

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ECO/A Date 16.11.2020

Teacher name – Ajay Kumar Sharma

Revision Notes

-> Components of Non-Tax Revenue:

◆ Commercial Revenue (Profit and interest):

◆ It is the revenue received by the government by selling the goods and services produced by the government agencies.

◆ For example, profit of public sector undertakings like Railways, BHEL, LIC etc.

◆ Government gives loan to State Government, union territories, private enterprises and to general public and earns interest receipts from these loans.

◆ It also includes interest and dividends on investments made by the government.

◆ Administrative Revenue: The revenue that arises on account of the administrative function of the government. This includes:

◆ **Fee:** Fee refers to a payment made to the government for the services that it renders to the citizens. Such services are generally in public interest and fees are paid by those, who receive such services. For example, passport fees, court fees, school fees in government schools.

◆ **License Fee:** License fee is a payment to grant a permission by a government authority. For example, registration fee for an automobile.

◆ Fines and penalties for an infringement of a law, i.e., they are imposed on law breakers.

◆ **Special Assessment:** Sometimes government undertakes developmental activities by which value of nearby property appreciates, which leads to increase in wealth. So, it is the payment made by owners of those properties whose value has appreciated. For example, if value of a property near a metro station has increased, then a part of developmental expenditure made by government is recovered from owners of such property. This is the value of special assessment.

◆ Forfeitures are in the form of penalties imposed by courts that a person needs to pay in the court of law for failing to comply with court orders.

◆ Escheat refers to the claim of the government on the property of a person who dies without having any legal heir or without leaving a will.

◆ **External grants:** Government receives financial help in the form of grants, gifts from foreign governments and international organisations (IMF, World Bank). Such grants and gifts are received during national crisis such as earthquakes, flood, war etc.

(b) Capital receipts:

(i) Meaning:

• Government receipts, that either creates liabilities (of payment of loan) or reduce assets (on disinvestment) are called capital receipts.

In capital receipts any one of the conditions must be satisfied.

• Capital receipts include items which are non-repetitive and non-routine in nature,

(ii) Components:

• Borrowing (Domestic and External): Borrowings are made to meet the financial requirement of the country. A government may borrow money:

-> Domestically: General Public (By issuing government bonds in the open market). Reserve Bank of India.

-> Externally: Rest of the world (foreign government and international institutions)

- **Recovery of Loans and Advances:** Loans offered to others are assets of the government. It includes recovery of loans granted by the central government to state and union territory governments. It is a capital receipt because it reduces financial assets of the government. For example, The Government of India may give Rs. 1000 crore as a loan to The Government of Delhi. Here the value of asset is Rs. 1000 crore. When The Government of Delhi repaid Rs. 100 crore, the value of The Government of India assets reduces to Rs. 900 crore. Since, recovery of loan reduces the value of assets, it is termed as a capital receipts.

- **Disinvestment:** A government raises funds from disinvestment also. Disinvestment means selling whole or a part of the shares (i.e., equity) of selected public sector enterprises held by government. As a result, government assets are reduced.