

## Central Government finances 2005-06

2.7 The Budget for 2005-06 had projected gross tax revenue of the Central Government to increase by 20.9 per cent. The assumed rate of growth for corporate income tax and personal income tax was 33.2 per cent and 30.1 per cent, respectively. As against this, the realised growth for gross tax revenue; corporate income tax; and personal income tax were 20.0 per cent; 20.3 per cent; and 22.7 per cent, respectively. In case of customs and excise duties, Budget had estimated a growth of (-) 5.5 per cent and 20.7 per cent respectively. Though the realised growth in excise duties was 12.2 per cent, lower than the budget estimates, customs collections had a positive growth of 12.9 per cent. The revenue receipts from service tax at 62.4 per cent as against 23.7 per cent envisaged in the Budget were particularly buoyant. Higher service tax and customs duty collections more or less neutralised the lower collections from direct taxes and excise duties resulting in overall growth of gross tax collection to be only marginally lower than the Budget targets. Non-tax revenue, which was projected to grow at 3.5 per cent, witnessed a decline of 9.0 per cent, mainly due to a decline in interest receipts from Rs. 32,364 crore in 2004-05 to Rs. 20,564 crore in 2005-06 (prov.). Interest receipts were short of the budget estimates by Rs. 4,936 crore. Interest receipts declined rapidly during the Tenth Plan period from Rs. 37,622 crore in 2002-03 to Rs. 20,564 crore in 2005-06 because of the impact of two factors: (i) the debt-swap scheme wherein the prepayment of high-cost loans of 13 per cent and above

was enabled through lower-coupon small savings transfer and additional market borrowings, and (ii) the TFC award which resulted in dis-intermediation of Central Government from loan assistance to States for financing their plan except for loans under externally aided projects, as also the consolidation and rescheduling of outstanding loans at lower rates of interest to eligible states.

2.8 In 2005-06, total expenditure at Rs. 503,908 crore was lower relative to the budget estimates of Rs. 514,344 crore. Both revenue and capital expenditure were short of the budget estimates. As against an estimated growth of 15.7 per cent in revenue expenditure, the observed growth was 14.1 per cent. Decline in the observed growth of revenue expenditure was mainly due to lower than the budgeted expenditure for interest payments (Rs. 2,188 crore); major subsidies (Rs. 2,138 crore) and grants to States (Rs. 6,264 crore). Capital expenditure at Rs. 65,381 crore was less than the budgeted amount by Rs. 2,451 crore. In terms of plan and non-plan expenditure, while plan expenditure was higher than the budget estimates by Rs. 731 crore, non-plan expenditure was Rs. 3,182 crore less than budget provision. Reduction in revenue and total expenditure, together with increased resource mobilisation, resulted in both revenue and fiscal deficits declining from the budgeted levels. As proportion to GDP, while revenue deficit at 2.7 per cent remained as envisaged in the Budget, fiscal deficit at 4.1 per cent was lower than the budget estimates of 4.3 per cent.