

Fiscal outcome 2004-05

2.36 With the notification of the FRBM rules, quarterly reviews of Union finances are required to be placed before Parliament, and the monitoring of fiscal outcome has assumed significance. The Mid-year review presented to Parliament in December 2004, contained, *inter alia*, fiscal performance in the first half of the current financial year. The fiscal performance in the first half of the current year did not fully measure up to the benchmarks laid down in the FRBM rules. Non-debt receipts at 41.8 per cent and fiscal deficit at 38.7 per cent of BE are better than the FRBM benchmarks of 40 per cent and 45 per cent, respectively reflecting an excess of receipts under prepayment of high cost loans by States, relative to BE. Revenue deficit at 78.7 per cent of BE is considerably in excess of FRBM benchmark of 45 per cent. The main reason for the slippage in achieving the FRBM benchmark of revenue deficit is that growth in overall tax revenue in the first half of the year at 20 per cent fell short of the growth of 25 per cent assumed in the Budget. The Mid-Year Review indicated that while the cumulative impact of post-budget duty concessions and additional expenditure commitments could lead to some slippage in meeting the ambitious Budget targets of reducing revenue deficit, the minimum targets prescribed under the FRBM rules would be met.

2.37 The Office of the Controller General of Accounts (CGA) has released the Central Government accounts for the first nine months (April- December 2004) of the current financial year. Gross tax revenue grew by 18.3 per cent in the first nine months of the current financial year, as compared with 12.3 per cent growth recorded in the corresponding period last year and 25 per cent growth envisaged in the BE for 2004-05. As a per cent of BE, gross tax revenue realised was lower at 61.1 per cent compared to 65.3 per cent in the corresponding period last year. The Budget for 2004-05 targeted a growth over 2003-04 (RE) of 34.9 per cent and 18.4 per cent in direct and indirect taxes, respectively. While direct taxes grew by 25.2

per cent in the first nine months of the current financial year, indirect taxes grew by 13.7 per cent. As a proportion of BE, revenue realised from personal income tax and customs in the current financial year was more or less on par with the realisation in the corresponding period last year. Revenue realised from corporate income tax, excise and service tax in the first nine months of the current financial year, as per cent of BE, was lower as compared with the realisations in the corresponding period last year. Non-tax revenue in the first nine months of the current year declined by 8.7 per cent and as a proportion of BE at 62.6 per cent was lower than the realisation in the corresponding period last year (74.2 per cent), mainly reflecting lower interest receipts and dividends and profits.

2.38 Revenue expenditure in the first nine months of the current financial year grew by 3.3 per cent compared to 11.5 per cent growth in the same period last year. This was facilitated by a 14 per cent decline in major subsidies, a lower growth in interest payments, and in non-Plan expenditure on capital account. The deceleration in the growth in interest payments is mainly on account of softening of interest rates. The lower growth in non-Plan expenditure on capital account was due to lower redemption of securities issued to NSSF using the proceeds of prepayment of high cost debt by States under the debt swap scheme. Lower growth in Plan expenditure, both revenue and capital, in the first nine months of the current financial year was on account of the delay in the allocation of additional outlay of Rs.10,000 crore due to the presentation of regular Budget for 2004-05 on July 8, 2004.

2.39 Revenue deficit amounted to Rs.62,969 crore in the first nine months of the current financial year, a decline of 13.7 per cent in actual terms over corresponding period last year. However, as a proportion of BE, it was higher in the current financial year at 82.7 per cent as against 65.0 per cent recorded in the same period last year, Fiscal deficit amounted to Rs.90,239 crore, a

decline of 2.4 per cent over corresponding period last year. As a proportion of BE, fiscal deficit was higher at 65.7 per cent of BE in

the first nine months of the current financial year compared to 60.2 per cent last year (Table 2.8).

Table 2.8 : Central Government finances					
	Budget estimates 2004-05	April-December		Col. 4 as per cent of BE 2004-05	Percentage Change over 2003-04 (Col. 4/3)
1	2	2003-04	2004-05	5	6
	(Rs. crore)				
1. Revenue receipts(net to Centre)	309322	170543	188493	60.9	10.5
Gross tax revenue	317733	164170	194231	61.1	18.3
Tax (net to Centre)	233906	118795	141246	60.4	18.9
Non tax	75416	51748	47247	62.6	-8.7
2. Capital receipts	168507	145760	138298	82.1	-5.1
of which:	340422	223868	236552	69.5	5.7
Recovery of loans	27100	51785	45153	166.6	-12.8
Other receipts	4000	1540	2906	72.7	—
Borrowings and other liabilities	137407	92435	90239	65.7	-2.4
3. Total receipts (1+2)	477829	316303	326791	68.4	3.3
4. Non-plan expenditure (a)+(b)	332239	239614	245567	73.9	2.5
(a) Revenue account	293650	194505	198208	67.5	1.9
of which:					
Interest payments	129500	78587	79885	61.7	1.7
Major subsidies	42021	37503	32293	76.8	-13.9
Pensions	15928	10599	12480	78.4	17.7
(b) Capital account	38589	45109	47359	122.7	5.0
5. Plan expenditure (i)+(ii)	145590	76689	81224	55.8	5.9
(i) Revenue account	91843	49037	53254	58.0	8.6
(ii) Capital account	53747	27652	27970	52.0	1.2
6. Total expenditure (4)+(5)=(a)+(b)	477829	316303	326791	68.4	3.3
(a) Revenue expenditure	385493	243542	251462	65.2	3.3
(b) Capital expenditure	92336	72761	75329	81.6	3.5
7. Revenue deficit	76171	72999	62969	82.7	-13.7
8. Fiscal deficit	137407	92435	90239	65.7	-2.4
9. Primary deficit	7907	13848	10354	130.9	-25.2
Source : Controller General of Accounts.					