

# [Sources of revenue for india](https://assignbuster.com/sources-of-revenue-for-india/)

Receipts on revenue account include revenue received in the form of tax and non-tax revenue. On the other hand, receipts on capital account is composed of loans from themarket, aid received from external sources, small savings, state and public provident funds, special deposits of nongovernmentprovident funds, and special securities. Thus, the revenue receipts of the governments - centre and states– are part of revenue account and capital receipts are part ofcapital account.

Composition of Revenue Receipts Revenue

Receipts are classified under two heads: tax revenue and non-tax revenue. Tax revenue has always occupied a dominant place in the revenue receipts of the government. It accrues to the government through a variety of taxes imposed by it like corporation tax, income tax, custom duties and excise duties. The total collection of some of these taxes is shared with the states by the centralgovernment. The principal components of non-tax revenue are net contributions of public sector undertakings, interest receipts, fiscal services, general services, social and community services, economic services and external grants.

Looking at the share of tax revenue and non-taxrevenue of the centre, it is found that the main source ofrevenue of the central government is tax revenue whichremained 70 to 80 per cent of the total revenue receiptsthroughout the study period (Graph 5. 4). This is mainly dueto indirect taxes which occupy a dominant place in centralfinances. The table clearly shows that there has been arapid increase in the tax revenue of the central governmentfrom Rs. 6009. 77 crore in 1975-76 to Rs. 38403. 9 crore in1989-90 which recorded the growth of 15 per cent duringpre-reform period (Table 5. 4 and Table 5. 5).

Firstly, it wasdue to higher collections from union excise duties, customduty and corporation tax (Economic Survey, 1983-84; Report on Currency and Finance, 1984-85). Secondly, it wasdue to improvement in the share of direct taxes in total taxreceipts of the centre (Report on Currency and Finance, 1988-89). Tax revenue was 76. 57 per cent in 1975-76 andstood at 74. 59 per cent and 77. 7 per cent in 1982-83 and1988-89, respectively. Tax measures initiated since 1991targeted in the substantial growth in tax revenue and alsoto help in improving structural imbalances and anomalies. These measures included drastic cut in the number of enduse notifications in regard to excise and customs, a significant switchover from specific to ad valorem duties to strengthen built-in-revenue elasticity, extension of MODVAT, removal of distinction between closely and widely held domestic