

## **Central Government finances in 2004-05**

2.7 With business confidence at an all time high and economic growth broad-based and robust, especially in manufacturing, revenue performance, particularly tax revenues, was buoyant in 2003-04 and 2004-05. The gross tax revenue of the Central Government grew by 17.6 per cent and 19.9 per cent in 2003-04 and 2004-05 (Prov.), respectively. The proportion of gross tax revenue to GDP of the Central Government, which generally had remained sticky in the range of 8-9 per cent, rose to 9.8 per cent in 2004-05 (Prov.).

2.8 The Budget for 2004-05 had envisaged growth of 40.4 per cent and 26.5 per cent over 2003-04 in corporate income tax and personal income tax, respectively. As against this, growth realised were of the order of 31.5 per cent and 16.8 per cent, respectively. With customs revenue exceeding the BE and a robust performance in service tax, the somewhat low-key performance in excise duties was more than compensated and the gross tax revenue was close to RE. Further, with over performance of dividends and profits, non-tax revenues overshot both the BE and

RE. Recovery of loans at Rs.60,862 crore in 2004-05 remained high for the third year on account of the prepayment of high cost central loans by the States. Disinvestment receipts were at a modest Rs.4,424 crore. Adjusting for recoveries of loans under the debt swap scheme, the total non-debt receipts were placed at Rs.3,37,798 crore.

2.9 In 2004-05, total expenditure at Rs.4,98,448 crore exceeded the budgeted sum of Rs. 4,77,829 crore on account of the unbudgeted capital expenditure on redemption of securities issued to National Small Savings Fund (NSSF) using the debt swap proceeds (Table 2.2). Excluding this capital expenditure, total expenditure at Rs. 4,65,773 crore was lower than the BE. Revenue expenditure, plan expenditure and non-plan expenditure adjusted for redemption of securities issued to NSSF were also contained within BE. This expenditure containment together with the adequate revenue performance resulted in revenue and fiscal deficits of Rs. 79,558 crore and Rs.1,27,975 crore, respectively. As a proportion of GDP, the revenue deficit was at budgeted level and the fiscal deficit lower than the budgeted proportion by 30 basis points.