

## Government Budget: Receipts & Expenditure

### I. Government Receipts

**Government receipts** show the various sources from which the government raises financial resources.

#### Types of Government Receipts

1. **Revenue Receipts**
2. **Capital Receipts**

#### 1. Revenue Receipts

##### Definition

Revenue receipts are **current incomes** of the government which:

- **Do not create any liability**, and
- **Do not lead to reduction in government assets**

##### Examples

- Taxes
- Profits of public enterprises
- Fees, fines, grants, interest receipts

#### Classification of Revenue Receipts

##### A. Tax Revenue

**Tax** is a **compulsory legal payment** made to the government **without direct quid pro quo**.

##### Types of Taxes

##### (i) Direct Taxes

- **Liability and burden fall on the same person**
- **Burden cannot be shifted**

##### Examples:

- Income Tax
- Corporate Tax
- Wealth Tax
- Gift Tax
- Expenditure Tax

**Keyword:** Non-transferable burden

### *(ii) Indirect Taxes*

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- **Liability and burden fall on different persons**
- **Burden can be shifted**

#### **Examples:**

- Sales Tax
- Excise Duty
- Customs Duty
- Service Tax
- Entertainment Tax

**Keyword:** Transferable burden

### *B. Non-Tax Revenue*

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Income earned by the government from **sources other than taxes.**

### *Major Sources of Non-Tax Revenue*

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#### *(i) Commercial Revenue*

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- Prices paid for goods & services provided by the government

#### **Examples:**

- Railways
- Electricity
- Postal services
- Toll charges

#### *(ii) Administrative Revenue*

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Includes:

1. **Fees**
  - Passport fees
  - Court fees
  - Hospital & education fees
2. **Fines & Penalties**
  - Charged on law violators
3. **Licence & Permit Fees**
4. **Escheat**
  - Property with **no legal heir** goes to the government
5. **Interest Receipts**
  - On loans given by the government

## 6. Profits of Public Sector Undertakings (PSUs)

### 2. Capital Receipts

#### Definition

Capital receipts are receipts which:

- **Create a liability**, or
- **Reduce government assets**

#### Major Sources of Capital Receipts

##### A. Borrowings

###### 1. Domestic Borrowings

- Government securities
- Treasury Bills
- Small Savings Schemes
- Public Provident Fund (PPF)

###### 2. External Borrowings

- IMF
- World Bank
- Foreign governments

**Keyword:** Debt-creating receipts

##### B. Recovery of Loans

- Loans recovered from State & Local Governments
- **Reduces financial assets**

##### C. Disinvestment

- Sale of government shares in PSUs
- Introduced after **1991 economic reforms**
- Part of **privatisation policy**

### II. Government Expenditure

Government spending is classified into:

#### 1. Capital Expenditure

## 2. Revenue Expenditure

### 1. Capital Expenditure

#### Definition

Expenditure which:

- **Creates assets, or**
- **Reduces liabilities**

#### Examples

- Construction of roads, bridges, railways
- Schools and hospitals
- Repayment of loans

**Keyword:** Asset-creating expenditure

### 2. Revenue Expenditure

#### Definition

Expenditure which:

- **Neither creates assets**
- **Nor reduces liabilities**

#### Examples

- Salaries of government employees
- Maintenance of public property
- Subsidies
- Free education and health services

**Keyword:** Consumption expenditure

#### Comparison Table

<b>Aspect</b>	<b>Revenue Receipts</b>	<b>Capital Receipts</b>
<i>Liability</i>	No	Yes / Asset reduction
<i>Nature</i>	Regular income	Non-recurring
<i>Examples</i>	Taxes, fees	Borrowings, disinvestment