

Chapter 3

RESOURCES: TRENDS AND COMPOSITION

The overall resources of the Union Government comprise of revenue and capital (debt and non-debt receipts as well as accruals in public account) receipts. Notwithstanding the inter year variations in the growth of various components over a longer term (1992-2008), the ratio between the debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt receipts) was fourth-fifth and one-fifth during 2006-07 but it has tilted slightly in favour of non-debt receipts during the current year.

Revenue receipts with its broad components of tax and non-tax receipts are the most important source of revenue. The gross tax collections witnessed acceleration in the rate of growth from the very first year of X Plan (2002-07) and increased by 25.27 *per cent* in 2007-08 from the large amount of Rs. 473512 crore attained in the previous year. In the years following the economic reforms particularly during the X Plan period (2002-07), there were significant changes in the structure of taxes from commodity-based taxation to income based taxation. The share of direct taxes, indirect taxes and service tax in gross tax collections stood at 50, 38 and 9 *per cent* during 2007-08 as compared to their corresponding average shares of 27, 70 and 0.48 *per cent* during VIII Plan (1992-97). The trends reveal that over the years gains to the exchequer improved in the form of higher corporate tax collections while the share of excise and custom duties in gross tax revenue has been declining on an average every year since 2002-03. The share of service tax although increased consistently since its inception in 1994-95.

The overall tax buoyancy has improved significantly from average of 0.871 during the IX Plan (1997-2002) to 1.522 during X Plan (2002-07) mainly on account of the revival of growth momentum especially in industrial sector of the economy on which the tax collections of the government critically depend and widening of base of the service tax. It has increased to 1.846 during the current year and except in case of excise duties, buoyancy of corporation tax, income tax and service tax being more than unity implies their growth rates had been higher than the growth of GDP. The tax-GDP ratio indicated an upturn especially since 2002-03 and reached the level of 12.58 in 2007-08 after exceeding 10 *per cent* for the first time in 2005-06 in reform era.

The share of non-tax revenue, which constituted on an average 44 *per cent* of the net revenue of the Union Government during the decade 1992-2002, has consistently declined during the X Plan period and reached an average of 32.04 *per cent* during 2007-08. There was, however, significant improvement in revenue buoyancy vis-à-vis tax buoyancy in 2007-08 relative to the previous year indicating the fact that during the current year resources mobilised through non-tax resources contributed relatively more in incremental revenue receipts during the year. Trends in growth of its various components indicate that while the share of dividend and profits increased, the share of interest receipts consistently declined during X Plan (2002-07) from 32 *per cent* in 2002-03 to 15.42 *per cent* in 2006-07. Moderation in interest rates on loans advanced and debt swap scheme as well as the scheme of Debt Consolidation Relief Facility (DCRF) recommended by the TFC have contributed to this deceleration during the last three years. The interest receipts have, however, increased by 30.35 *per cent* in 2007-08 over the previous year mainly on account of enhanced interest receipts on loans for State Plan Schemes as well as under market stabilisation scheme during the year. Non-tax receipts from the social and economic services and from the sovereign and other general functions of the government continued to have a negative shift rate during 1992-2008 despite steep increases during the current year. The share of non-debt capital receipts, which primarily consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances remained insignificant throughout, however, receipts under these two heads increased steeply in 2007-08 vis-à-vis their budget estimates.

Resources of the Union Government: 2007-08

3.1 Revenue and capital are the two streams of receipts that constitute resources of the Union Government. Revenue receipts consist of tax revenue, non-tax revenue, grants-in-aid and contributions. Capital receipts have two components - the debt receipts, which create future repayment obligations and the miscellaneous capital receipts, which constitute proceeds from disinvestment and recoveries of loans and advances, leading to reduction in the actual or potential assets base. Table 3.1 below presents a summary of the total resources of the Union Government, which amounted to Rs. 3274382 crore for the year 2007-08. Non-debt receipts at Rs. 850413 crore constituted around 27 *per cent* of the total receipts. The balance was either to be assigned to the states or was in the nature of borrowings and public account receipts.

Table 3.1: Resources of the Union Government

<i>(Rupees in crore)</i>			
I	Revenue Receipts		801226
II	Capital receipts		1917289
	a.	Miscellaneous Receipts	38796
	b.	Recovery of Loans and Advances	10391
	c.	Debt receipts	1868102
III	Public Account Receipts		460981
IV	Contingency Fund		0
Total Receipts			3179496
Opening Cash Balances			94882
Total Availability of Resources			3274378
<i>Note: (1) Revenue receipts include Rs. 151800 crore being the share of taxes and duties assigned to the States and not reflected in the Union Government's Finance Accounts.</i> (2) Revenue Receipts include receipts from Railways, Posts and Departmental Undertakings.			

Trends in Resources

3.2 Overall resources of the Union Government increased at a trend rate of 15.56 *per cent* during 1992-2008. Accrual of gross resources to the Union grew by 14.87 *per cent* per annum during the VIII Plan (1992-97), immediately after the initiation of the process of economic reforms. However, during the IX Plan (1997-2002), the annual trend growth decelerated to 7.02 *per cent*. There was a reversal of the trend during the X Plan (2002-07) as the trend growth rate not only sharply increased to 24.97 *per cent* but it outstripped the average GDP growth rate during the Plan period. The growth in accruals of gross resources picked up the momentum in 2003-04 as a result of enhanced rates of growth in all four components of total receipts of Union especially in non-debt receipts which were more than doubled due to enhanced recoveries of loans and advances under Debt Swap Scheme. Since then increase in total receipts was mainly attributed to increase in growth rates of both debt and revenue receipts of the Union Government together accounting for more than 4/5th of total receipts during last two years of X Plan (2002-07), i.e. 2005-06 and 2006-07 as well as during 2007-08, the first year of XI Plan (2007-12).

3.3 Inter year variations in the growth of various components of gross receipts were significant. The trend growth (1992-2008) was not only one of

the lowest for non debt capital receipts but it widely oscillated during the period. The growth in non-debt capital receipts, which was on a very high base, was negative in 2004-05 and 2005-06. In absolute terms, non-debt capital receipts in 2003-04 and 2004-05 were maintained at substantially higher levels compared to their long-term trend, largely because of debt swap scheme. Besides the low base in 2005-06, a sharp increase in recovery of loans by Rs. 6890 crore (58.38 *per cent*) in 2006-07 over the previous year indicated an increase of 43.66 *per cent* in non debt capital receipts during the year. A steep increase in proceeds from disinvestments in Central Public Sector Undertakings (Rs. 4387 crore) as well as in miscellaneous capital receipts (Rs. 33875 crore) on account of one time transfer by RBI of proceeds on account of transfer of its stake in State Bank of India to Government of India led to an increase of more than 155 *per cent* (Rs. 29962 crore) in non-debt capital receipts in 2007-08 over the previous year.

Table 3.2: Components of receipts: Trends

(Rupees in crore)

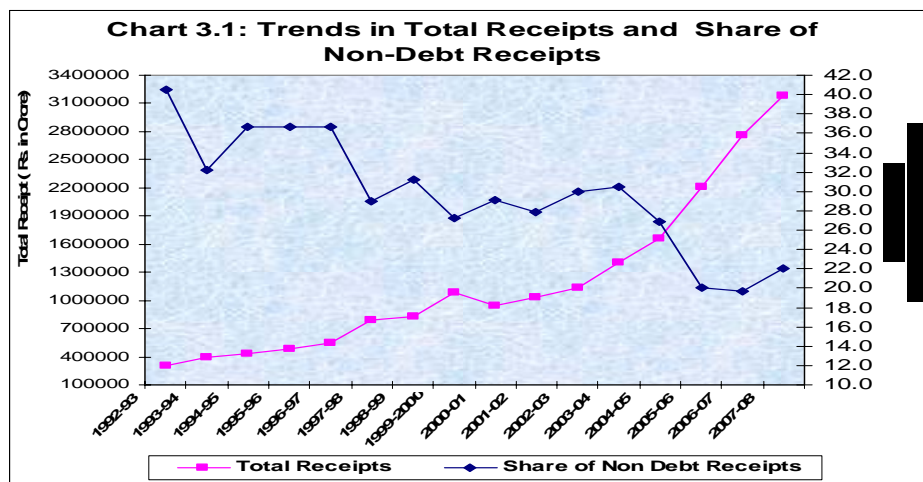
Period	Revenue Receipts#	Capital Receipts			Total Receipts*	Gross Domestic product
		Gross Non-Debt Capital Receipts	Gross Debt Receipts	Gross Accruals in Public Account		
1992-2008	336788	25822	588238	249607	1200455	2224784
VIII Plan (1992-97)	157991	9373	164326	102117	433807	1037397
IX Plan (1997-02)	282019	17430	427187	210498	937134	1922332
X Plan (2002-07)	477466	45989	917229	393933	1834616	3216949
2002-03	355948	41896	435371	307235	1140450	2454561
2003-04	404866	86780	538492	369133	1399271	2754620
2004-05	455466	68664	705289	427507	1656926	3149412
2005-06	525325	13382	1262363	410769	2211839	3580344
2006-07	645723	19225	1644628	455019	2764595	4145810
XI Plan (2007-12)						
2007-08	801226	49187	1868102	460981	3179496	4713148
Average Annual Rate of Growth (per cent)						
1992-2008	12.30	12.53	18.47	13.73	15.56	12.29
VIII Plan (1992-97)	15.41	0.01	15.98	14.43	14.87	16.72
IX Plan (1997-02)	8.58	18.24	2.22	13.76	7.02	10.33
X Plan (2002-07)	15.62	(-) 29.02	42.05	9.33	24.97	14.00
2002-03	11.89	71.85	-0.30	18.88	9.91	7.71
2003-04	13.74	107.13	23.69	20.15	22.69	12.23
2004-05	12.50	(-) 20.88	30.97	15.81	18.41	14.33
2005-06	15.34	(-) 80.51	78.99	(-) 3.92	33.49	13.68
2006-07	22.92	43.66	30.28	10.77	24.99	15.79
XI Plan (2007-12)						
2007-08	24.08	155.85	13.59	1.31	15.01	13.68

Includes figures of taxes and duties assigned to States (Rs. 151800 for 2007-08). * Total Receipts during 2005-06 are exclusive of receipts of Rs 450 crore as a recoupment to Contingency Fund of India.

3.4 Due to sharp increase in debt receipts during the last four years of the X Plan (2002-07), trend growth rate during X plan increased sharply to 42 *per*

**Report of the CAG on
Union Government Accounts 2007-08**

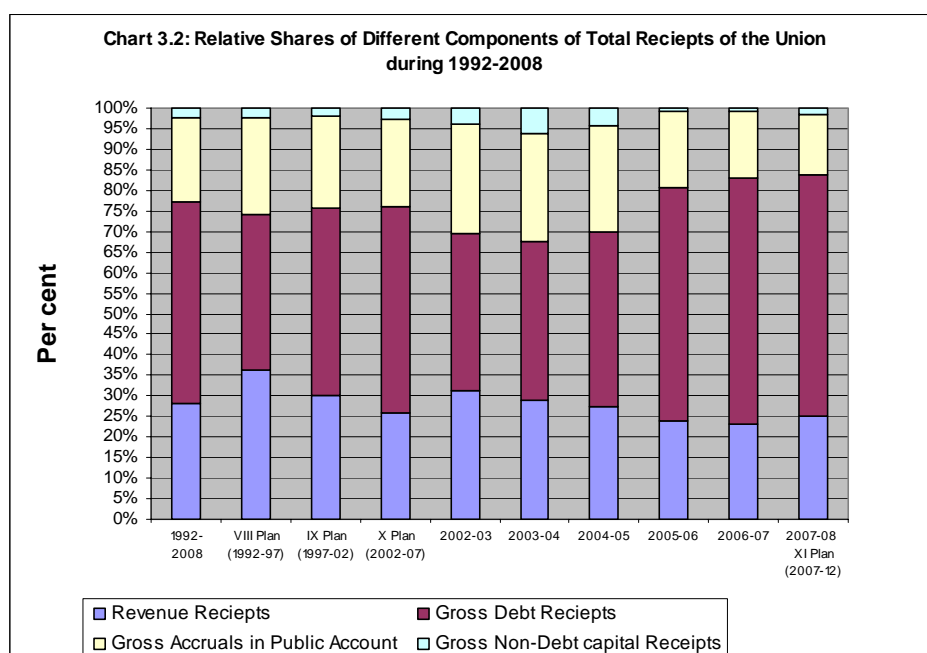
cent from the low level of 2.22 per cent in IX Plan (1997-2002). The trend continued in 2007-08 although at a moderate level as debt receipts increased by Rs. 223474 crore (13.59 per cent) over the previous year. Revenue receipts were buoyant particularly in recent years and with reference to the growth rates observed during IX plan period, average acceleration was close to 7.0 percentage points in X Plan (2002-07). The buoyancy of the revenue receipts continues in the beginning of the XI Plan (2007-12) when an increase of 24.08 per cent was recorded in 2007-08 over the previous year.



3.5 Table 3.3 and Chart 3.2 depict the relative share of various components of resources. Over a longer term (1992-2008), except for the debt receipts, the other three components had a negative shift in their relative shares.

**Table 3.3: Relative shares of different components of total receipts
(Per cent)**

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Gross Non-Debt capital Receipts	Gross Debt Receipts	Gross Accruals in Public Account	
1992-2008	28.06	2.15	49.00	20.79	100.00
VIII Plan (1992-97)	36.42	2.16	37.88	23.54	100.00
IX Plan (1997-02)	30.09	1.86	45.58	22.46	100.00
X Plan (2002-07)	26.03	2.51	50.00	21.47	100.00
2002-03	31.21	3.67	38.18	26.94	100.00
2003-04	28.93	6.20	38.48	26.38	100.00
2004-05	27.49	4.14	42.57	25.80	100.00
2005-06	23.75	0.61	57.07	18.57	100.00
2006-07	23.36	0.70	59.49	16.46	100.00
XI Plan (2007-12)					
2007-08	25.20	1.55	58.75	14.50	100.00
Average Annual Rate of Shift in the shares					
1992-2008	(-) 2.83	(-) 2.62	2.52	(-) 1.58	



While the relative share of revenue receipts peaked during the VIII Plan, share of debt receipts peaked during 2006-07. The relative share of non-debt capital receipts and accruals in public account peaked during 2003-04 and 2002-03 and indicated a decline in subsequent years. Relative share of revenue receipts after reaching its peak during the VIII Plan (1992-1997) at 36.42 per cent drifted southwards in later years averaging little over 30 per cent during the IX Plan (1997-2002) and further to an average of 26.03 per cent during the X Plan (2002-07). Except in case of debt receipts, the negative shifts in relative share of revenue receipts; non-debt receipts and public account were significant during the period 1992-2008. Despite these shifts in the relative shares of the four components of the gross resources of the Union Government, the ratio between the debt receipts inclusive of accruals in public account and non-debt receipts (revenue receipts and other non-debt capital receipts) was fourth-fifth and one-fifth during 2006-07 but it has tilted slightly in favour of non-debt receipts during the current year.

Access to resources relative to GDP

3.6 Increase in the access to resources as income increases is natural because the base itself has enlarged. More important, however, is the increase relative to GDP. The ratio of overall resources to GDP was 41.82 per cent during the VIII Plan (1992-1997); this increased to an average of 48.75 per cent during the IX Plan (1997-2002) and further to an average of 57.03 per cent during the X Plan (2002-07) resulting in the long-term trend average of 53.96 per cent (1992-2008). This ratio continuously improved in recent years exceeding 60 per cent in 2005-06 and reached the peak level of 67.46 per cent in 2007-08 from the level of 66.68 per cent in 2006-07. On account of this improvement in recent years all the four components as well as the overall receipts to GDP ratio had positive shift rates (Table 3.4), however they being

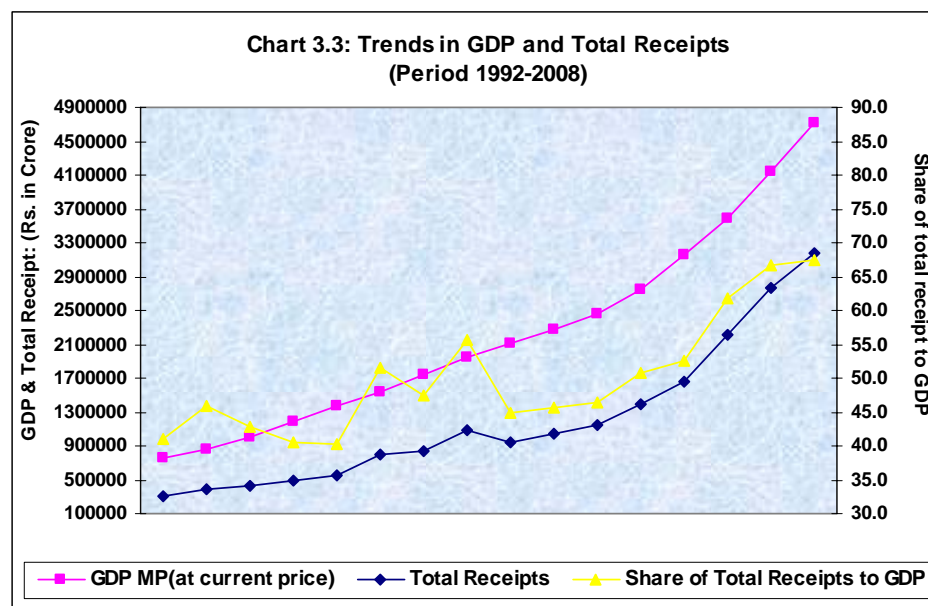
**Report of the CAG on
Union Government Accounts 2007-08**

marginal in case of revenue receipts and non-debt capital receipts. These trends indicate significant improvement in access to resources as the base i.e. GDP expanded during the period 1992-2008. If the total receipts and GDP were set to 100 in 1992-93, total receipts in 2007-08 would be 1039 as against a value of 630 for GDP. **Chart 3.3** depicts the graphical presentation of the interrelationships between GDP, total receipts and the share of total receipts in GDP during the period 1992-2008.

Table 3.4: Receipts as percentage to GDP

(Per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Gross Non-Debt Capital Receipts	Gross Debt Receipts	Gross Accruals in Public Account	
1992-2008	15.14	0.60	26.44	11.22	53.96
VIII Plan (1992-97)	15.23	0.90	15.84	9.84	41.82
IX Plan (1997-02)	14.67	0.91	22.22	10.95	48.75
X Plan (2002-07)	14.84	1.43	28.51	12.25	57.03
2002-03	14.50	1.71	17.74	12.52	46.46
2003-04	14.70	3.15	19.55	13.40	50.80
2004-05	14.46	2.18	22.39	13.57	52.61
2005-06	14.67	0.37	35.26	11.47	61.78
2006-07	15.58	0.46	39.67	10.98	66.68
XI Plan (2007-12)					
2007-08	17.00	1.04	39.64	9.78	67.46
Average annual rate of shift in the shares					
1992-2008	0.01	0.21	5.51	1.29	2.91



3.7 The receipts and disbursements, particularly those relating to public debt and public accounts, appear on gross basis in the Finance Accounts.

Accommodations by way of Ways and Means Advances (WMA) and 14-day Treasury Bills are, by their very nature, short-term measures and provide a cover for temporary mismatches. These are self-liquidating and their inclusion in debt receipts unnecessarily inflates the figures. Similarly, accrual in public account, which is akin to a banking operation by government, on gross basis, may absorb the gross numbers without providing actual access. While to some extent this may also be true for the other debt receipts as bulk of these receipts are for debt rollover, it indicates the need for a structured borrowing strategy. In view of this, it may be necessary to net the impact of WMA and 14-day Treasury Bills operations of the government on its resources to arrive at its effective receipts. Table 3.5 indicates the impact of this netting on the total receipts, and the ratio of total receipts to GDP for the last eight years. The Net receipts of the Union Government declined by 34.60 percentage points from 67.46 *per cent* to 32.86 *per cent* of total receipts in 2007-08 consequent upon such neutralisation.

Table 3.5: Revised Receipts and its share in GDP

(Rupees 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 Receipts	Total Receipt/ GDP (Per cent)
1998-99	254369	19063	131789	1042	(-) 850	40942	446355	25.49
1999-00	298076	14275	132556	(-) 2060	(-) 4440	23345	461752	23.65
2000-01	307724	18924	152146	4413	1340	25123	509670	24.24
2001-02	318121	24379	187523	(-) 219	(-) 1553	42364	570615	25.04
2002-03	355948	41896	206830	(-) 5176	3134	37011	639643	26.06
2003-04	404866	86780	297096	0	1626	(-) 22650	767718	27.87
2004-05	455466	68664	326960	0	7354	27119	885563	28.12
2005-06	525325	13382	369247	0	24733	3514	936201	26.15
2006-07	645723	19225	408517	0	136	48639	1122240	27.07
2007-08	801226	49187	633418	0	29154	35717	1548702	32.86

* Includes figures of taxes and duties assigned to States

** Net of receipts of Ways and Means Advances and Treasury Bills

Revenue Receipts: Movement of major aggregates

3.8 Revenue receipts with its broad components of tax and non-tax receipts is the most important source of revenue as no future payment obligations are created in accessing these receipts. The composition and trends in revenue receipts of the Union as well as in its gross tax collection during the period 1992-2008 are presented in Table 3.6 and Chart 3.4 and Chart 3.5. Overall revenue receipts of the Union Government (net of the states' share from its gross tax collections) increased at an average annual rate of 10.86 *per cent* during 1992-2008. There was, however, a sharp deceleration in the average annual rate of growth from an average of 15.02 *per cent* during the VIII Plan (1992-1997) to 4.65 *per cent* during the IX Plan (1997-2002). There was a

**Report of the CAG on
Union Government Accounts 2007-08**

reversal in trend during X Plan (2002-07) when the average annual rate of growth was increased sharply to 14.59 *per cent* despite a sluggish growth in non-tax receipt during the Plan period. The shift rate of share of non tax receipt in net tax revenue was also negative during the period 1992-2008. The net revenue of the Union Government for the first time crossed 20 *per cent* in 2006-07 and further reached the level of 23.61 *per cent* during the current year. Despite the high buoyancy in the net revenue receipts during recent years, the net revenue as *per cent* to GDP during VIII, IX and X Plan periods indicated a marginal decline as average growth rate of net revenue receipts remained less than the average growth rate of GDP resulting in a negative shift rate of 0.66 during the period 1992-2008 as reflected in the Table 3.6.

Table- 3.6: Composition and Trends of Revenue Receipts

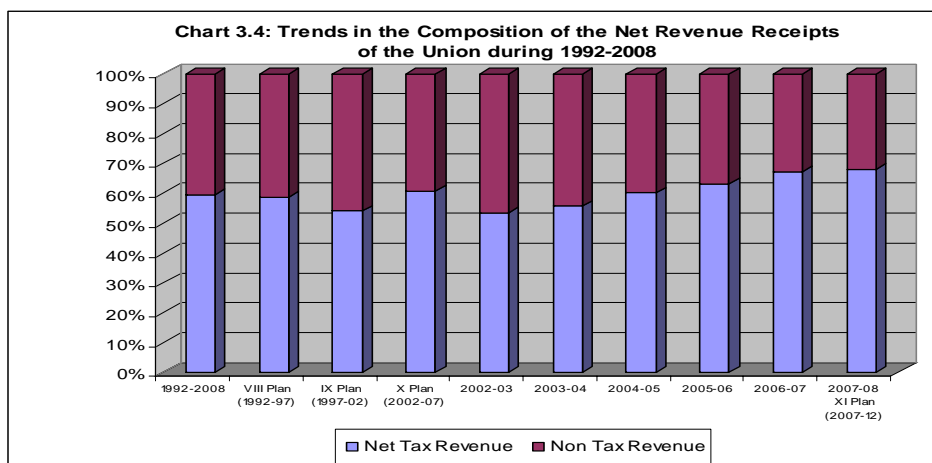
(Rupees in crore)

Period	Gross Tax Revenue	States' share in Taxes	Net Tax Revenue	Non Tax Revenue	Net Revenue of the Union	Share of Non-Tax Revenue (<i>per cent</i>)	Net Revenue as <i>per cent</i> to GDP
1992-2008	220092	47701	172391	116696	289087	40.37	12.99
VIII Plan (1992-97)	96533	9435	87097	61459	148556	41.37	14.32
IX Plan (1997-02)	166087	29808	136278	115933	252211	45.97	13.12
X Plan (2002-07)	323047	83040	240007	154419	394426	39.15	12.26
2002-03	216266	56122	160144	139682	299826	46.59	12.22
2003-04	254348	65766	188582	150518	339100	44.39	12.31
2004-05	304958	78595	226363	150508	376871	39.94	11.97
2005-06	366151	94385	271766	159174	430940	36.94	12.04
2006-07	473512	120330	353182	172211	525393	32.78	12.67
XI Plan (2007-12)							
2007-08	593147	151800	441347	208079	649426	32.04	13.78
Average Annual Rate of Growth (<i>per cent</i>)							
1992-2008	13.65	24.87	11.55	9.67	10.86	(-) 1.08	(-) 0.66
VIII Plan (1992-97)	15.89	21.86	15.30	14.66	15.02		
IX Plan (1997-02)	9.00	49.19	1.90	8.00	4.65		
X Plan (2002-07)	21.31	20.76	21.50	4.86	14.59		
2002-03	15.61	6.21	19.32	6.58	13.02		
2003-04	17.61	17.18	17.76	7.76	13.10		
2004-05	19.90	19.51	20.03	(-) 0.01	11.14		
2005-06	20.07	20.09	20.06	5.76	14.35		
2006-07	29.32	27.49	29.96	8.19	21.92		
XI Plan (2007-12)							
2007-08	25.27	26.15	24.96	20.83	23.61		

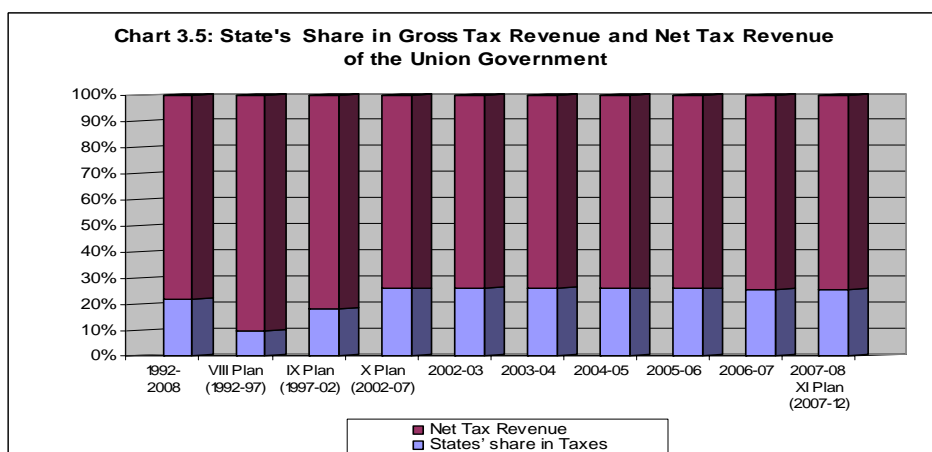
Note: Includes receipts from Railways, Posts and Departmental Undertakings.

3.9 Non-tax revenue constituted on an average 43.67 *per cent* of the net revenue of the Union Government during the decade 1992-2002 encompassing the VIII and IX Five Year Plans. During the X Plan period, it has consistently declined due to the combined effect of the sluggish growth in aggregate non-tax revenue and relatively much higher increase in net revenue receipts of Union owing to the robust growth in tax revenue during these years. The declining trend continued in 2007-08 as share of non tax revenue in net revenue receipts further declined from the level of 32.78 *per cent* in previous

year. The consistent deceleration in share of non-tax revenue in net revenue receipts of the Union (Chart 3.4) resulted in a negative shift rate of -1.08 during 1992-2008.



3.10 Tenth Plan from its very first year witnessed acceleration in the rate of growth of gross tax collections and also sustained this momentum in that part of the collections which was retained by the Union. Growth in gross tax collections reached the peak level of 29.32 per cent in 2006-07 and steeply increased by 9.25 percentage points from 20.07 per cent in 2005-06. Despite a very large base in 2006-07, gross tax collections increased by 25.27 per cent during 2007-08 indicating very high buoyancy of tax revenue of the Union Government during the recent years especially since the beginning of X Plan (2002-07). Due to increase in percentage share under TFC award as well as increase in absolute amount of gross tax revenue vis-à-vis the TFC projection, the States share in central taxes and duties has gone up by 26.15 per cent from Rs. 120330 crore in 2006-07 to Rs. 151800 crore in 2007-08.



Major Taxes: Relative performance

3.11 The relative performance of different taxes changed significantly over the years (Table 3.7) with corporation tax recording highest trend growth of 21.31 *per cent* during 1992-2008.

Table 3.7: Components of Tax Revenue (gross)

(Rupees in crore)

Period	Total Gross Tax Revenue#	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others
1992-2008	220092	52894	34431	48441	69620	9505	5201
VIII Plan (1992-97)	96533	13567	12575	30273	37014	465	2638
IX Plan (1997-02)	166087	29508	25353	43418	60838	2317	4652
X Plan (2002-07)	323047	87602	51720	60497	100210	17373	5645
2002-03	216266	46172	36866	44852	82310	4122	1944
2003-04	254348	63562	41387	48629	90774	7891	2105
2004-05	304958	82680	49268	57611	99125	14200	2074
2005-06	366151	101277	55985	65067	111226	23055	9541
2006-07	473512	144318	75093	86327	117613	37598	12563
XI Plan (2007-12)							
2007-08	593147	192911	102659	104119	123611	51302	18545
Average Annual Rate of Growth (per cent)							
1992-2008	13.65	21.31	16.58	8.46	10.30	*	7.64
VIII Plan (1992-97)	15.89	21.71	24.72	18.00	10.45	*	-2.50
IX Plan (1997-02)	9.00	17.15	18.58	1.61	11.41	19.19	-30.18
X Plan (2002-07)	21.31	31.59	18.83	17.36	9.60	73.21	68.93
2002-03	15.61	26.12	15.19	11.38	13.44	24.83	-16.28
2003-04	17.61	37.66	12.26	8.42	10.28	91.44	8.28
2004-05	19.90	30.08	19.04	18.47	9.20	79.95	-1.47
2005-06	20.07	22.49	13.63	12.94	12.21	62.36	360.03
2006-07	29.32	42.50	34.13	32.67	5.74	63.08	31.67
XI Plan (2007-12)							
2007-08	25.27	33.67	36.71	20.61	5.10	36.45	47.62

* Service Tax was introduced in 1994-95 # Includes figures of taxes/duties assigned to States/UTs.

3.12 In the years following the economic reforms, there were significant changes in the structure of taxes. Wider coverage, broad base and moderate rates became the cornerstone of the new tax regime. There was also a shift from commodity-based taxation to less distortionary income based taxation. This shift was expected to improve tax compliance, tax buoyancy and finally the tax-GDP ratio. During the VIII Plan (1992-1997), rate of growth of tax receipts increased to an average of 15.89 *per cent*, little more than two percentage points higher than the trend growth during 1992-2008. This growth in gross tax collections during the VIII Plan (1992-97) could be attributed to accelerated growth in income tax, corporation tax and customs duties during this period. There was, however, a deceleration in the average annual growth of these three taxes/duties during the IX Plan (1997-2002). While a decline in the rate of growth in customs and excise duties was expected in view of lowering of duties, this was not fully compensated by increase in the rate of

growth of other taxes. Even the introduction of service tax in 1994-95, which provided additional revenue, could not sustain the growth rates during this period. If the gross collections from the major taxes in 1992-93 are set at 100, collection index would be 2168 for corporation tax, 1300 for income tax, 401 for excise duties and only 438 for customs duties in 2007-08. Acceleration in the collections particularly of the corporate and income tax was the outcome of rationalisation of tax structure and other tax reforms during the period.

3.13 In 2007-08, tax receipts have shown higher buoyancy than expected from all the taxes except from the excise duties. While the gross collections from income tax and corporation tax grew by 36.71 *per cent* and 33.67 *per cent*, respectively, against an increase of 25.27 *per cent* for the gross collections, the collections from the service tax, customs and excise duties increased by 36.45 *per cent*; 20.61 *per cent* and 5.1 *per cent*, respectively, during the current year. Increase in service tax was both due to change in the rates as also the increase in the coverage of services. Indirect tax reforms focused on moving towards ASEAN levels for custom tariffs and CENVAT rate for excise duties. The policy of bringing about moderate, rational and simplified tax structure and reducing customs duty rates to ASEAN levels continued during the current year as the peak rate of customs duty for various products encompassing the non-agricultural imports and chemicals and plastics across the various categories was reduced substantially.

3.14 As a result of these measures, collections under income tax, corporation tax, customs and excise duties recorded absolute increases during 2007-08 over the previous year but deceleration in the rate of growth of excise duties was observed partly on account of rationalisation of their rate structure and partly due to their relatively higher bases in the previous year. A significant increase under the head 'others' is mainly on account of the buoyant growth displayed in collections under fringe benefit tax, securities transaction tax and banking cash transaction tax which form part of the direct taxes in the budget estimates and reflected under the head 'other taxes'.

3.15 Apart from the differential performance in terms of collections under various taxes, their relative share in the gross tax revenue of Union has also changed significantly particularly during the X Plan period (2002-07) (Table 3.8 and Chart 3.6). As the economic reforms began in early 90s, the share of corporate tax revenues in the total gross tax revenues stood at 14.05 *per cent*, while that of the excise duties was 38.34 *per cent* during the VIII Plan (1992-97). However, over the years, gains trickled down to the exchequer in the form of higher corporate tax collections. While the collections under the corporate tax increased from Rs. 46,172 crore in 2002-03 to Rs. 192911 crore in 2007-08, excise duties increased from Rs. 82,310 crore in 2002-03 to Rs. 123611 crore in 2007-08. Since 2002-03, the share of excise duties in gross tax revenue has been declining on an average every year by 2.87 percentage points while on the other hand the share of corporate tax has been increasing by about 1.86 percentage points every year. The share of indirect taxes comprising of excise and custom duties in gross tax revenue has declined

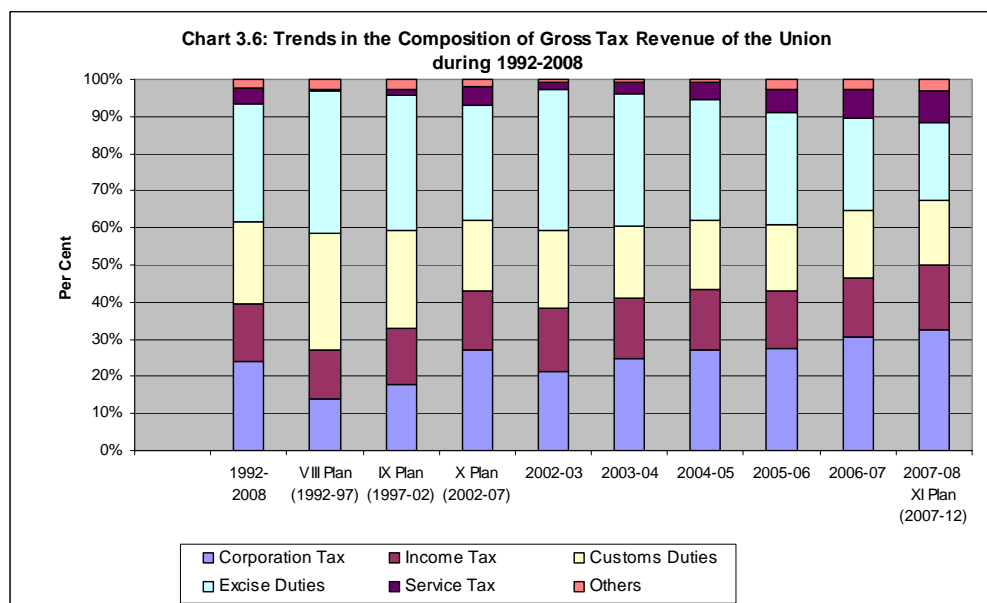
**Report of the CAG on
Union Government Accounts 2007-08**

by 6.93 percentage points from 69.7 *per cent* in VIII Plan (1992-97) to 62.77 *per cent* in IX Plan (1997-02) but thereafter it declined at an annual average rate of 3.40 percentage points during the six year period from 2002-03 to 2007-08. The share of personal income tax however indicated a marginal increase of two percentage points from VIII to IX Plan period and thereafter its share indicated gradual decline at relatively slower rate of 0.24 percentage points during X Plan period. However, during 2007-08, the share of income tax increased sharply by 1.64 percentage points in a year. The share of service tax since its inception in 1994-95 has been consistently increasing. It has increased on an average by 1.2 percentage points every year during the period from 2002-03 to 2007-08.

Table 3.8: Relative Share of Components of Tax Revenue (Gross)

(per cent)

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others
1992-2008	100.00	24.03	15.64	22.01	31.63	4.32	2.36
VIII Plan (1992-1997)	100.00	14.05	13.03	31.36	38.34	0.48	2.73
IX Plan (1997-2002)	100.00	17.77	15.26	26.14	36.63	1.40	2.80
X Plan (2002-07)	100.00	27.12	16.01	18.73	31.02	5.38	1.75
2002-03	100.00	21.35	17.05	20.74	38.06	1.91	0.90
2003-04	100.00	24.99	16.27	19.12	35.69	3.10	0.83
2004-05	100.00	27.11	16.16	18.89	32.50	4.66	0.68
2005-06	100.00	27.66	15.29	17.77	30.38	6.30	2.61
2006-07	100.00	30.48	15.86	18.23	24.84	7.94	2.65
XI Plan (2007-12)							
2007-08	100.00	32.52	17.31	17.55	20.84	8.65	3.13



Tax buoyancy

3.16 The tax collections are normally affected by three main factors, viz the tax base, the tax rate and tax compliance, including the effectiveness of tax administration. Though the legal bases for various direct taxes differ and are too complex to be determined effectively due to exemptions and other concessions, GDP is considered the best proxy tax base. While there is no defined measure of tax compliance, it depends on the effectiveness of tax administration and three relevant proxy factors are speed of assessment, collection of arrears and enrolment of the potential taxpayers for tax assessment. Tax compliance is both voluntary and enforced. Voluntary compliance, however, is also dependent on effectiveness of the enforcement machinery apart from effective and deterrent penalties. Tax rates for income and corporation taxes have generally been stable in the medium term.

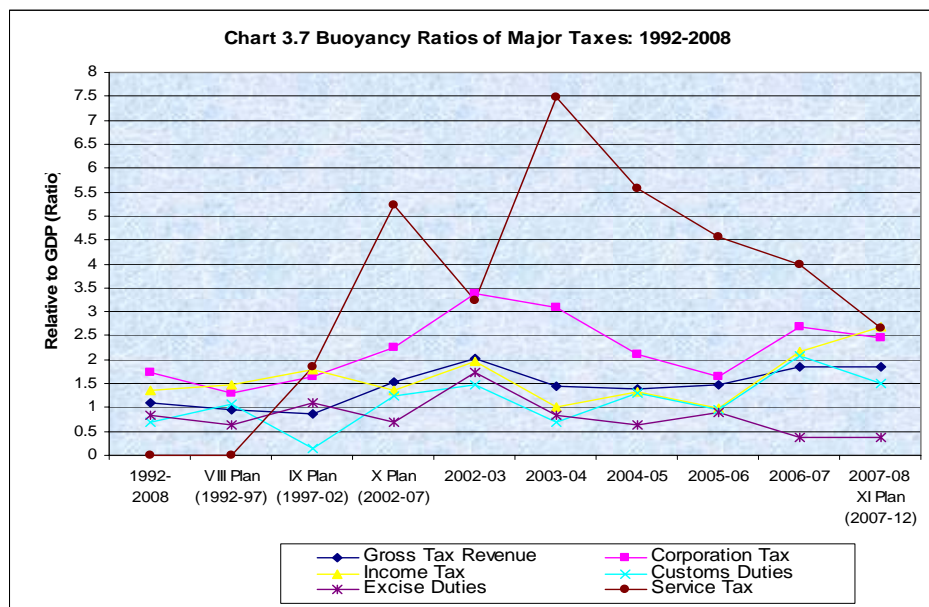
3.17 Tax revenue is perceived to be the reflection of the overall health of the economy. Tax buoyancy not only depends upon tax policy and administration but also on general performance of the economy. Assuming that GDP is a good indicator of the performance of the economy, the buoyancy coefficients indicate the percentage increase in the tax revenue following a one *per cent* increase in the GDP or the tax base. Besides the base, higher buoyancy may also be due to change in the tax rates and its coverage. While a buoyancy of greater than one is desirable, a buoyancy of less than one indicates that the collection from the concerned tax has not kept pace with the change in the base.

Table 3.9: Buoyancy of major taxes

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1992-2008	1.111	1.734	1.349	0.689	0.838	--
VIII Plan (1992-97)	0.950	1.298	1.479	1.076	0.625	--
IX Plan (1997-02)	0.871	1.660	1.798	0.156	1.104	1.857
X Plan (2002-07)	1.522	2.256	1.345	1.240	0.686	5.228
2002-03	2.026	3.390	1.972	1.477	1.745	3.223
2003-04	1.441	3.082	1.004	0.689	0.841	7.482
2004-05	1.388	2.098	1.328	1.288	0.642	5.577
2005-06	1.467	1.644	0.996	0.946	0.892	4.557
2006-07	1.857	2.691	2.161	2.069	0.364	3.994
XI Plan (2007-12)						
2007-08	1.846	2.460	2.683	1.506	0.373	2.663

3.18 Table 3.9 and Chart 3.7 presents the trends in buoyancy of major taxes during 1992-2008 and also during the VIII, IX and X Plan periods along with separately for each year of the X Plan as well as for 2007-08, the first year of XI Plan (2007-12). The trends in the buoyancy coefficients reveal that they have fluctuated across the taxes and over plans. The buoyancy of gross tax collections during the Eighth and Ninth Plans remained lower than unity however it was more than one in each year of the X Plan resulting in an average buoyancy of 1.522 during the Plan period. It further increases to 1.846 during 2007-08, the first year of XI Plan (2007-12) from 1.857 in 2006-07.

Due to buoyant growth in tax revenue displayed during the recent years, the long term trend over the period 1992-2008 also exceeded the unity. The overall tax buoyancy has improved significantly during 2002-03 to 2006-07 mainly on account of the revival of growth momentum especially in industrial sector of the economy on which the tax collections of the government critically depend. The other important factor behind the high tax buoyancy has been 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. The buoyancy in gross tax collection would fall if we exclude service tax from it. However, a very low contribution of service tax in total tax collections, i.e. 8.65 per cent in 2007-08 indicates the fact that despite recent attempts at widening tax base, excessive reliance of the Government on the industrial sector still continues for the revenue requirements. Gross Tax revenue budgeted to grow by 23.97 per cent in 2007-08 relies heavily on the performance of corporate and income taxes and the budget estimates envisaged for corporate and income taxes were respectively at 26.60 per cent and 18.28 per cent for the year. The overall realisation of growth in tax revenue receipts, receipts from corporate and income tax are observed to be respectively at 25.27, 33.67 and 36.71 per cent over the previous year.



3.19 While the overall buoyancy of two important direct taxes, viz., the corporate tax and income tax exceeded one, for the two important commodity taxes, viz., the customs and excise duty it was significantly below one during the period 1992-2008. Excise and customs duty have exhibited fluctuations during VIII and IX plan periods and also during the subsequent years. The buoyancies of two direct taxes - corporate tax and income tax - remained significantly more 2.5 during 2007-08 although buoyancy of corporate tax indicated a marginal decline in 2007-08. In the current year, the buoyancy of excise duties although indicated a marginal increase but it was even less than

half of its trend ratio while that of custom duties it steeply declined by 0.563 percentage point from 2.069 in 2006-07 to 1.506 in current year. Further, buoyancies of corporation tax, income tax, and service tax being more than two implies their growth rates had been significantly higher than the growth of GDP. The relatively buoyant performance on the customs duty front was observed on account of high and rising level of oil prices and buoyant non-oil imports because of the rise in GDP, which in fact helped in mobilising additional revenues from these taxes. 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 liberalisation.

Tax-GDP ratio

3.20 The other indicator of adequacy and effectiveness of government's resource mobilisation efforts and its extent of realisation of the tax potential is the tax to GDP ratio. Table 3.10 and Chart 3.8 present the trends of this ratio over the period 1992-2008 encompassing the VIII, IX and X Plan periods. The average annual rate of shift in tax-GDP ratio at 1.22 *per cent* for the period 1992-2008 indicates that growth in gross tax revenue is keeping pace with the rate of growth in GDP during this period. The tax-GDP ratio at 9.30 *per cent* during VIII Plan (1992-97) declined to 8.64 *per cent* in IX Plan (1997-2002) but this trend was reversed during the X Plan (2002-07) as this ratio increased to over 10 *per cent* mainly on account of buoyant tax collections during recent years especially in 2005-06 and 2006-07. During the X Plan period the tax GDP ratio consistently increased from 8.81 *per cent* in 2002-03 and exceeded 10 *per cent* in the year 2005-06 for the first time during the economic reforms regime, which began effectively from 1992-93. The increasing trend continued and it reached the level of 12.58 *per cent* during the current year, which was higher than the budgeted level of 11.8 *per cent* envisaged in Medium Term Fiscal Policy (MTFP) Statement for 2007-08.

Table 3.10: Tax/GDP Ratio of Major Taxes

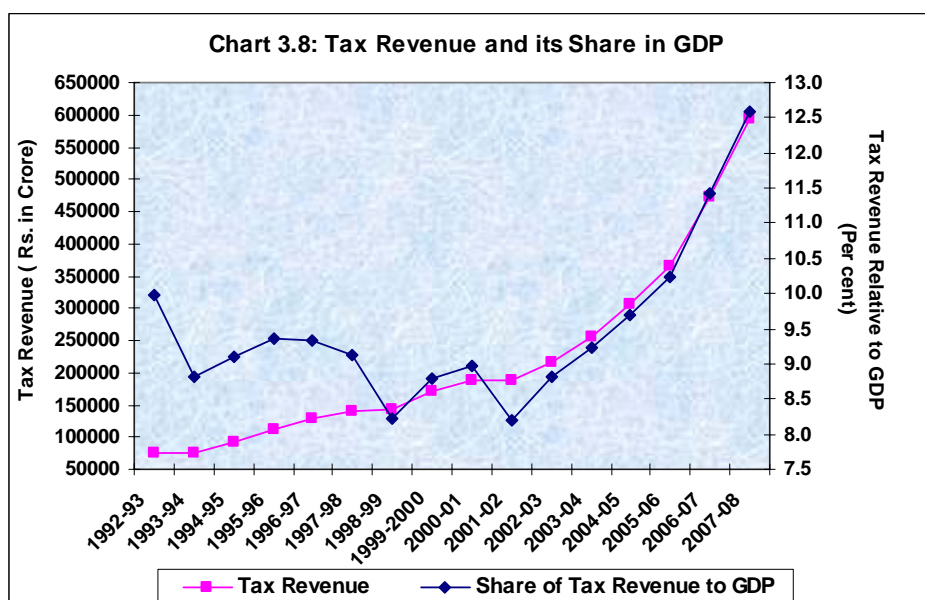
Period	(Per cent)					
	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
1992-2008	9.89	2.38	1.55	2.18	3.13	0.43
VIII Plan (1992-97)	9.30	1.31	1.21	2.92	3.57	0.04
IX Plan (1997-02)	8.64	1.54	1.32	2.26	3.16	0.12
X Plan (2002-07)	10.04	2.72	1.61	1.88	3.12	0.54
2002-03	8.81	1.88	1.50	1.83	3.35	0.17
2003-04	9.23	2.31	1.50	1.77	3.30	0.29
2004-05	9.68	2.63	1.56	1.83	3.15	0.45
2005-06	10.23	2.83	1.56	1.82	3.11	0.64
2006-07	11.42	3.48	1.81	2.08	2.84	0.91

**Report of the CAG on
Union Government Accounts 2007-08**

(Per cent)

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax
XI Plan (2007-12)						
2007-08	12.58	4.09	2.18	2.21	2.62	1.09
Av Annual Rate of Shift (1992-2008)	1.22	8.03	3.82	(-) 3.41	(-) 1.77	*

* Annual Rate of Shift not worked out as Service Tax was introduced in 1994-95.



3.21 Even the phase of recovery and high economic growth resulting in increasing corporate profits and buoyancies in salaries together with widening of the tax net through various means could not improve the tax to GDP ratio significantly largely due to the tax exemptions/concessions provided during the economic reforms regime. Besides, marginal tax rates have come down sharply during the last more than two decades, viz., in 1985-86, the marginal rate of taxes on personal income was brought down from 62 to 50 per cent and the corporate tax rate from around 60 to 50 per cent. In the budget of the early 1990s, especially those of 1992-93 and 1994-95, the marginal rates were further reduced to 40 per cent and at present they stand at around 33 per cent. The tax to GDP ratios were at their lowest in 2001-02, when they stood at 8.21 per cent in the case of the Centre's gross tax revenue and 5.89 per cent in the case of net tax revenue as compared to 9.97 and 9.16 per cent respectively in 1992-93. This decline has occurred despite some improvement in the collection of corporation, income and service taxes (relative to GDP), which could not cover the loss suffered in collections from customs and excise duties as a result of trade liberalisation and the "rationalisation" of excise duties. An overall decline in the ratio of customs and excise duty collections to GDP contributed to the overall decline in tax to GDP ratio over this period. The ratio of customs and excise duty collections to GDP declined from an average of 2.92 and 3.57 per cent during the VIII Plan (1992-1997) to 1.82 and 3.11 per cent respectively in 2005-06. The ratio of customs duty collections to GDP

although indicated a tendency to improve in 2006-07 and 2007-08 but this ratio for excise duties has consistently deteriorated since 2002-03. Although there was a negative shift in their share relative to GDP during 1992-2008 but the buoyant growth of receipts under corporate tax, income tax, service tax and other indirect taxes could sustain an overall positive shift in gross tax collections. Corporation and income tax collections relative to GDP witnessed significant improvement and had a positive shift rates. It is indeed true that subsequently buoyant corporate profits, a widened tax base and improved collection of dues and arrears, helped raise the tax GDP ratio. But despite high growth, improved profitability and signs of increased inequality (which should improve tax collection) the increase during the last three years (2005-08) was only higher by one to two percentage points to its immediate pre liberalisation levels. This is because while corporation, income and service tax revenues (particularly the first) contributed to the increase, their effect was not sufficient enough to raise the tax-GDP ratio significantly during the recent years.

Non-Tax Revenue

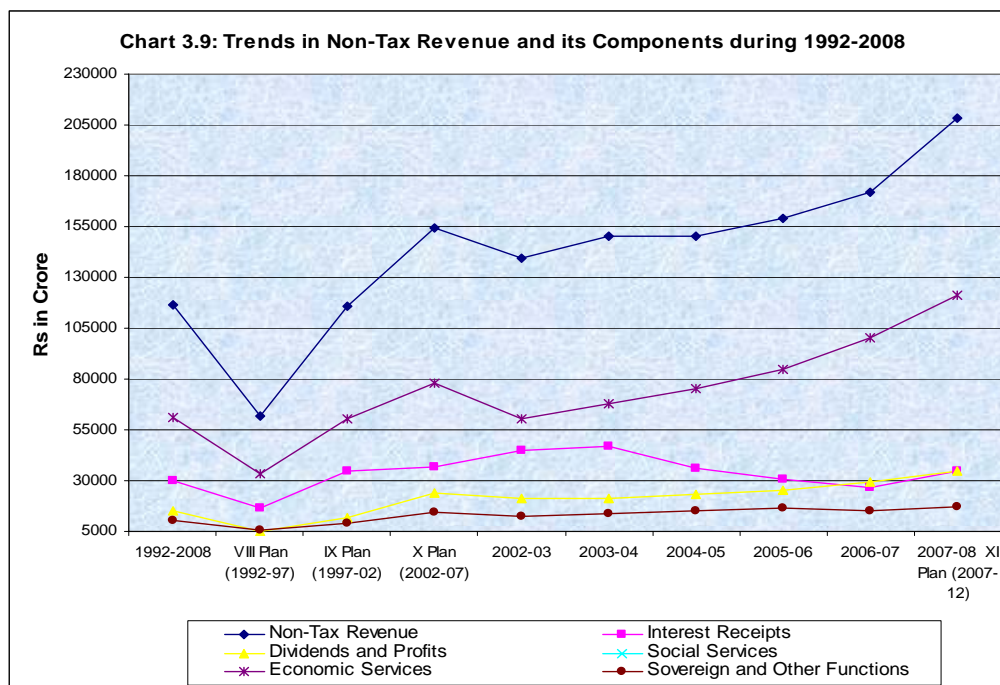
3.22 Non-tax revenues of government could be considered as being composed of two components: income from its sovereign functions like judiciary, police, currency and coinage, etc., and arising from its assets/investments either as intermediation returns or dividends or user charges such as Railways, 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 more akin to seignorage (seignorage is non-inflationary increase in money stock) rather than investment related. Notwithstanding the limitations of non-tax revenue with regard to the amount that should actually be reckoned as income/revenue of the government, the accruals from this source contributed around 40.37 *per cent* of the average net current revenue of the Union during the period 1992-2008. The share of non tax revenue in net current revenue of the Union has consistently declined from 46.59 *per cent* in 2002-03 to 32.04 *per cent* in 2007-08 mainly because of sluggish growth in non tax revenue of the Government vis-à-vis buoyant growth in tax revenue during the period. The trends in aggregated non-tax revenue on gross basis as well as in its components during the 1992-2008 are presented in Table 3.11 and Chart 3.9.

Report of the CAG on
Union Government Accounts 2007-08

Table 3.11: Non Tax Revenue- Trends

(Rupees in crore)

Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1992-2008	116696	29769	14826	629	61097	10375
VIII Plan (1992-97)	61459	16791	4969	606	33100	5993
IX Plan (1997-02)	115933	34526	11555	572	60257	9024
X Plan (2002-07)	154419	37023	24018	687	77953	14738
2002-03	139682	44705	21230	424	60663	12660
2003-04	150518	46645	21160	449	68156	14108
2004-05	150508	36412	22939	451	75588	15118
2005-06	159174	30799	25451	1643	84893	16388
2006-07	172211	26553	29310	467	100466	15415
XI Plan (2007-12)						
2007-08	208079	34612	34500	742	120998	17227
Average Annual Rate of Growth						
1992-2008	9.67	6.86	18.03	0.42	9.43	8.96
VIII Plan (1992-97)	14.66	14.32	30.01	10.93	15.54	2.87
IX Plan (1997-02)	8.00	13.00	21.19	(-) 21.24	2.25	13.16
X Plan (2002-07)	4.86	(-) 13.56	8.65	16.07	13.07	5.59
2002-03	6.58	5.81	22.79	42.76	2.28	6.29
2003-04	7.76	4.34	(-) 0.33	5.90	12.35	11.44
2004-05	-0.01	(-) 21.94	8.41	0.45	10.90	7.16
2005-06	5.76	(-) 15.42	10.95	264.30	12.31	8.40
2006-07	8.19	(-) 13.79	15.16	(-) 71.58	18.34	(-) 5.94
XI Plan (2007-12)						
2007-08	20.83	30.35	17.71	58.89	20.44	11.75



3.23 Non-tax revenue from dividends and profits (inclusive of surplus transferred from the Reserve Bank of India) was the component growing the fastest at an average rate of 18.03 *per cent* during 1992-2008. However, the revenue from this source virtually declined in 2003-04 but picked up gradually in subsequent years. The fall in 2003-04 from this source was largely due to a decline in the surplus transferred from the Reserve Bank of India from Rs. 10320 crore in 2002-03 to Rs. 8834 crore in 2003-04 and further to Rs. 5400 crore in 2004-05. The surplus from RBI, however, subsequently picked up and increased to Rs. 8404 crore in 2006-07 and further to Rs. 11411 crore in 2007-08. During the current year, a sharp increase in surplus transferred from the Reserve Bank of India, along with an increase of Rs. 1838 crore in the dividends from CPSUs (9.74 *per cent*) and an increase of Rs. 308 crore (58.97 *per cent*) in share of profit from Life Insurance Corporation (LIC) largely led to an increase in share of component of dividends and profits in 2007-08.

3.24 Tenth Plan (2002-07) witnessed a decline in growth of interest receipts during the first two years but during the last three years of the Plan, the contribution from this source has virtually declined in absolute terms mainly on account of implementation of the debt swap scheme that resulted in a reduced corpus of outstanding loans with lower interest rates and consolidation and rescheduling of outstanding loans at lower rate of interest under the scheme of DCRF recommended by the TFC. Taking a turnaround, the interest receipts have increased by Rs. 8059 crore (30.35 *per cent*) in 2007-08 over the previous year mainly on account of an increase of Rs. 2896 crore (77 *per cent*) in interest receipts on loans for State Plan Schemes and an increase of Rs. 1581 crore in interest receipts along with a premium of Rs. 2893 crore arising out of market stabilisation scheme during the year.

3.25 The trend average receipts from the social services like education, health, water supply, sanitation and social security etc., during X Plan (2002-07) was higher relative to that during Eighth Plan (1992-97) and IX Plan (1997-2002). The receipts from social services increased marginally in 2003-04 and remained virtually static during the X Plan except in 2005-06 when receipts from social services increased by more than three times from Rs. 451 crore in 2004-05 to Rs. 1643 crore in 2005-06 essentially on account of increased collections under the head 'Information and Publicity' amounting to Rs. 1139 crore during the year over the previous year. The receipts from social services have increased by 58.89 *per cent* from the static level of Rs. 467 crore in 2006-07 to Rs. 742 crore in current year. The sector wise analysis revealed that major increases were recorded under the residual head '800-other receipts' of the major heads 'Housing' (Rs. 52 crore); 'Urban Development' (Rs. 115 crore) and 'Information and Publicity' (Rs. 93 crore) in 2007-08 over the previous year.

3.26 The aggregate receipts from economic services increased from the annual average receipts of Rs. 33100 crore during VIII Plan (1992-97) to Rs. 120998 crore in 2007-08 at an annual average rate of growth of 9.43 *per*

cent during the period. The receipts from economic services picked up during the last two years and increased by 18.34 and 20.44 per cent respectively in 2006-7 and 2007-08, i.e. more than the trend growth rate of 15.54 per cent during the X Plan (2002-07). A detailed analysis of receipts from economic services indicates that the receipts from Railways constituted bulk of the total receipts from 'Economic Services' during 2000-07 and ranged from 61 per cent in 2000-01 to 65 per cent in 2006-07 after reaching the peak level of 70.46 per cent in 2002-03. The share of railways in aggregate receipts from economic services however declined to 61 per cent in 2007-08 mainly due to steep increase in share of 'Other Communication Services'. The Communication Services including telecommunications contributed another 20 per cent of total receipts from 'Economic Services' in 2000-01 which subsequently declined to 12.4 per cent in 2006-07 mainly on account of corporatization of the Telecom services in India. Although telecom receipts to Union declined since 2000-01 but receipts from 'Other Communication Services' including Wireless Planning and Coordination Organisation (WPCO) and telecom licence fee/universal access levy have increased from Rs. 1614 crore in 2000-01 to Rs. 12465 crore in 2006-07. The receipts from 'Other Communication Services' sharply increased to Rs. 26729 crore in 2007-08 mainly due to an increase of Rs. 965 crore from WPCO; Rs. 1465 crore from Universal Access levy; Rs. 352 crore from telecommunication license fee and Rs. 11482 crore on account of miscellaneous receipts booked under residual head 'other receipts'. This steep increase enhanced the share of 'Other Communication Services' in aggregate receipts from economic services from 12.4 per cent in 2006-07 to 22 per cent in 2007-08. Railways together with communications including postal receipts, power and petroleum contributed 95 per cent of total receipts from economic services during 2006-07. An increase of 20.44 per cent in receipts from economic services; 30.35 per cent in interest receipts and 17.71 per cent in the form of dividends and profits resulted in an increase of 20.83 per cent in non-tax receipts in 2007-08 over the previous year.

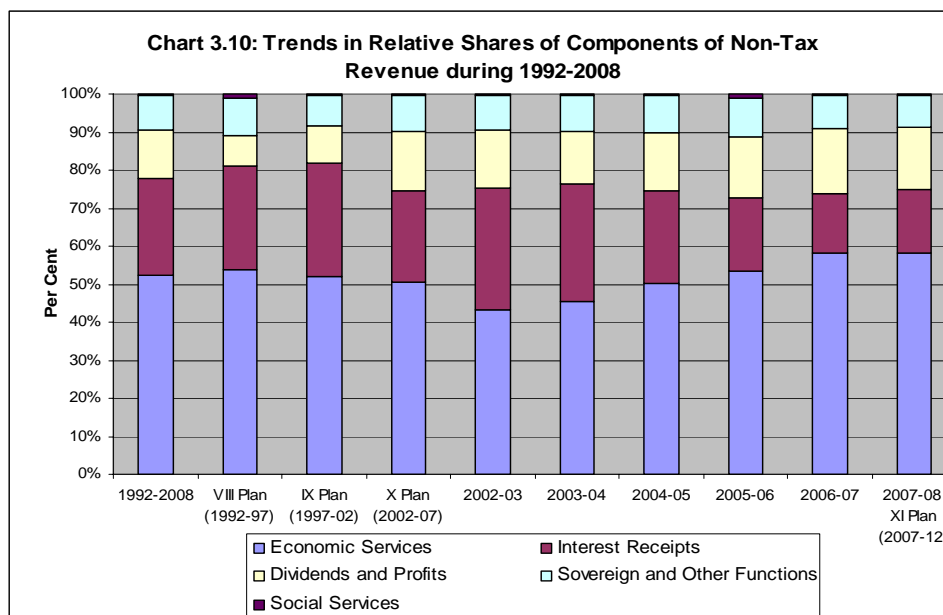
3.27 Relative shares of the various components of non-tax revenue witnessed significant changes during 1992-2008 (Table 3.12 and Chart 3.10).

Table 3.12: Relative share of the components of non-tax revenue

Period	(Per cent)					
	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
1992-2008	100.00	25.51	12.70	0.54	52.36	8.89
VIII Plan (1992-97)	100.00	27.32	8.09	0.99	53.86	9.75
IX Plan (1997-02)	100.00	29.78	9.97	0.49	51.98	7.78
X Plan (2002-07)	100.00	23.98	15.55	0.44	50.48	9.54
2002-03	100.00	32.00	15.20	0.30	43.43	9.06
2003-04	100.00	30.99	14.06	0.30	45.28	9.37
2004-05	100.00	24.19	15.24	0.30	50.22	10.04
2005-06	100.00	19.35	15.99	1.03	53.33	10.30
2006-07	100.00	15.42	17.02	0.27	58.34	8.95

<i>(Per cent)</i>						
Period	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Social Services	Economic Services	Sovereign and Other Functions
XI Plan (2007-12)						
2007-08	100.00	16.63	16.58	0.36	58.15	8.28
Average Annual Rate of Shift in the shares						
1992-2008		(-) 2.56	7.63	(-) 8.43	(-) 0.22	(-) 0.64

Notwithstanding inter year variations and a moderate growth during 2004-05 and 2005-06, the share of dividend and profits increased from an average of 8.09 *per cent* during the VIII plan (1992-1997) to around 16.58 *per cent* during 2007-08 and had a positive average annual shift rate of 7.63 *per cent* during 1992-2008. The share of interest receipts has consistently declined during X Plan (2002-07) from 32 *per cent* in 2002-03 to 15.42 *per cent* in 2006-07 and despite a moderate increase in its share in 2007-08 past trends resulted in its negative shift rate of (-) 2.56 during 1992-2008. Moderation in interest rates on loans advanced and debt swap have contributed to this deceleration during the X Plan (2002-07) period. Non-tax receipts from the social and economic services and from the sovereign and other general functions of the government had negative shift rates during 1992-2008. For economic services, a part of this decline in relative share was due to cessation of revenue from telecommunication as the departmental undertaking was corporatised. Their revenue, which earlier formed part of the Consolidated Fund, became revenue of the newly created corporate entity. Overall contribution of the social services in non-tax revenue was not only insignificant but remained virtually static during the period from 2002-03 to 2007-08 although it indicated a steep increase in 2005-06 essentially on account of increased collections under the head ‘information and publicity’.



Non-Debt capital receipts

3.28 Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. Table 3.13 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 3.13: Realisation from disinvestment and recovery of loans

Period	Disinvestment			Recovery of Loans		
	Budget Estimates	Actual Realisation	Per cent Realisation	Budget Estimates	Actual Realisation	Per cent Realisation
	<i>(Rupees in crore)</i>			<i>(Rupees in crore)</i>		
1996-97	5000	380	7.60	8184	8696	106.26
1998-99	5000	5369	107.38	11560	13189	114.09
1999-00	10000	1723	17.23	13337	12551	94.11
2000-01	10000	1870	18.70	15839	16799	106.06
2001-02	12000	3028	25.23	17488	20733	118.56
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	165.72	3030	10391	242.94

3.29 The trends in miscellaneous capital receipts (MCR), i.e. disinvestment proceeds indicate wide fluctuations during the last three years from 2005-06 to 2007-08. While Rs. 1570 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 Rs. 3840 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 Rs. 534 crore was booked under capital receipt mainly on account of issue of bonus shares by Oil and Natural Gas Commission. During 2007-08, the actual realisation from disinvestment at Rs. 4387 crore in Finance Accounts was 166 per cent of the budget estimates (Rs. 1651 crore) for the year presumably on account of disinvestment in Rural Electrification Corporation (REC), Power Grid Corporation of India Limited (PGCIL) and National Hydro Power Corporation NHPC besides the receipts of Rs. 166 crore on account of bonus share issued by Bharat Heavy Electricals Limited (BHEL) during the year. However, with the decision to set up the National Investment Fund (NIF) to credit the disinvestment

* The receipt of Rs. 534 crore was mainly on account of issue of bonus shares by Oil and Natural Gas Commission

proceeds, such receipts in the current year were to be matched by transfer to NIF.

3.30 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 Rs. 13525 crore during 2005-06. Given the fact that the role of Union Government as financial intermediary for the State Government is abolished on the recommendation of the TFC and the outstanding loans of States from the Union Government has been rescheduled at reduced rate of interest under DCRF, the budget estimates for recovery of loans seem to have been 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 during 2006-07 and 2007-08 vis-à-vis budget estimates has improved during these years as the recoveries of loans were respectively 196 and 243 *per cent* of budget estimates during 2006-07 and 2007-08.

3.31 Other capital receipts consist of market borrowing and accruals in the public accounts, which are debt creating in nature and are discussed in later chapters.