award period. In view of the fact that non tax revenues have historically been inelastic and exhibit very low levels of buoyancy, even to keep the ratio of non-tax revenues of the Union to GDP stagnant as recommended by the TFC, widespread reform measures in the form of rationalization of subsidies and improvement in recovery of user charges and tariffs of various services provided by the government are required to be put in place by the Union Government. In the context of interest receipts and dividends, the issue is linked to the reform of public enterprises and the question of user charges is linked to rationalisation and targeting of the subsidies.

1.35 It is generally believed that there is potential to increase non-tax revenue significantly with recovery of user charges and rationalisation of subsidies. While there may be a case for not recovering the full cost in delivery of "merit goods" in view of their positive spill-over potential, recovery rates can be gradually increased. The Eleventh Finance Commission (EFC) suggested a paradigm shift in raising non tax revenues. "Where government consider it essential to publicly provide private goods, such provision should be at efficient costs, and the costs should be recovered from all users who can pay for them eliminating the subsidy implicit in under pricing⁷". EFC recommended cost based indexing of user charges, along with setting up of autonomous tariff commissions for administered prices to maintain their links with cost while protecting consumer interests.

The Twelfth Finance Commission has also suggested that "In the context of goods and services that are private in nature, the principle of cost recovery should apply and where costs are not meant to be recovered fully, explicit subsidies should be provided. The management of government finances in such a way would impart the necessary transparency and improve the efficacy of fiscal intervention⁸".

⁷ Report of the Eleventh Finance Commission, Ministry of Finance

⁸ Report of the Twelfth Finance Commission, Ministry of Finance

1.36 There is also potential to increase non tax revenues by strengthening existing mechanisms for levy and collection of non tax receipts. This report attempts to assess the efficacy and effectiveness of the systems for maximising revenue collection and effectiveness of internal controls in four government departments and one departmental undertaking based on the magnitude of contribution to the overall non tax receipts which could be subjected to focused audit. The selected departments are Department of Telecommunications, Registrar of Companies, Department of Space, Department of Atomic Energy and Badarpur Thermal Power Station, New Delhi. The important audit findings and recommendations have been discussed in the subsequent chapters.