

Public Finance

Revenue receipts in first five months of this fiscal have been Rs 81,169 crore (Table PF.1) resulting in 18.7 per cent growth over last year, which is highest since 2000. A noticeable feature of this is that it was achieved because of the higher growth in net tax revenue collection (up from 16.5 per cent last year to 27.9 per cent growth this year). There are sufficient reasons to believe that this buoyancy will

continue.

The index of industrial production grew by 8.8 per cent for April-August period, and, moreover, within this, manufacturing grew by 9.8 per cent. Similarly, both domestic production and the import of capital goods are on the up. This suggests that the kind of industrial recovery/growth witnessed in the last couple of years will continue this fiscal too.

Table PF.1: Central Government Accounts (April-August, Rs Crore)

Revenue/Expenditure Heads	2003-04	2004-05	2005-06
Revenue Receipts	63698	68357	81169
Net Tax Revenue	39238	45721	58482
Non-Tax Revenue	24460	22636	22687
Non-Debt Capital Receipts	37774	32752	3292
Non-Debt Capital Receipts (Recovery of Loans)	36676	32565	3281
Non-Debt Capital Receipts (Other Receipts)	1098	187	11
Total Receipts	101472	101109	84461
Non-Plan Expenditure	108737	115818	123453
Non-Plan Expenditure (On Revenue Accounts)	102108	106320	116663
Non-Plan Expenditure (On Revenue Accounts - Interest Payments)	42558	45091	44770
Non-Plan Expenditure (On Capital Account)	6629	9498	6790
Plan Expenditure	36202	37800	47336
Plan Expenditure (On Revenue Account)	22359	24943	38878
Plan Expenditure (On Capital Account)	13843	12857	8458
Revenue Expenditure (Plan and Non Plan)	124467	131263	155541
Capital Expenditure (Plan and Non Plan)	20472	22355	15248
Total Expenditure	144939	153618	170789
Fiscal Deficit	43467	52509	86328
Revenue Deficit	60769	62906	74372
Primary Deficit	909	7418	41558

Source: Controller General of Accounts

In line with the growth in manufacturing, corporate tax collection grew by 120 per cent (Table PF.2) over same period last year. It has been 12.1 per cent of annu-

The new taxes imposed in this fiscal — fringe benefit tax (FBT), bank cash transaction tax (BCTT) — have generated around Rs 863 crore in the first five

Table PF.2: Tax Collection Growth (April-August, %)

Revenue Collection	2001-02	2002-03	2003-04	2004-05	2005-06	Growth Target for 2005-06
Gross Tax Revenue	-8.4	16.7	1.6	19.1	23.2	20.9
Corporation Tax	-52.2	45.3	21.7	25.9	120.1	33.2
Income Tax	2.1	10.4	-6.4	55.9	-9.9	30.1
Net Tax Revenue (Customs)	-15.7	9.2	7.3	3.9	29.1	-5.5
Net Tax Revenue (Union Excise Duties)	2.7	21.0	-4.4	12.0	6.3	20.7
Net Tax Revenue (Other Taxes)	16.1	18.6	28.3	44.5	87.6	22.3
Net Tax Revenue (Surcharge for Financing NCCF)	-	-	27.5	-30.3	-15.3	-
Net Tax Revenue (Assignment to States)	17.3	-7.8	13.2	24.9	16.3	20.8
Net Tax Revenue	-20.9	32.6	-4.6	16.5	27.9	21.1

Source: Controller General of Accounts

al target in first five months of this fiscal, the highest since 2000-01.

Customs and other tax collection growth in first five months of this fiscal are also higher than the targeted growth for this fiscal.

But income tax and excise duty collection has been dismal. Income tax collection in first five months of this fiscal declined by 9.9 per cent against annual growth target of 30.1 per cent. Excise duty collection grew by only 6.3 per cent during the period as against the target of 20.7 per cent.

One of the reasons for the decline in income tax collection is the high base effect. Last year income tax collections grew by 56 per cent during the same period.

months. Revenue collection from FBT and BCTT has been around Rs 800 crore and Rs 63 crore respectively.

In the aggregate, gross and net tax collection in first five months of this fiscal grew by 23.2 per cent and 27.9 per cent respectively higher than the annual targets of 20.9 per cent and 21.1 per cent respectively.

On the capital receipt account, two major developments this year — discontinuation of debt swap scheme and treatment of disinvestment proceeds as an off budget item — makes year on year comparison difficult and distorts the picture.

Non-debt receipts in first five months have been Rs 3,292 crore, down from Rs 32,752 crore during the same period last

year (which is nearly 90 per cent decline). As a result of the steep decline in growth of non-debt capital receipts, total receipts declined by 16.5 per cent over same period last year. Due to changes in non-debt capital receipts, annual non-debt capital receipts target for FY 2005-06 has been lowered to Rs 12,000 crore and the April-August collection is 27.4 per cent of annual target.

Despite good growth in revenue receipts, total receipts declined by 16.5 per cent in first five months of this fiscal over same period last year.

The recommendations of the 12th finance commission have also put extra stress on central government finances¹.

Total expenditure in the five months of this fiscal increased to Rs 1,70,789 crore from Rs 1,53,618 crore (11.2 per cent growth). Both plan and non-plan expenditure grew by 25.2 per cent and 6.6 per cent respectively. Capital expenditure on the plan and non-plan accounts declined by 31.8 per cent and 28.5 per cent respectively.

The deficit position at the end of first five months is mixed. The fiscal deficit increased by 64.4 per cent, compared to

the annual targeted growth of 18.1 per cent.

On the other hand, the revenue deficit grew by 18.2 per cent, compared to the annualised targeted growth of 19.8 per cent.

The fiscal and revenue deficits in first five months of this fiscal are 57.1 per cent and 78 per cent respectively of their annual targets.

Prognosis

Thus for the full year the picture is a mixed one. If the trend reflected by industrial growth continues, the prospects look good. With first quarter GDP growing at 8.1 per cent and strong growth in manufacturing, it is expected that the economy will grow at more than 7 per cent. So revenue collections should do well.

But with oil marketing companies continuing to make losses, there is a serious problem of realising the non-tax revenue target of Rs 77,734 crore. Increased expenditure on account of national employment guarantee programme will also put the government's deficit calculations in jeopardy.

With oil marketing companies incurring losses, both non-tax revenue collections and deficit targets may be difficult to achieve

¹ 12th Finance Commission recommendations includes a) share of state taxes is increased from 29.5 per cent to 30.5 per cent, b) grant in aid to states is increased from 13.5 per cent to 18.9 per cent, and c) interest on repayment of loans is decreased from 9 per cent to 7.5 per cent with 20 year repayment period.