

PART A

REVENUE RECEIPTS

The Statement below summarises by broad categories, the estimates of revenue receipts at the existing level of taxation. Further details by sections and heads of account, together with brief notes explaining the variations between the Budget and Revised Estimates, 1996-97 and between the later and the Budget Estimates for 1997-98, are given in the notes that follow this Statement.

(in crores of Rupees)

	Budget 1996-97	Revised 1996-97	Budget 1997-98
I. Tax Revenue			
Corporation Tax	19600.00	19010.00	21860.00
Taxes on Income	17843.00	18843.00	21700.00
Interest Tax	1250.00	2000.00	2400.00
Expenditure-tax	190.00	190.00	210.00
Estate Duty	1.00	1.00	1.00
Wealth Tax	110.00	110.00	130.00
Gift Tax	10.00	10.00	10.00
Customs	44435.00	44135.00	52550.00
Union Excise Duties	46883.44	46190.00	52200.00
Service Tax	970.00	970.00	1250.00
Taxes of Union Territories	212.21	220.36	236.39
Other Taxes	640.00	640.00	800.00
Total - Tax Revenue	132144.65	132319.36	153347.39
Less - States' Share:			
Taxes on Income	13023.53	13529.44	15690.58
Union Excise Duties	21811.02	21578.00	24563.00
Total - States' Share	34834.55	35107.44	40253.58
Less-Transfer of Union territory taxes and duties to local bodies	0.14	0.14	0.14
Centre's Net Tax Revenue	97309.96	97211.78	113093.67
II. Non-Tax Revenue			
Interest receipts, dividends and profits	25443.57	26022.06	30105.00
Non-Tax Revenue of Union Territories	244.57	256.68	264.60
Other Non-Tax Revenue @	7346.84	7292.25	9380.60
Total - Non-Tax Revenue	33034.98	33570.99	39749.60
Net - Centre's Revenue*	130344.94	130782.77	152843.27

TAX REVENUE

CORPORATION TAX

The details of receipts under this head are as shown below:

(a) Ordinary collections	7652.00	8603.00	10366.00
(b) Advance tax collections	9335.00	9139.00	10986.00
(c) Surtax	1.00	1.00	1.00
(d) Surcharge	2455.00	1189.00	412.00
(e) Miscellaneous receipts	157.00	78.00	95.00
Total	19600.00	19010.00	21860.00

The collections during 1996-97 are estimated at Rs. 19010.00 crores and in 1997-98 at Rs. 21860.00 crores.

TAXES ON INCOME OTHER THAN CORPORATION TAX

The details of receipts under this head are as shown below:

(a) Ordinary collections	11010.00	12918.00	14895.00
(b) Advance collections of Income Tax	6547.00	5369.00	6191.00
(c) Surcharge (Union)	143.00	100.00	90.00
(d) Miscellaneous receipts	143.00	456.00	524.00
TOTAL	17843.00	18843.00	21700.00

@ Excluding commercial departments.

* Annexure 12 to this document gives a reconciliation of the Receipts shown above with the Annual Financial Statement.

The collections during 1996-97 are estimated at Rs. 18843 crores and in 1997-98 at Rs. 21700 crores.

Under article 270 of the Constitution, the net proceeds of taxes on income, other than corporation tax and those on agricultural income, are to be distributed between the Union and the States. For this purpose, the proceeds of income tax attributable to Union territories, taxes payable in respect of Union emoluments and surcharge on income-tax levied for Union purposes are excluded from the divisible pool. In terms of the Constitution (Distribution of Revenues) No. 2 Order, 1995 issued on the basis of the recommendations of the Tenth Finance Commission for the period 1995-2000, 77.5 per cent of the net proceeds of taxes on income, except in so far as these proceeds represent the portion attributable to Union territories (0.927 per cent) and the taxes payable in respect of Union emoluments, is assigned to the States in each Financial year during 1995-2000 and distributed amongst them in accordance with the percentages indicated in Annexure 3.

The States' share of Income-tax has been worked out on the above basis and is indicated below (the amount of share of each State is given in Annexure 4):-

(in crores of Rupees)			
	Budget 1996-97	Revised 1996-97	Budget 1997-98
(i) Total taxes on income other than Corporation Tax (net of refunds)	17843.00	18843.00	21700.00
(ii) Less			
(a) Union surcharge	-143.00	-100.00	-90.00
(b) Miscellaneous receipts	-143.00	-456.00	-524.00
(c) Taxes payable in respect of Union emoluments	-225.00	-238.00	-253.00
(iii) Distributable proceeds	17332.00	18049.00	20833.00
(iv) Deduct - Cost of Collection	-370.21	-385.89	-397.65
(v) Net distributable proceeds	16961.79	17663.11	20435.35
(vi) Deduct-Proceeds attributable to Union territories (0.927%)	-157.24	-163.74	-189.44
(vii) Total - Divisible Pool	16804.55	17499.37	20245.91
(viii) States' Share (77.5%)	13023.53	13562.01	15690.58
(ix) Amount recoverable on the basis of Certified figures of C&AG for the year 1992-93	...	(-)32.57	...
Total-Share payable to States	13023.53	13529.44	15690.58

INTEREST TAX

The Finance (No.2) Act, 1991 had reintroduced the Interest Tax. The collections during 1996-97 and 1997-98 are estimated at Rs. 2000 crores and Rs.2400 crores respectively as under:—

(In crores of Rupees)			
a) Advance tax	1125.00	1800.00	2160.00
b) Ordinary Collections	125.00	200.00	240.00
Total	1250.00	2000.00	2400.00

EXPENDITURE TAX

The Expenditure Tax Act, 1987 provides for levy of a tax on expenditure incurred on hotels where the room charges for a unit of residential accommodation are rupees twelve hundred or more per day per individual. For expenditure incurred before 1-6-1992, this amount was rupees four hundred or more per day per individual. The rate of expenditure tax was initially kept at 10% of the chargeable expenditure. This was raised to 20% w.e.f 1-6-1989. This has again been reduced to 10% by the Finance Act 1994 w.e.f 1-6-94. By the Finance (No. 2) Act 1991 w.e.f. 1-10-1991, expenditure tax was also levied on expenditure incurred in restaurants providing superior facilities of air conditioning or having access to these facilities. This levy was withdrawn by the Finance Act 1992 w.e.f. 1-6-1992. The expenditure tax is not payable in the case of persons enjoying diplomatic privileges. The expenditure incurred in foreign exchange after 1.10.1992 also attracts this tax. The Revised Estimate for 1996-97 has been placed at Rs. 190 crores and the Budget Estimate for 1997-98 has been placed at Rs. 210 crores.

ESTATE DUTY

Estate duty on agricultural land was discontinued under the Estate Duty (Amendment) Act, 1984. The levy of Estate Duty in respect of property (other than agricultural land) passing on death occurring on or after 16th March, 1985, has also been abolished under the Estate Duty (Amendment) Act, 1985. The Revised Estimate 1996-97 and Budget Estimate 1997-98 which represent likely collections on estates passing on before the above amendments, are placed at Rs. 1.00 crore each.

The details are :-

	(in crores of Rupees)		
	Budget 1996-97	Revised 1996-97	Budget 1997-98
Estate Duty in respect of:			
(i) Agricultural land	0.01	0.01	0.01
(ii) Property other than agricultural land	0.99	0.99	0.99
Total	1.00	1.00	1.00

WEALTH TAX

The details of the receipts are :-

Wealth Tax on :

(i) Property other than agricultural Land	109.90	109.90	129.90
(ii) Agricultural property	0.10	0.10	0.10
Total	110.00	110.00	130.00

The Wealth tax Act, 1957 provides for levy of a tax on the net wealth of every individual, Hindu Undivided Family (HUFs) and companies.

Wealth tax on agricultural property was withdrawn under the Finance Act, 1982. The estimates assumed are in respect of arrear demand. An amount equivalent to the net proceeds of wealth tax on agricultural property is passed on to the States as grants-in-aid for which necessary provision is made in the expenditure estimates.

With a view to stimulating investment in productive assets, the Finance Act, 1992 w.e.f. 1.4.1993 i.e. Assessment Year 1993-94, abolished Wealth Tax on all assets except certain specified assets. The Wealth Tax was abolished on assets such as shares, bank deposits, fixed deposits, bonds, debentures, etc. This was done on the recommendation of the Chelliah Committee which had suggested that in order to encourage the tax payers to invest in productive assets such as shares, securities, bonds, bank deposit etc., and also to promote investments through mutual funds, these financial assets should be exempted from Wealth Tax. It recommended that Wealth Tax should be levied on individuals, Hindu Undivided Families and all companies only in respect of unproductive assets such as residential houses, farm houses, urban land, jewellery, bullion, motor car, plane, boats, yacht etc.

Finance Act, 1992 amended Wealth Tax Act and the term 'asset' has been redefined whereby only following assets are taxable from the assessment year 1993-94.

- (i) Any guest house and any residential house (including a farm house situated within 25 kms. from the local limits of any municipality or a cantonment board);
- (ii) Motor cars;
- (iii) Jewellery, bullion and furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals;
- (iv) boats, yachts and aircrafts;
- (v) Urban land;
- (vi) Cash-in-hand, in excess of Rs. 50,000, of individuals and Hindu Undivided Families and in the case of other persons any amount not recorded in the books of account.

As regards residential house, a house which has been allotted by a company to an Officer or a Director who is in the whole time employment having a gross annual salary of less than two lakh rupees is not taxable. Also, a residential house which forms part of stock-in-trade is not taxable. Further w.e.f. 1.4.94 i.e. Assessment Year 1994-95, one house or part of a house belonging to individuals and HUFs has been completely exempted from the levy of Wealth Tax.

With effect from 1-4-1997 i.e. A.Y. 1997-98 and subsequent years, commercial properties other than those occupied by the assesses for the purposes of any business or profession carried on by him, have also been included in the terms 'asset' and are consequently taxable.

As regards assets mentioned at serial no. (iii) above, if these assets are used as stock-in-trade then they are not taxable. Further the assets mentioned at serial no. (iv) above are not taxable if they are used by the assessee for commercial purposes.

Urban land which has been brought within the purview of wealth tax means any land situated.

- (i) in any area which is comprised within the jurisdiction of a municipality or a cantonment board and which has a population of not less than 10,000 according to the last preceding census; or
- (ii) In any area within such distance, not being more than 8 kms. from the local limits of any municipality or cantonment board as the Central Government may specify in this behalf by notification in the official gazette. Such a notification has already been issued on 9.11.93. It has been published in the Gazette of India bearing S.O. No. 871 on 17.11.93.

Out of the areas above covered under the definition of urban land, the following urban lands have been exempted from the wealth tax

:-

- (i) land on which construction of a building is not permissible under any law for the time being in force in the area in which such land is situated;
- (ii) the land occupied by any building which has been constructed with the approval of the appropriate authority;
- (iii) Any unused land held by the assessee for industrial purposes for a period of 2 years from the date of its acquisition by him.

(iv) Any land held by the assessee as stock in trade for a period of three years from the date of its acquisition. The exemption at serial no. (iv) is from 1.4.94 i.e. Assessment Year 1994-95 only. From Assessment year 1995-96 this exemption will be available for a period of 5 years from the date of its acquisition.

Under the wealth-tax Act, specified assets are includible in the wealth of legal owner. However with effect from 1st April, 1997 i.e. A.Y. 1997-98 and subsequent years the following provisions deem the beneficial owner to be the owner for the purpose of taxation in the following situations :

- (i) a member of a co-operative society or a company or any association of persons, to whom a building or part thereof is allotted or leased under a house building scheme of the society or the company or the association, as the case may be,
- (ii) a person who is allowed to take or retain possession of any building or part thereof in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882,
- (iii) a person who acquires any rights, excluding any rights by way of a lease from month to month or for a period not exceeding one year, in or with respect to any building or part thereof, by virtue of any such transaction as is referred to in clause (f) of section 269UA of the Income-tax Act.

The amount payable to the Co-operative society or company by the assessee in relation to such property shall be allowed as a debt.

With effect from 1st April, 1993, wealth-tax will be chargeable in respect of the net wealth exceeding Rs. 15 lakhs @ 1% only. In view of these changes in the Wealth-tax Act, the collection from this source has gone down substantially.

GIFT TAX

Gift tax is levied on gifts exceeding value of Rs.30,000 subject to certain exemptions. The Revised Estimate 1996-97 and the Budget Estimate 1997-98 are placed at Rs. 10 crores and Rs. 10 crores respectively

CUSTOMS

The net Customs revenue has been estimated at Rs. 44135 crores during 1996-97 and Rs. 52550 crores in 1997-98. The following is the break-up of the estimates (net of refunds and drawbacks):-

	(in crores of Rupees)		
	Budget 1996-97	Revised 1996-97	Budget 1997-98
(i) Import Duties	42127.98	42265.00	49462.80
(ii) Export Duties	0.60	2.60	3.10
(iii) Cesses on Exports	122.60	140.35	163.00
(iv) Other Receipts	433.82	277.05	301.10
(v) Sale of confiscated gold & silver	150.00	50.00	70.00
(vi) Special custom duty	1600.00	1400.00	2550.00
Total	44435.00	44135.00	52550.00

The commodity-wise break-up of the actual revenue collections during 1995-96 and the estimated revenue in 1996-97 and 1997-98 are indicated in Annexure 1.

(i) *Import Duties*. - As against the original estimate of Rs. 42127.98 crore, Revised Estimate for 1996-97 is placed at Rs.42265.00 crore. The estimated increase in net revenue is mainly on account of higher revenue realisations from crude, petroleum products, inorganic chemicals, plastics etc.

Anticipated import duty realisation (net) in 1997-98 shows an increase of Rs.7197.80 crore as compared to the Revised Estimate of 1996-97. The increase in revenue is expected mainly from petroleum oils, plastics, chemicals, machinery, project imports, motor vehicles, iron & steel, copper, baggage etc.

(ii) *Export Duties* :- The revised estimate of net collections from export duties in 1996-97 is placed at Rs.2.60 crore as against the original estimate of Rs.0.60 crore. The budget estimate for 1997-98 has been placed at Rs. 3.10 crore.

(iii) *Cesses on Exports*:-Revised Estimate for 1996-97 and Budget Estimate for 1997-98 are placed at Rs. 140.35 crore and Rs. 163 crore respectively, against Rs. 122.60 crore as the original Budget estimate for 1996-97.

(iv) *Other Receipts*:- Collections are placed at Rs.277.05 crore and Rs.301.10 crore respectively in the Revised Estimate for 1996-97 and Budget Estimate for 1997-98 as against the Budget Estimate of Rs.433.82 crore in 1996-97.

(v) *Sale of Confiscated Gold and Silver* :- The receipts relate to sale proceeds of confiscated gold and silver. Collections are placed at Rs. 50.00 crore in Revised Estimate for 1996-97 and Rs. 70 crore in Budget Estimate for 1997-98 as against the Budget Estimate of Rs. 150 crore in 1996-97.

(vi) *Special customs duties* : Revised Estimate for 1996-97 is placed at Rs. 1400 crore and Budget Estimate at Rs. 2550 crore.

EXCISE

Union Excise Duties and Cesses are levied on commodities covered by the Central Excises and Salt Act, 1944 and other special Acts enacted from time to time. The commodities are grouped into 139 budget heads. A number of commodities are, however, exempt from duty. The receipts during 1996-97 are estimated at Rs. 46190 crore, as against the Budget Estimate of Rs. 46883.44 crore showing a decrease of Rs. 693.44 crore. The receipts in 1997-98 are expected to be Rs. 52200 crore. The following table summarises the position of excise revenue (net of refunds and drawbacks):-

	(in crores of Rupees)		
	Budget 1996-97	Revised 1996-97	Budget 1997-98
1. (a) Basic and Special Excise Duties other than (b) below	40052.52	39424.91	45133.46
(b) Additional duties on textiles and textile articles	439.95	540.40	645.35
Total	40492.47	39965.31	45778.81
2. Additional Excise Duties in lieu of sales tax	3030.32	3067.77	3395.55
3. Earmarked Cesses Administered by :-			
(a) Revenue Department	3069.25	2884.15	2740.51
(b) Others	291.40	272.77	285.13
Total (1+2+3)	46883.44	46190.00	52200.00

The commodity-wise details of revenue from Union Excise Duties for actuals of 1995-96, Budget and Revised Estimates of 1996-97 as well as the Budget Estimates of 1997-98 are given in Annexure 2.

As against the original estimate of basic excise duties of Rs. 40052.52 crore, the Revised estimate has been placed at Rs.39424.91 crore. The anticipated decrease of Rs. 627.61 crore is mainly on account of less revenue realisation from plastics, iron & steel, copper, motor vehicle, cement clinkers, synthetic staple fibre, chemicals, paper & paper board, cotton yarn etc. This decrease in estimated revenue realisation is likely to partly offset the expected increase in revenue from R.D. oil, motor spirit, cigarettes, machinery etc.

The increase of Rs. 5708.55 crore in basic excise duties in Budget Estimate for 1997-98 as compared to the Revised Estimate of 1996-97 is mainly on account of expected higher excise revenue realisation from plastics, motor spirit, R.D. Oil, cigarettes, motor vehicles, machinery, synthetic filament yarn, tyres & tubes, pharmaceutical products, wires & cables and iron & steel.

The receipts from Additional Excise Duties in lieu of Sales Tax are placed at Rs. 3067.77 crore in the Revised Estimate for 1996-97 as against Rs.3030.32 crore in the Budget estimate for 1996-97. The Budget Estimate for 1997-98 is placed at Rs.3395.55 crore.

Services:

The Budget and Revised Budget estimate for 1996-97 are placed at Rs. 970 crore. The Budget estimate for 1997-98 is placed at Rs. 1250 crore. The details are as under:

	(in crores of Rupees)		
	Budget 1996-97	Revised 1996-97	Budget 1997-98
(i) Telephones	470.00	490.00	615.00
(ii) Insurance	365.00	380.00	435.00
(iii) Brokerage	65.00	50.00	65.00
*(iv) Advertising	45.00	24.00	62.00
*(v) Courier	23.00	25.00	70.00
*(vi) Radio Paging	2.00	1.00	3.00
TOTAL	970.00	970.00	1250.00
* introduced wef. 1.11.1996			

Distribution of Union Excise Duties between Centre and States:

Article 272 of the Constitution provides for sharing a part of net proceeds of Union Excise Duties and their distribution among the States in accordance with law enacted for the purpose. However, the receipts from additional duties on textiles and textile articles levied under the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 are, in terms of Section 3(2) of the said Act, not distributable among the States. Similarly, the receipts from earmarked cesses are also not shareable with States.

Under the Union Duties of Excise (Distribution) Amendment Act, 1995 based on the recommendations of the Tenth Finance Commission, 47.5 per cent of the net proceeds of Union duties of excise levied and collected under the Central Excises and Salt Act, 1944, and any other law for the levy and collection of such duty, excluding cesses levied under special Acts and earmarked for specific purposes, are to be paid to the States and distributed among them during each of the financial year 1995-96 to 1999-2000.

While 40% of the net proceeds of shareable Excise Duties will be distributed among all the States on the basis of percentages prescribed by the Commission, the balance 7.5% will be distributed among the deficit States in accordance with a separate set of percentages prescribed by the Commission for each of the financial year. The percentage shares on which the States' share for 1996-97 and 1997-98 has been worked out are given in Annexure 3.

The Additional Duties of Excise (Goods of Special Importance) Act, 1957 provides for the levy and collection of additional duties on sugar, tobacco, cotton fabrics, woollen fabrics and man-made fabrics. This duty is in addition to the duties payable under the Central Excises and Salt Act, 1944 or under any other law for the time being in force, and had replaced, by agreement with the State Governments, the sales tax otherwise levied by the States on these commodities. The entire proceeds of the additional excise duties, other than the proceeds attributable to Union territories, are distributable among the States. Additional Duties of Excise (Goods of Special Importance) Amendment Act, 1995 based on the recommendations of the Tenth Finance Commission prescribes the percentages of net proceeds to be paid to various States during each of the financial years 1995-96 to 1999-2000, after deducting a sum equal to 2.203 per cent of the net proceeds as being attributable to Union territories. The percentage share of each State is shown in Annexure 3.

The sharing would be subject to the condition that if during any financial year, there is levied and collected in any State, a tax on the sale or purchase of any of these commodities by or under any law of that State, no sums shall be payable to that State in respect of that commodity in respect of that financial year unless the Central Government by special order otherwise directs.

The States' share of Union Excise Duties and Additional Excise Duties in lieu of Sales tax has been worked out on the above basis for Revised Estimates 1996-97 and Budget Estimates 1997-98.

The estimate of share payable to States is shown in the following table:-

	(in crores of Rupees)		
	Budget 1996-97	Revised 1996-97	udget 1997-98
(a) Basic (including Special Excise Duties)			
TOTAL -Collections (net of refunds)	40052.52	39424.91	45133.46
Less			
-Miscellaneous receipts	-92.00	-66.35	-80.00
-Cost of collection	-243.31	-203.31	-288.89
Net proceeds	39717.21	39155.25	44764.57
States' share (47.5%)	18865.68	18598.74	21263.18
(b) Additional Excise Duties in lieu of sales tax			
Total -Collections (net of refunds)	3030.32	3067.77	3395.55
Deduct-Cost of collection	-18.64	-21.40	-21.40
Net proceeds	3011.68	3046.37	3374.15
Deduct-Share of Union Territories (2.203%)	-66.35	-67.11	-74.33
States' share	2945.34	2979.26	3299.82
Total-States' share of Union Excise Duties i.e.(A) + (B)	21811.02	21578.00	24563.00

The amount of share of each State is given in Annexure 4.

TAXES OF UNION TERRITORIES

The receipts are in respect of Union territories without Legislature. Broad details are:-

Land Revenue	1.89	1.57	1.59
Stamps and Registration	10.85	11.86	12.96
State Excise Duties	65.54	66.89	75.60
Sales Tax	120.00	126.65	131.75
Taxes on Vehicles	6.30	6.52	7.64
Taxes on goods and passengers	2.37	0.44	0.46
Taxes and Duties on Electricity	3.60	4.70	5.53
Other Taxes and Duties	1.66	1.73	0.86
Total	212.21	220.36	236.39
Less			
Transfer of Union Territory			
Taxes and Duties to Local Bodies	0.14	0.14	0.14
Net-Taxes of Union Territories	212.07	220.22	236.25

OTHER TAXES AND DUTIES

The details are as follows:-

(i) Foreign Travel Tax	190.00	190.00	237.50
(ii) Inland Air Travel Tax	450.00	450.00	562.50
Total	640.00	640.00	800.00

(i) *Levy of Foreign Travel Tax* was introduced with effect from 15th October, 1971 through the Finance Act, 1971. The scheme provides for a levy of tax at the rate of Rs. 300 for each passenger undertaking an international journey. The rate of the tax is Rs. 150 for journeys to neighbouring countries. One third percent of the collections made, less refunds, is paid to the carriers as collection charges, provision for which is made in the Expenditure Budget.

(ii) *Inland Air Travel Tax* was introduced through the Finance Act, 1989. The tax is charged at the rate of 15% of the total fare and is payable by all passengers undertaking a domestic journey by air. Journeys on certain specified routes in the North East, Andaman & Nicobar Island and Lakshadweep Islands are exempt from the levy of the tax. Other exemptions also exist such as exemption when ticket is paid for in US dollar. 5% of the collections made and deposited in the Government Treasury is paid to the carriers as collection charges, provision for which is made in the Expenditure Budget.
