

Quadrant II - Notes

Programme	: Bachelor of Commerce (Second Year)
Subject	: Economics
Paper Code	: CEG 105
Paper Title	: Economic Survey and Union Budget
Unit	: Unit 04 - The Union Budget
Module Name	: Analysis of Budget in terms of -Trends in Fiscal and Revenue Deficits & Proposed Sources of Revenue and Expected Growth in Revenue
Module No	: 26
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Notes

Analysis of the budget in terms of various parameters such as-

- I. Deficits- trends in fiscal deficit and revenue deficit**
- II. Receipts- proposed sources of revenue and expected growth in revenue.**

I. Deficits- trends in fiscal deficit and revenue deficit

- 1. Revenue deficit = Total revenue expenditure – Total revenue receipts.
- 2. Fiscal deficit = Total expenditure – Total receipts excluding borrowings.

Table 1 – Trends of fiscal deficit and revenue deficit

Years	Gross fiscal deficit	Revenue deficit
1993-94	6.76	3.67
1994-95	5.52	2.97
1995-96	4.91	2.42
1996-97	4.7	2.3

1997-98	5.66	2.95
1998-99	6.29	3.71
1999-00	5.18	3.34
2000-01	5.46	3.91
2001-02	5.98	4.25
2002-03	5.72	4.25

Source: Select Fiscal Indicators of the Central Government, (As percentage of GDP), Handbook of Statistics on Indian Economy 2014-15, Reserve Bank of India

Table 1 depicts the gross fiscal deficit and revenue deficits of ten years from 1993-94 till 2002-03.

The highest fiscal deficit was 6.76 in the year 1993-94 and the highest revenue deficit was recorded in the years 2001 till 2003 with 4.25.

Both the fiscal deficit and revenue deficit was lowest in the year 1996-97, at 4.7 and 2.3 respectively.

II. Receipts- proposed sources of revenue and expected growth in revenue.

Proposed sources of revenue

From January 2021 onwards, the following was noted –

- Government's primary source of earning money is from taxes and non-tax revenues.
- Taxes are collected in the form of direct and indirect ways.
- Direct taxes include income tax, real property tax, personal property tax, or taxes on assets; while some of the indirect tax modes include GST and customs duty.
- On the other hand, non-tax revenue is the recurring income earned by the government from sources other than taxes.

- The top receipts under this are interest and dividends and profits received from public sector companies.
- Goods and services tax or GST did a complete makeover in the manner in which indirect taxes were collected.
- Direct taxes (personal income tax and corporate tax) accounted for 51.3% of total revenues in 2016-17 and the rest came from indirect taxes.
- In 2020-21, the figure stood at 56.4%, corporate tax at 28.1% and personal income tax at 28.3%.
- After the new indirect tax regime was introduced in 2017, the Centre's major source of indirect tax collection changed to GST.
- GST subsumed more than a dozen of state levies and overhauled the indirect taxes (with the exception of customs duties).

Expected growth in revenue

- On 1st February 2021, the government projected a 16.67% growth in gross tax revenue in the next fiscal beginning April 1, at over ₹22.17 lakh crore.
- In FY22, while the corporate tax collection is expected to grow 22.65% at ₹5.47 lakh crore, personal income tax is estimated to grow 22% to ₹5.61 lakh crore.
- Customs collection is projected to grow 21.43% to ₹1.36 lakh crore in the next fiscal.