Public expenditure and public revenue

Public expenditure	Public revenue	Public debt	Public finance
The expenditure incurred by the government is known as public expenditure.	The income of the government is known as public revenue.	Public debts are loans taken by the government.	Public finance is the branch of economics that relates to public income, public expenditure and public debt.

Public expenditure can be classified into

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Developmental expenditure	Non-developmental expenditure
expenditure incurred by the government for constructing roads, bridges and harbours, starting up new enterprises, setting up educational institutions, etc. are considered	Expenditure incurred for war, interest, pension, etc. are considered

Why does India's public expenditure increase?

Population growth	Welfare activities	Urbanisation	Increase in the defence expenditure

Public Revenue	
Tax Revenue	Non Tax Revenue
Taxes are the main source of income to the government. Tax is a compulsory payment to the government made by the public for meeting expenditure towards welfare activities, developmental activities etc. The person who pays tax is called tax payer.	Fees Fines and penalties Grants Interest Profit U C Vahid

Tax

Direct Tax

Indirect Tax

Direct Tax	Indirect Tax
Tax is paid by the person on whom it is imposed. Here the burden of the tax is borne by the same person on whom tax is imposed. Personal Income Tax Corporate tax Land tax Professional Tax Property tax	The tax burden can be shifted from the person on whom it is imposed to another person. The tax is included in the price paid by the consumer. Goods and Services Tax (GST) (1 st July 2017)

Goods and Services Tax (GST)

Taxes are levied at different stages starting from production to final consumption of goods and services. In each stage the tax is imposed on the value added. Hence tax is collected only on value addition.

The tax paid in the earlier stages need not be paid by the final consumer.

GST: Types

Central GST (CGST)	State GST (SGST).	Integrated GST (IGST)
The tax imposed by the central government, GST 18% (9% CGST + 9% SGST	the tax imposed by the state government	The GST on interstate trade is imposed and collected by the central government. The share of the state government on IGST is given by the Central government.

These taxes are collected jointly from the consumers and are shared equally by the centre and state governments.

GST Rates (4slabs)

5%	12%	18%	28%

GST Council

Union Finance Minister is the chairman members are Union Minister of State in charge of finance and state finance ministers.

GST council makes recommendation

Taxes, cess and surcharges that are to be merged into GST. The goods and services that are to be brought under GST. Determining GST rates. U C Vahid The time frame for including the excluded items into GST. Determining the tax exemption limit on the basis of total turnover.

Central government	State government	Local self government
Corporate tax Personal Income Tax Central GST (CGST) Integrated GST (IGST)	Land Tax Stamp duty State GST (SGST)	Property tax Professional Tax

Surcharge	Cess
Surcharge is an additional tax on tax amount. This is imposed for a certain period of time. Usually surcharge is imposed as a given percentage on the income tax.	Cess is an additional tax for meeting some special purpose of government. Cess is withdrawn once sufficient revenue is collected. Education cess on income tax is an example.

Sources of non-tax revenue

Fees	Fees is the reward collected for the government's services. License fees, registration fees, tuition fees, etc. are examples
Fines and penalties	Fines and penalties are punishments for violating the laws
Grants	Grants are the financial aid provided by one government or organisations for meeting a specific objective. For example, grants are provided by central and state governments to local self governments.
Interest	Government receive interest for loans given to various enterprises, agencies and countries.
Profit	Profit is the net income received from the enterprises operated by the government. For example, profit from the Indian Railways.

Public debt	
Internal debt	External debt
Internal debts are the loans availed by the government from individuals and institutions within the country.	External debts are the loans availed from foreign governments and international institutions.

Reasons for the increase in India's public debt

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Increased defence expenditure Increase in population Social welfare activities Developmental activities

Budget

Budget is the financial statement showing the expected income and expenditure of the government during a financial year. In India, financial year is from April 1 to March 31.

Budgets are of three types

Balanced budget.	Surplus budget.	Deficit budget
When income and expenditure are equal income = expenditure	When income is more than expenditure income > expenditure	When expenditure is more than income income < expenditure

Fiscal policy

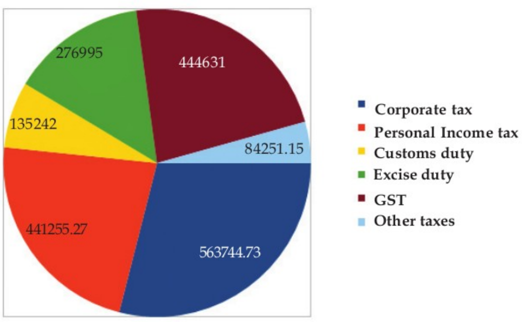
Government's policy regarding public revenue, public expenditure and public debt is called fiscal policy. These policies are implemented through the budget. Fiscal policy influences a country's progress. A sound fiscal policy helps in nourishing the developmental activities and to attain growth

Goals of the fiscal policy

• Attain economic stability • Create employment opportunities • Control unnecessary expenditure • To stabilise the growth rate of economy • To maintain the equilibrium in the balance of payment

How the fiscal policy controls inflation and deflation which affect economic security.

The tax rate is increased when there is inflation. As a result of this, the purchasing power of the people falls.When the products cannot be sold in the market, prices fall. Similarly, tax is reduced at the time of deflation. This will increase the purchasing power of the people. As a result the demand for products increases. This results in an increase in the price of the products.



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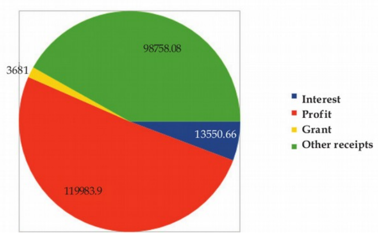

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