

Finances of Government of India: 2000-2001 (Part 3 of 3)

TABLE 6 : RESOURCES TRANSFERRED TO STATES AND UNION TERRITORY GOVERNMENTS

(Rupees crore)

Items	Variation									
	1998-99 (Accounts)	1999-2000 (Budget Estimates)	1999-2000 (Revised Estimates)	2000-2001 (Budget Estimates)	Col. 4 over Col. 3 Amount	Col. 3 Per cent	Col. 4 over Col. 2 Amount	Col. 2 Per cent	Col. 5 over Col. 4 Amount	Col. 4 Per cent
1	2	3	4	5	6	7	8	9	10	11
A. States' Share in Central Taxes and Duties (a + b)	39,145	44,495	43,510	54,080	-985	-2.2	4,365	11.2	10,570	24.3
a) Income Tax	14,480	16,987	16,552	19,774	-435	-2.6	2,072	14.3	3,222	19.5
b) Union Excise Duties	24,665	27,508	26,958	34,306	-550	-2.0	2,293	9.3	7,348	27.3
B. Total Grants (i+ii)	25,844	31,648	30,239	41,424	-1,409	-4.5	4,395	17.0	11,185	37.0
i) Plan	20,768	23,450	23,657	23,748	207	0.9	2,889	13.9	91	0.4
ii) Non-Plan @	5,076	8,198	6,582	17,676	-1,616	-19.7	1,506	29.7	11,094	168.6
C. Total Non-Plan Loans *	23,893	121	3,110	183	2,989	2470.2	-20,783	-87.0	-2,927	-94.1
of which :										
Loans against Small Savings, Collections etc.	23,026	\$	\$	\$	—	—	—	—	—	—
D. Plan Loans (i+ii)	16,904	16,254	16,602	19,351	348	2.1	-302	-1.8	2,749	16.6
i) Assistance for State & Union Territory Plans **	NA	16,046	16,408	19,163	362	2.3	16,408	—	2,755	16.8
ii) Assistance for Central & Centrally Sponsored Plan Schemes	NA	208	194	188	-14	-6.7	—	—	-6	-3.1
E. Gross Transfers (A to D)	105,786	92,518	93,461	115,038	943	1.0	-12,325	-11.7	21,577	23.1
F. Recovery of Loans & Advances*	7,133	8,711	9,723	10,687	1,012	11.6	2,590	36.3	964	9.9
G. Net Resources Transferred to State and Union Territory Governments (E-F)	98,653	83,807	83,738	104,351	-69	-0.1	-14,915	-15.1	20,613	24.6

@ : Inclusive of subsidies released through States.

* : Net of recovery of short-term loans and advances.

** : In addition direct release to implementing agencies as part of central assistance for State/UT Plans, (Rural Electrification MPLADS and North Eastern Council etc.)

\$: Loans against Small Savings collection were discontinued in the budget of 1999-2000 with the introduction of new accounting system for small savings and establishment of National Small Savings Fund (NSSF).

NA : Not available.

Source : Budget documents of the Government of India, 2000-2001.

TABLE 7 : INTEREST PAYMENTS BY THE CENTRAL GOVERNMENT

Items	(Rupees crore)								
	1992-93 (Accounts)	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Accounts)	1997-98 (Accounts)	1998-99 (Revised Estimates)	1999-2000 (Revised Estimates)	2000-2001 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10
I. Interest Payments on Internal Debt	13,541	15,588	19,168	22,179	27,233	31,270	39,439	47,463	55,947
<i>of which :</i>									
i) On Market Loans	8,147	9,258	13,205	15,400	19,125	22,170	28,072	36,081	44,246
ii) On 91/182/364 days Treasury Bills	5,245	6,188	5,520	6,047	7,003	5,828	6,270	6,489	6,570
II. Interest on External debt	3,529	3,724	4,026	4,414	4,223	4,110	4,273	4,393	4,357
III. Interest on Small Savings, Provident Funds, etc.	7,568	10,288	12,392	13,309	16,855	18,340	21,441	28,669	30,338
IV. Interest on Special Deposits of Non-Government Provident Funds etc.	5,868	6,648	7,921	9,222	10,246	10,829	9,100	9,600	9,490
V. Interest on Reserve Funds	159	170	220	253	378	508	483	350	327
VI. Interest on Other Obligations	410	323	333	668	543	580	2,512	950	807
Total Interest Payments (I to VI)	31,075	36,741	44,060	50,045	59,478	65,637	77,248	91,425	101,266

Source : Finance Accounts of Government of India and Budget documents of the Government of India, 2000-2001.

TABLE 8 : KEY FISCAL INDICATORS

Items	(Rupees crore)								
	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Accounts)	1997-98 (Accounts)	1998-99 (Accounts)	1999-2000 (Revised Estimates)	2000-2001 (Budget Estimates)	
1	2	3	4	5	6	7	8	9	
1 Conventional Deficit/Drawing down of Cash Balances	10,960 (1.3)	961 (0.1)	9,807 (0.8)	13,184 (1.0)	-910 (-0.1)	-209 (0.0)	3,470 (0.2)	- (0.0)	
2 Gross Fiscal Deficit	60,257	57,704	60,243	66,733	88,937	113,349	108,898	111,275	

	(7.0)	(5.7)	(5.1)	(4.9)	(5.9)	(6.4)	(5.6)	(5.1)
3 Revenue Deficit	32,716	31,029	29,731	32,654	46,449	67,909	73,532	77,425
	(3.8)	(3.1)	(2.5)	(2.4)	(3.1)	(3.9)	(3.8)	(3.5)
4 Monetised Deficit	260	2,130	19,855	1,934	12,914	11,800	-3,865 #	N. A.
	(..)	(0.2)	(1.7)	(0.1)	(0.9)	(0.7)	-	-
5 Gross Primary Deficit	23,516	13,643	10,198	7,255	23,300	35,467	17,473	10,009
	(2.7)	(1.4)	(0.9)	(0.5)	(1.5)	(2.0)	(0.9)	(0.5)
6 Net Primary Deficit	24,331	12,050	10,806	9,022	22,748	32,124	38,835	35,799
	(2.8)	(1.2)	(0.9)	(0.7)	(1.5)	(1.8)	(2.0)	(1.6)
7 Subsidies	12,682	12,932	13,372	16,364	19,505	24,786	25,692	22,800
of which :	(1.5)	(1.3)	(1.1)	(1.2)	(1.3)	(1.4)	(1.3)	(1.0)
i) Food	5,537	5,100	5,377	6,066	7,900	9,100	9,435	8,210
	(0.6)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)
ii) Fertiliser	4,562	5,241	6,235	5,906	7,322	7,806	8,750	8,558
	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)
iii) Export	665	658	318	397	429	573	520	630
	(0.1)	(0.1)	(..)	(..)	(..)	(..)	(..)	(..)
8 Defence Expenditure	21,845	23,245	26,856	29,505	35,278	39,897	48,504	58,587
	(2.5)	(2.3)	(2.3)	(2.2)	(2.3)	(2.3)	(2.5)	(2.7)
9 Interest Payments	36,741	44,060	50,045	59,478	65,637	77,882	91,425	101,266
	(4.3)	(4.4)	(4.2)	(4.4)	(4.3)	(4.4)	(4.7)	(4.6)
10 Total Non-Plan Expenditure	98,191	113,361	131,901	147,473	172,976	212,548	224,343	250,387
	(11.4)	(11.2)	(11.2)	(10.8)	(11.4)	(12.1)	(11.5)	(11.5)
11 Budgetary Support to Public Enterprises \$	7,451	8,205	6,418	6,834	7,555	7,576	9,103	10,370
	(0.9)	(0.8)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)
12 Direct Taxes (Net to Centre)	12,522	18,409	22,287	25,374	27,172	32,115	41,522	52,331
As per cent of total tax revenue	23.4	27.3	27.2	27.1	28.4	30.7	32.8	35.8
13 Indirect Taxes (Net to Centre)	40,927	49,045	59,652	68,327	68,500	72,537	84,947	93,878
As per cent of total tax revenue	76.6	72.7	72.8	72.9	71.6	69.3	67.2	64.2
14 Interest Receipts	15,078	15,797	18,419	22,106	25,323	30,062	34,144	36,721
	(1.8)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.8)	(1.7)
15 Interest Payments as per cent of revenue receipts	48.7	48.4	45.4	47.1	49.0	52.1	50.9	49.7
16 Revenue Deficit as per cent of Gross Fiscal Deficit	54.3	53.8	49.4	48.9	52.2	59.9	67.5	69.6
17 Monetised Deficit as per cent of Gross Fiscal Deficit	0.4	3.7	33.0	2.9	14.5	10.4	4.2	0.0

: Before the closure of Government Accounts.

\$: Figures relate to revised estimates for all years except 2000-2001.

.. : Negligible.

N. A. : Not available.

Notes : 1) Figures in brackets are per cent to GDP (Base : 1993-94). The Figures for 1999-2000 and 2000-2001 are based on the implicit nominal GDP derived from GFD-GDP ratio provided in the budget documents.

2) Monetised deficit as per RBI records.

Source : Budget documents of the Government of India, 2000-2001.

Annexure
Changes in Indirect Taxes

A - CUSTOMS

Note : *Basic Customs Duty means the customs duty levied under the Customs Act 1962.*

Major Proposals about customs duties are the following:

I TARIFF RATE :-

- Tariff rate of basic duty fixed on :
 - (a) Wheat at 100%
 - (b) Rice at 60%-80%
 - (c) Sugar at 100%
 - (d) Edible oils at 45%-100%
- No change in effective rate on these items.

II GENERAL RATE STRUCTURE

A Peak rate of *ad valorem* customs duty reduced :

- Peak rate of customs duty has been reduced from 40% to 35%.

B Changes in customs duty rate structure:

- 5 major *ad valorem* rates of basic customs duty, namely 5%, 15%, 25%, 35% and 45% have now been reduced to 4 major *ad valorem* rates of basic customs duty, namely, 5%, 15%, 25% and 35%.

C Duty increase on agricultural, horticultural items.

- Basic customs duty raised to 35% on following :
 - ❖ Agricultural goods (other than cereals)
 - ❖ Horticultural and floricultural products
 - ❖ Dairy products
 - ❖ Processed foods
 - ❖ Marine products

D Reduction in duty on crude and petroleum product:

- Basic customs duty on Crude oil has been reduced from 20% to 15%.
- Basic customs duty on petroleum product has been reduced from 30% to 25%.
- Basic customs duty on kerosene on parallel marketing has been increased to 35%, from 30%.

E Continuation of surcharge on imports:

- Surcharge at the rate of 10% of basic duty will continue across the board including peak rate of basic customs duty of 35%. However, following are the exceptions :
 - Gold and Silver.
 - Crude petroleum and petroleum products.
 - Certain WTO bound items.

F Continuation of special additional duty (SAD) of customs :

- The special additional duty (SAD) of customs will continue @ 4%.
- SAD will now be applicable to imports by traders also.
- Crude and petroleum product will, continue to be exempted from SAD.
- All the existing exemptions from SAD will continue.

G Reduction in basic duty on:

- Platinum and diamond, from 40% to 15%.
- Fogging machines, from 25% to 5%.
- Pseudoionome (material for manufacture of vitamin A), from 35% to 15%.
- Salinomycin (veterinary drug), from 35% to 15%.
- Dietary soya fibre, from 40% to 15%.
- Ferro nickel (not alloyed and charged nickel and nickel oxide), from 15% to 5%.
- Platinum, wash-coated substrats (ceramics), wash-coated substrats (metallic) and noble metal compounds for use in catalytic convertors (end-use), from varying rates to 5%.
- Propane conversion kits and their parts, from 25% to 5%.

H Increase in basic duty on:

- Natural rubber, from 25% to 35%.
- Dexorubicin HCl and Cyclosporine and Azathioprine (bulk drugs as also formulations), from 0% to 15%. CVD exemption also abolished.
- Gamma ferric oxide, from 5% to 15%.

I Duty on ball bearings fixed at 35% *ad valorem* in place of existing composite (specific + *ad valorem*) rate J Increase in Additional Duty of Customs (CVD)

- CVD on glass fibre thread and glass filter cloth for manufacture of goods for pollution control purposes from 5% to 16%.
- CVD on capital goods for crude petroleum refineries from 10% to 16%.
- CVD on goods required for setting up / expansion / renovation / modernization of fertilizer projects from 10% to 16%.

III INDUSTRY SPECIFIC CHANGES :

A Information technology sector :

- Basic customs duty on following inputs for information Technology sector has been reduced as follows :-

DESCRIPTION OF ITEMS	FROM	TO
♣ Automatic data processing machines (Computers)	20%	15%
♣ PPCBs (mother boards)	20%	15%
♣ Micro-processors for Computers	5%	0%
♣ HDD/FDD/CD ROM drive and other storage devices	5%	0%
♣ Integrated Circuits and Micro Assemblies	5%	0%
♣ Data Graphic Display Tubes for Colour Monitors	5%	0%
♣ Deflection components for use in Colour Monitors for computers	5%	0%
♣ CD ROMs	5%	0%
♣ Floppy Diskettes	20%	15%
♣ Parts of Floppy Diskettes	25%	5%
♣ Stepper Motors for use in Computers	25%	5%
♣ Ink Cartridges, ribbon assembly, ribbon drive assembly, ribbon gear carriage, etc.	40%	25%
♣ Specified Capital goods for manufacture of semi-conductors, ICs, etc.	15%	5%

B Telecom sector:

- Basic customs duty on following items of telecommunication sector has been reduced as follows :-
 - Specified raw materials for manufacture of optical fibre, from 15% to 5%
 - Cellular phones, from 25% to 5%
 - Parts on Cellular phones, from 20% to 5%.

- Battery packs for cellular phones, from 40% to 15%.
- Preform of silica for manufacture of optical fibre or cables, from 25% to 15%.
- Fibre reinforced plastic rods or cables, from 25% to 15%.
- Concessional rate of 5% for specified equipment for basic telephone service, cellular service, pager service, PMRTS and satellite communication extended upto 31.3.2001. Similar concession also extended to specified equipment to internet service providers.

C Entertainment and film industry

- Basic customs duty reduced on cinematographic cameras, and other related equipment, from 40% to 25%.
- Basic customs duty reduced on colour positive films in jumbo rolls and colour negative films in rolls of certain sizes, from 15% to 5%. CVD also exempted on these items.

IV IMPLEMENTATION OF INDO-US AND INDO-EU AGREEMENT ON TEXTILE

- Composite rate of tariff has been fixed in place *ad valorem* rates charged at present to give effect to Indo-US and Indo-EU agreements on Textile.
- This will be effective from 1st March 2000.

V REFUND OF ANTI DUMPING DUTY

- Customs Tariff Act has been amended to provide for refund of anti dumping duty and also to apply the Customs Act in respect of levy, short levy, refunds and appeals to anti dumping duties.

VI SETTLEMENT COMMISSION

- Assesseees have now been given an option for transfer of appeals from CEGAT to Settlement commission.
- The option applies to cases lying with CEGAT as on 29.2.2000. Option will not apply to those cases in which Department has also filed appeal to CEGAT, and which are pending as on the date on which the Finance Bill, 2000 receives the assent of President.

VII CHANGES REGARDING ADJUDICATION & PENALTIES:

- Mandatory penalty would be reduced to 25% of the amount of duty, along with interest (24%) and 25% penalty are all paid within 30 days of the date of communication of the order.
- If payment is not made within 30 days, the existing penalty of 100% of duty evaded will continue.
- Interest for delayed payment of duties revised to 24% per annum.
- All show cause notices involving an amount of more than one crore rupee will be issued only with the approval of the Chief Commissioner of Customs.
- All show cause notices involving an amount of upto one crore rupee will be issued either by the Commissioner or with his

prior approval by any other officer.

- These changes will come into force on the date the Finance Bill receives the assent of the President.

B - EXCISE

Note :- SED means Special excise duty.

Major Proposals about Central Excise duties are the following :

I. Changes in AD VALOREM DUTY RATE STRUCTURE

A General ad valorem rate structure

- Existing excise duty rates of 8%, 16% and 24% have now been converged into single rate of 16%. The excise duty specified in the First Schedule to the Central Excise Tariff Act will now be called Central Value Added Tax (CENVAT).
- Special Excise duty on specified products continues, with a few exceptions. The new Special excise rates will be 8%, 16% and 24%. In general term, the new *ad valorem* rate structure will be as follows :

Existing Rate (<i>ad valorem</i>)			Proposed Rate (<i>ad valorem</i>)		
Excise +	SED		CENVAT +	SED	
8%	+	-	-	+	-
16%	+	-	16%	+	-
24%	+	-	16%	+	8%
24%	+	6%	16%	+	16%
24%	+	8%	16%	+	16%
24%	+	16%	16%	+	24%

B Changes in the existing structure of 8% excise duty :-

- Following items have been exempted from excise duty :-
 - Medicinal grade oxygen
 - Medicinal grade hydrogen peroxide
 - Anaesthetics
 - Potassium iodate
 - Medical and surgical gloves

- Cutlery and knives
- House hold glassware; glass & glassware produced by mouth blown process
- Electric bulbs of MRP up to Rs. 20
- Clocks and watches of MRP upto Rs. 500 per piece
- Tooth powder
- Sanitary towels, baby napkins, etc.
- Soap for distribution through PDS
- Roasted chicory
- Specified cold chain equipment

All other items of existing 8% excise duty will now be charged at 16% CENVAT, with partial exemption on a few items like

- Kerosene
- LPG
- Laundry soap
- Cotton yarn
- Diesel engines upto 10 H.P.

C No change in the existing structure of 16% excise duty :-

- All items will now be covered under 16% CENVAT.

D Changes in existing structure of 24% excise duty :-

- Following items will now be charged at 16% CENVAT :-
 - Plastic materials
 - Films, sheets, articles of plastics
 - Tread rubber, cellular rubber and articles of rubber
 - Nylon Filament Yarn
 - Sterile contact lens solution
 - Transmission and conveyor belts or beltings of textiles.
 - Sacks and bags of synthetic textile materials.
 - Plastic laminated products like “Sunmica”
 - Cars for physically handicapped persons
- All the remaining items will now be charged at 16% CENVAT + 8% SED

E Changes in existing structure of 24% excise + 6% SED :-

- Following items will now be charged at 16% CENVAT :-
 - Bus, truck and car tyres for Original Equipment supplies (end-use based)
 - Parts of air-conditioners and refrigerators
 - Shikakai powder not mixed with any other ingredient.
- All the remaining items will now be charged at 16% CENVAT + 16% SED. The items are :-
 - Cosmetics and Toilet Preparations
 - Air conditioners, air conditioning machinery and appliances
 - Multi-utility vehicles
 - Tyres for buses, trucks and cars (for replacement)
 - POY and PFY

F Duty on Petrol :-

- Petrol which is currently at 24% excise + 8% SED will now be charged at 16% CENVAT + 16% SED.

G Changes in existing structure of 24% excise + 16% SED

- Soft drink concentrate supplied to bottlers will now be charged to CENVAT at 16% (end-use based).
- Following items will now be charged at 16% CENVAT + 24% SED
 - Motor cars
 - Aerated soft drinks
 - Pan Masala
 - Chewing tobacco and similar tobacco products
 - Soft drink concentrate (for supply to vending machines)

II CHANGES IN SPECIFIC DUTY RATE STRUCTURE :

A Green tea exempted.

B Excise duty increased on cigarettes :

	FROM	TO
	(Rs per 1000)	(Rs per 1000)
Non Filter Cigarettes:		
Not exceeding 60 mm in length	110	115
Exceeding 60 mm in length but not 370 exceeding 70 mm		390

Filter Cigarettes:

Not exceeding 70 mm in length	550	580
Exceeding 70 mm in length but not exceeding 75 mm	900	945
Exceeding 75 mm in length but not exceeding 85 mm	1200	1260
Exceeding 85 mm in length	1470	1545

C. Marble

- Existing rate of Rs 40 per square metre abolished.

III CHANGES IN MODVAT SCHEME

- All inputs [excepting high speed diesel oil and motor spirit (petrol)] and all capital goods have now been included in the eligible list of modvat scheme.
- All finished goods will also be eligible to the benefit of modvat, except matches.
- Modvat scheme has been fully extended to cigarettes.
- Restriction of 75% on availment of CVD credit for project import abolished.
- Availment of modvat on capital goods will be spread over two years with effect from 1.4.2000.
- MODVAT scheme will now be called CENVAT Scheme.
- A new set of simplified and user friendly CENVAT rules to replace modvat rules from 1.4.2000.

IV INDUSTRY SPECIFIC CHANGES:-

A Independent Textile processors:

- Scheme of levy under section 3A modified.
 - Existing rate of Rs. 1.5 lakhs per chamber per month has now been increased to Rs. 2 lakhs per chamber per month.
 - The existing rate of Rs. 2 lakhs per chamber per month has now been increased to Rs. 2.5 lakhs per chamber per month.
 - Interest rates on delayed payment has now been fixed at 24%.
 - Provision has been made for deemed modvat at Re 1 per sq. mtr each in respect of BED and AED (ST) to the user.
 - Existing basic duty rates of 5% /12% on DTA clearances of grey cotton fabrics not containing any other textile material and other woven fabric have now been rationalised to single rate.
 - Specific rates of excise duty (without modvat benefit) has been fixed for independent texturing unit manufacturing taxturised yarn of polyester.
 - Deemed modvat credit has been allowed to users of texturised polyester yarn.

B Steel industry:

- **Restoration of *advalorem* duty for induction furnaces and re-rollers :**
 - Induction furnaces and re-rollers will now be covered under *ad valorem* CENVAT at 16% (with modvat benefit in place of existing compounded levy under section 3A of Central Excise Act.
 - This will come into force from 1.4.2000.
- **Integrated steel plants will now be allowed to pay duty at the ex-factory price on steel sold from their stock yards.**

V EXEMPTION FOR SMALL SCALE UNITS:

- Commodity - specific exemption for small scale units *viz.* articles of plastic, cosmetics & toilet preparations, tread rubber, air conditioning & refrigeration machinery and parts would be merged with the general SSI scheme with effect from 1.4.2000.

VI EXPANSION OF MRP BASED ASSESSMENT OF EXCISE:

- Twenty four new items have been included in the scheme of MRP based assessment. More items will be added after the Budget. The items are :
 - 1) Concentrated (condensed) milk, put up in unit containers
 - 2) Gums, including chewing gums, bubblegums and the like
 - 3) Cocoa powder
 - 4) Other food preparations containing cocoa
 - 5) Spaghetti, macaroni, noodles, lasagne, gnocchi, put up in unit container
 - 6) Waffles and wafers, coated with chocolates or containing chocolate
 - 7) Yeasts, prepared baking powder, put up in unit container
 - 8) Betel nut powder known as “Supari”
 - 9) Branded edible preparations
 - 10) Fruit pulp or fruit juice based drinks
 - 11) Vinegar and substitutes for vinegar obtained from acetic acid
 - 12) Synthetic organic products of a kind used as fluorescent brightening agents or as a luminophores
 - 13) Lubricating preparations
 - 14) Photographic films and instant prints films in rolls, sensitized, unexposed
 - 15) Disinfectants and similar products
 - 16) Insulated ware
 - 17) Room air-conditioners
 - 18) Refrigerators

- 19) Dish washing machines
- 20) Typewriters
- 21) Calculating machines and pocket size data recording, reproducing and displaying machines with calculating functions
- 22) Telephone sets including telephone with cordless handsets; video phones; facsimile machines
- 23) Pagers, cellular or mobile phones
- 24) Typewriter or similar ribbons, ink pad