"Public Revenue in Goa"- Pre and Post liberalization

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Abstract

The global economy has seen a lot of instability in the last few years. The period 2008-10 was a period of global recession and Goa was not spared from its effects. Revenue receipts as well as growth of the State were adversely affected. This is primarily due to the various external economic factors, on which Goan economy relies upon. However the year 2010-11 has shown signs of global recovery which has directly impacted economic growth for the year 2011-12.The economy of the state as per 2004-05 prices has been growing at around 10 percent for last few years, except in 2007-08 wherein the growth rate stood at 5.4 per cent with the base year 2004-05 due to impact of global economic meltdown.

KEYWORDS: Public Revenue, Public Private Partnership

Introduction

Goa was ruled by the Portuguese in the 16th Century and remained a Portuguese colony until 1961 when the Indian army liberated Goa. A tiny emerald land on the west coast of India, the 25th State in the Union of States of India, was liberated from Portuguese rule in 1961. Goa covers an area of 3702 square kilometers and comprises two revenue districts North Goa and South Goa.

Objectives of the Study

The main objectives of the study are:-

1. To study the public revenue by imposing various taxes pre and post liberalization period in the state of Goa.
2. To study the states own tax revenue and non tax revenue in the state of Goa.
3. To know the debt burden of the post liberalization period in the state of Goa.

Methodology and Database

The study is based on secondary data. The secondary sources of data are government publications like Economic Survey of Goa, and Goa budget.

LITERATURE REVIEW

Rasul.G.Korabu and P.S.Kamble (2010) studied the Impact of Tax Revenues of Government of Maharashtra and revealed that the government adopted the policy of tax rate cut in the context of sales tax. The number of tax payers have been increased significantly, which has widens the base and helped in continuous rise in tax. The reforms in sales tax have favorably imparted its revenue.

P.Viswanath(2008) examined the Economic Impact of VAT in India and observed that the real benefit of VAT would not in surface short run, and the registration of dealers VAT is increased .He also examined the business impact of VAT and revealed that the benefits in geographical reallocations of unit manufacturers opening new depots .

M Govinda Rao (2000) made a study on Tax reforms in India Achievements and challenges In India, he observed that there is a decline in the tax GDP ratio since the reforms initiated due to lower yield of indirect taxes. Reforms in excise duties have not reached the stage of achieving a simple and transparent manufacturing stage of VAT.

Montek S Ahluwalia examined Economic reform in India since 1991and found that trade policy reforms made progress but the pace is slower than industrialization. Progress has been made several areas of financial sector reforms. India witnessed a halting process of change in which political parties which opposed particular reforms when in opposition actually pushed them forward when in office.

The Economic Scenario before liberalization:

The Portuguese, by large, maintained the tax collection system introduced by the Kadambas. Of course, the tax on *shendi* (tuft of hair on the shaven head) on Hindus was an innovative tax invented and introduced by Portuguese. The budgeting system adopted by the former Portuguese government in Goa was vastly different from present one under Indian system. The receipts were grouped under nine heads.

1) Direct taxes
2) Indirect taxes
3) Special taxes such as mining tax
4) Administrative receipts
5) Income from government property and undertakings
6) Income from Investments
7) Recoveries
8) Income from autonomous bodies
9) Extraordinary Income.

In the Budget 1906-07 government receipts amounted to ₹ 23.83 lakhs of which ₹ 12.74 lakhs came from direct taxes and ₹4.75 lakhs from custom duties; balance from others, the expenditure amounted to same figure.

The short period of 50 years from 1961, i.e., from the Goa’s liberation till today, has brought about a discernible socioeconomic transformation of this small State.

Public Revenue 2005-06 to 2010-11:

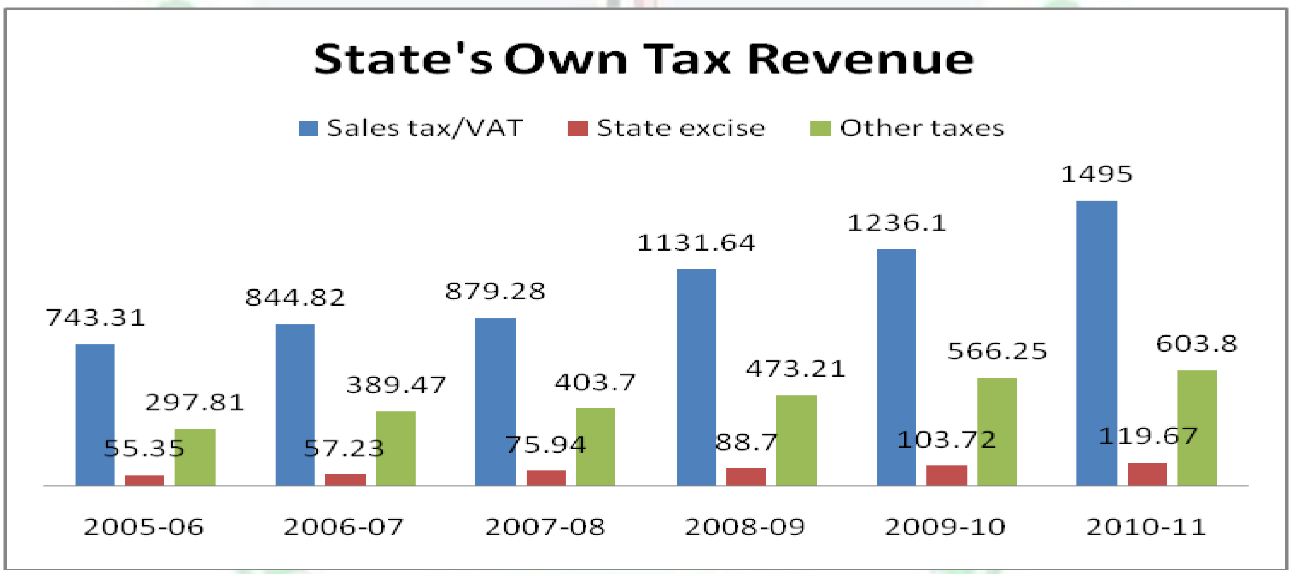
Revenue Receipts of the State comprise the State's Own Revenue and Central transfers in the form of shared taxes and grants for plan and non-plan purposes. The State's own revenue again has two components, the tax component and the non-tax revenue component.

State's Own Tax Revenue: It consists of mainly Sales Tax/ Value Added Tax, state excise, stamp duty, Registration fees, Motor vehicle and passenger tax.

State's Own Tax Revenue 2005-06 to 2010-11 (In ₹ Crore)

Year	Sales tax/VAT	State excise	Other taxes	Total
2005-06	743.31	55.35	297.81	1096.47
2006-07	844.82	57.23	389.47	1291.52
2007-08	879.28	75.94	403.70	1358.92
2008-09	1131.64	88.70	473.21	1693.55
2009-10(RE)	1236.10	103.72	566.25	1906.07
2010-11(BE)	1495.00	119.67	603.80	2218.47

(Source: Economic Survey and Goa budget)



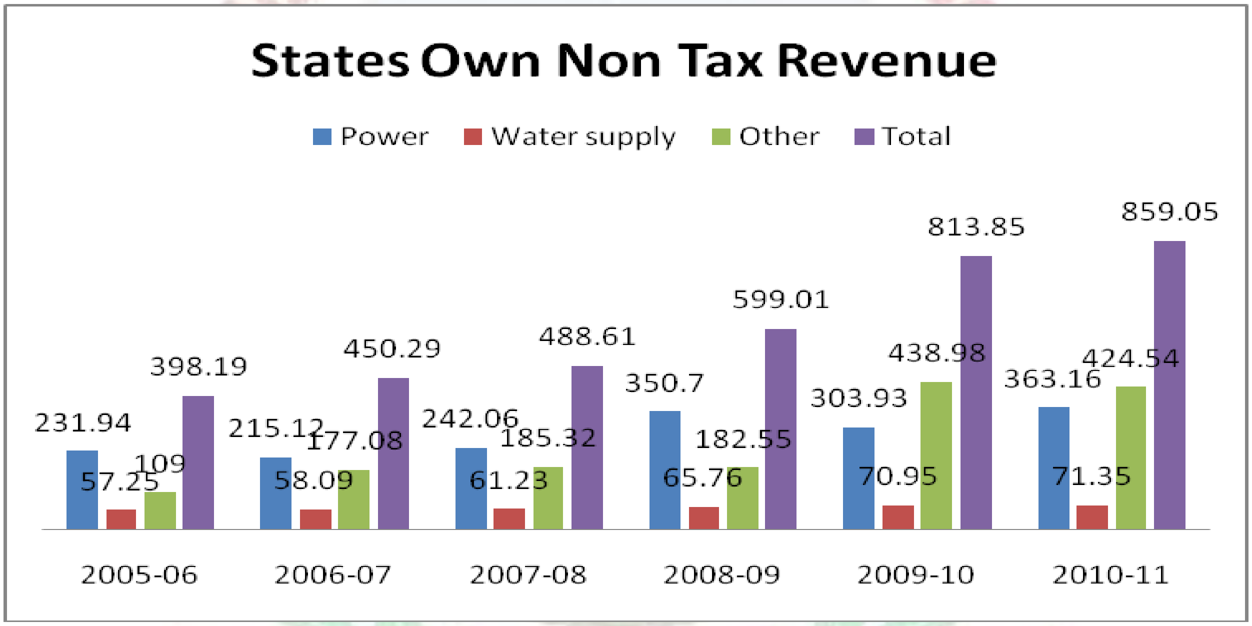
From the above, it shows that sales tax (Value Added Tax) revenue is the main contribution to tax revenue. After introduction of VAT (1st April 2005) the revenue contribution is increasing. It Increased from ₹ 743.31 cr in 2005 to ₹ 1495.00 cr in 2010-11. State Excise revenue increased from ₹ 55.35 cr. to ₹119.67 cr over the same period. Total State's own revenue increased from ₹1096.47cr to ₹2218.47cr during the period 2005-06 to 2010-11.

States Own Non Tax Revenue: This revenue consists of mainly power and water supply charges and other sources such as fees, fines, etc.

States Own Non Tax Revenue 2005-06 to 2010-11(In ₹ crore)

Year	Power	Water supply	Other	Total
2005-06	231.94	57.25	109.00	398.19
2006-07	215.12	58.09	177.08	450.29
2007-08	242.06	61.23	185.32	488.61
2008-09	350.70	65.76	182.55	599.01
2009-10(RE)	303.93	70.95	438.98	813.85
2010-11(BE)	363.16	71.35	424.54	859.05

(Source: Economic Survey and Goa budget)



Power and Water Supply charges are the major sources of non-tax revenue of the State. The annual growth rate from state's own non tax revenue works out 16.74%. The State's endeavor towards resource mobilization has seen sizable increase from ₹398.19crore in 2005-06 to ₹ 859.05 in 2010-11 In the field of power the tax revenue percentage to the total non tax revenue is decreased from 58.24% to 42.27% over the period 2005-06 to 2010-11. Same way water supply revenue percentage to the total non tax revenue is decreased from 14.37% to 8.30% over the period 2005-06 to 2010-11.

Transfer from Government of India: It consists of share in Central taxes and grants from Central.

Transfer from Government of India 2005-06 to 2010-11 (₹ In Crore)

Year	Central Taxes	Grants	Total
2005-06	244.72	66.52	311.24
2006-07	312.13	88.49	400.62
2007-08	393.72	148.45	542.17
2008-09	415.44	183.12	598.56
2009-10(RE)	426.78	422.88	849.66
2010-11(BE)	556.59	660.10	1216.69

(Source: Economic Survey and Goa budget)

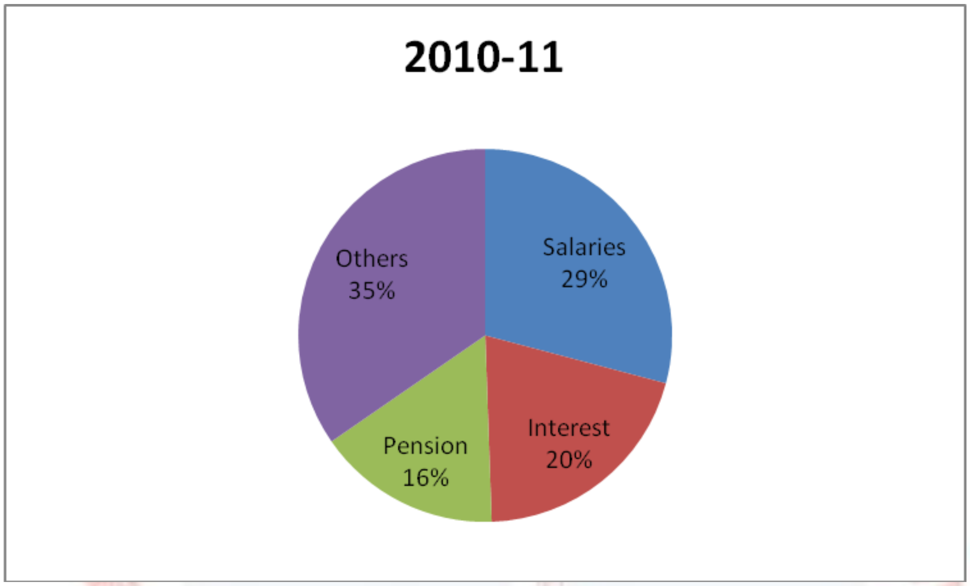
From the above table it is observed that during the last two years transfer from the Government of India shows an increase of around 42% in 2009-10 and 43% over its respective previous year. The grant increased by ten times which was ₹66.52 crore in 2005-06 to ₹ 660.10 crore in 2010-11.This increase is mainly due to increase in Central Grants as per Thirteenth Finance Commission.

Non Plan Revenue Expenditure: It consists of mainly Salaries, Interest, pension and others.

Non Plan Revenue Expenditure 2005-06 to 2010-11(₹ in crore)

Year	Salaries	Interest	Pension	Others	Total
2005-06	367.70	400.36	132.64	512.37	1413.07
2006-07	395.77	426.81	130.78	563.81	1517.17
2007-08	467.15	446.86	144.39	599.86	1658.26
2008-09	670.79	509.80	219.75	769.06	2169.40
2009-10(RE)	881.64	566.05	408.09	1055.31	2911.09
2010-11(BE)	927.46	647.66	508.12	1102.28	3185.52

(Source: Economic Survey and Goa budget)

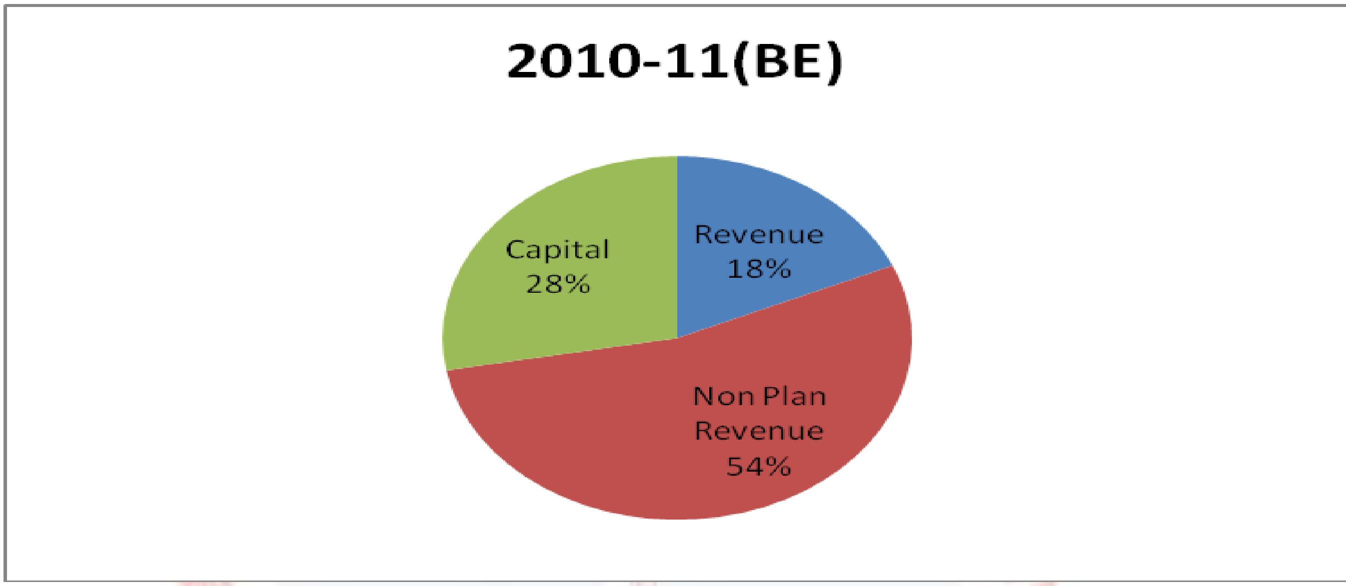


From the above chart it can be observed that 20% of the Non Plan Expenditure is on interest. It has increased from ₹ 406.36 crore in 2005-06 to ₹647.66 crore in 2010-11.

Total Expenditure: It consists of Revenue Expenditure, Non Plan Revenue Expenditure and Capital Expenditure.

(₹ in crore)

Year	Revenue	Non Plan Revenue	Capital	Total
2005-06	414.68	1413.07	658.00	2,485.75
2006-07	483.81	1517.17	707.77	2,708.75
2007-08	565.29	1658.26	951.42	3,174.97
2008-09	620.89	2169.40	1092.02	3,882.31
2009-10(RE)	923.40	2911.09	1421.74	5,256.23
2010-11(BE)	1094.12	3185.52	1651.69	5,931.33



From the above chart it can be observed that major expenditure ie, 54% is for the non revenue expenditure of mainly Salaries, Interest, pension and others.

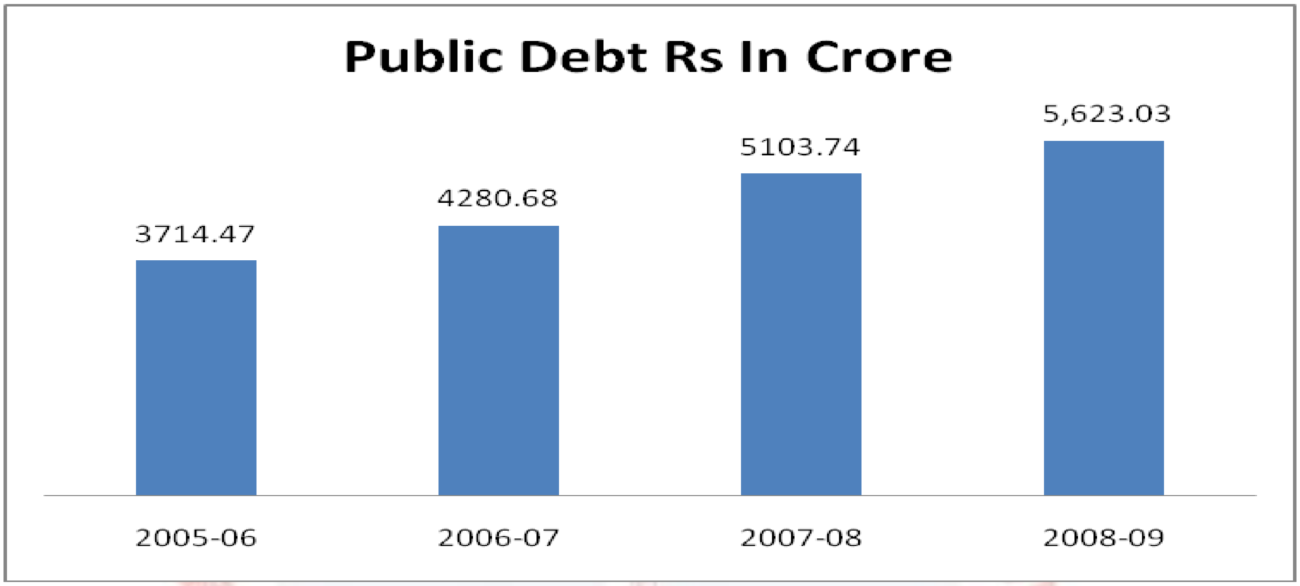
Debt burden of the state:

The debt consists of mainly Central Loan, Market Loans, loans from PFC, NABARD, HUDCO, and LIC.

Public Debt (In ₹ crore)

Year	Central Loan	Market loan	LIC	NCDC	NABARD	REC &PFC	HUDCO	Total
2005-06	2547.85	1026.93	28.67	1.21	24.31	67.71	17.79	3714.47
2006-07	3056.17	1107.68	26.68	1.19	18.18	57.40	13.38	4280.68
2007-08	3539.42	1477.35	2.27	0.70	12.34	61.96	9.70	5103.74
2008-09	3544.82	1881.12	22.7	1.33	77.36	89.12	6.58	5623.03

(Source: Economic Survey and Goa budget)



Total Debt as on 31st March 2009 stands ₹ 5623.03 crore.It is noticed that during the period 2005-06 to 2008-09 it is increased more than 20%. As on 31st March 2009 central loan constituted 63% of the state public debt followed by SLR based market loans and the balance from PFC, NABARD, HUDCO, LIC.

Deficit Indicators of the State: It has been observed that the Fiscal Deficit has been decreased from ₹-820.87crore to ₹-610.84 crore mainly due to increase the share in Central taxes and Central Grants as per Thirteenth Finance Commission.

Measures to Increase the Revenue of the Government

1. Conduct Tax Payer Education Programmes: This can be done through media or conducting workshops to the dealers, Manufacturers in case of VAT, State Excise& Luxury Tax.

2. Encourage Voluntary Compliance: By giving the incentives, such as self assessment to the small and medium type of VAT dealers, government can encourage Voluntary Compliance of filing VAT returns.

3. Computerization of VAT Administration at 100 %: Like other states such as Kerala, Goa Government should make the 100% filing of the VAT returns by electronic media.

4. Verification of Returns on the Date of Filing: In case of dealers not filed the VAT returns within due date the computerized reminder should be sent to the dealer before due date of next VAT return.

5. Fresh and/or higher rates of taxes are not necessarily the answer. Rather the government should look to improve collection of existing taxes and plug loopholes to prevent avoidance. After the recent arrests and imprisonment of top high-profile

executives of reputed organizations, newspaper reports say Chartered Accountants and lawyers are now more cautious about how they advise their clients in the matter of working around rules. This is the right time to take Chartered Accountants and legal experts into confidence and involve them in tightening the laws.

6. Most taxes are elastic and buoyant – i.e. revenues increase more than proportionately as the tax base increases, which is what happens with economic growth and progress. The Govt can also take steps to ensure widening of the tax base by spreading the tax net further and checking tax evasion.
7. Penalties for violations should be increased and more importantly, implemented – revenues will increase and violations will be reduced. Increased vigilance is needed to ensure that fines and penalties are actually collected (the govt can think of introducing monetary incentives for collection as is done in the case of customs – will reduce corruption among enforcing authorities). Some areas where such enforcement is essential are electricity and water pilferage, traffic violations, encroachment, etc. Timely prevention of violations will also reduce costs in the long run.
8. Taxes which are unproductive (i.e. revenue not much more than expenditure on tax collection) should either be done away with, or reviewed and rates, collection units, etc. revised e.g. land revenue
9. User fees for roads, bridges, etc. need to be introduced to recover costs and pay for operation & maintenance – a rational structure is needed. The general reluctance to pay tolls etc. largely stems from the belief that govt officials have made money from the project, so why should common man have to pay.
10. It is time to end all sops – don't announce new ones – any concessions once given are almost impossible to withdraw, especially in the current political scenario.

Control of the Mining Sector and its impact upon revenues:

Closing down mining is not a rational economic decision and definitely not the solution; the problems have come mainly because of illegal mining and tremendous increase in demand for iron ore from China.

Stopping illegal mining will solve a large part of the problem – again this is a political issue. Illegal mining does not contribute to the public exchequer, only to private pockets – so there will be no revenue implications. A plus point is that other costs will disappear – social costs of accidents, deaths, health impacts, losses due to bandhs, etc.

Build corridors exclusively for mining trucks – some towns in Goa have become uninhabitable because of the continuous movement of ore-carrying trucks, the dust and pollution. Mining companies must contribute towards building and maintenance of roads. Ensure no private use of the roads and prevent any residences etc. coming up alongside – otherwise the problems will recur in future.

Environmental standards, loading limits, pollution control, afforestation, etc. should be strictly implemented; here again, penalties for violation should be such as to make violation economically unattractive.

Future projects which will determine & sustain development of the state:

Promote all types of tourism, not only beaches. Aggressive marketing is needed to correct the image of Goa and Goans outside the State; tourism is going to be the major sector for a long time to come.

Education is going to be a major growth sector – Goa has the potential to become an education hub; concentrate on higher education. Education projects could be allowed only in the interior (not coastal areas) – will act as a catalyst for development of hinterland as well,

IT, BPO, KPO, etc. – non-polluting, Goa has one of the highest internet connectivity rates in India; suited for Goan youth

Horticulture, Floriculture, Pisciculture – Goa has a competitive advantage in all these areas and fallow lands can be re-cultivated.

Other non-polluting green projects can be reviewed on a case by case basis and permitted after doing a complete social cost-benefit analysis.

Views on future planning:

Planning should have a long-term horizon – within this long-term frame make short 5-year plans.

Plan mainly for infrastructure – roads, bridges, transport, water, electricity, health, education.

All assistance should be in the form of loans, not grants; could be soft loans or otherwise depending upon end-use of funds.

Review all existing schemes – under central and state govts – decide if any schemes could be wound up on account of duplication, uneconomical nature, etc. Increase public awareness of schemes.

Govt's role be restricted to promoter of business, maintaining appropriate business environment, law enforcement, justice, etc.

Plan actively for public-private partnership and e-governance. But while choosing private partners - a thorough background check, especially sources of funding, is vital.

E-governance will make transactions more transparent, less scope for corruption.

Conclusion: To increase tax revenue, tax administration should be made people friendly. Government should use the print media for various services such as Act and Rules amendments under VAT, luxury Tax and Excise and relative notifications. In various sectors government should go Public Private Partnership (PPP). Ultimately, what is needed is political will, good governance and transparency.

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