5. Public Expenditure and Public Revenue

Let us Assess

1. Question

Compare developmental and non-developmental expenditure and give examples for each.

Answer

The expenditure that the Government incur is known as public expenditure. This expenditure can increase with an increase in the activities of the government. The Government's activities can be classified as Developmental and Non-developmental activities.

Developmental activities involves the creation of assets like constructing roads, bridges, railway tracks, container ports, etc. The expenditure for such activities is known as developmental expenditure.

Non-developmental activities are undertaken for the provision of governmental services like paying interest, pension, defence, etc. The expenditure for such activities is known as non-developmental expenditure.

2. Question

Describe the features of direct tax and indirect tax.

Answer

Tax is a compulsory payment made by the public towards the government. Taxes are of two types based on the shifting of tax burden.

When the burden of the tax is borne by the same person on whom tax is imposed, we call it direct tax. For example, land tax, personal income tax, corporate tax etc. Here the tax payer undertakes the burden of the tax.

When the burden of the tax is shifted from the person on whom it is imposed to another person, we call it indirect tax. For example, sales tax, service tax, central excise, value added tax, etc. Here the tax payer shift the burden to another person.

3. Question

What are the important functions of GST council.

Answer

Goods and Services Tax (GST) was introduced in India on 1st July 2017 merging different indirect taxes imposed by the central and state governments, into one unified tax system. The policy decisions relating to this tax is made by the GST council in the centre. Union Finance Minister is the chairman of the GST council.

The important functions of the GST Council are to make recommendation on the following matters: -

•What taxes, cess and surcharges that are to be merged into GST.

•Which goods and services that are to be brought under GST.

•Determining the different GST rates.

•The time frame for including the excluded items into GST.

•Determining the tax exemption limit on the basis of total turnover.

The GST system has led to the elimination of multiple taxes, and thereby increased the ease of doing business in India and contributed to an increase in the GDP of the country.

4. Question

Explain with examples public revenue and public expenditure.

Answer

The income of the government is known as public revenue. Public revenue is composed of tax revenue and non-tax revenue. Tax revenue comes from direct and indirect taxes. Non-tax revenue includes fees paid for governmental services, fines and penalties for violating laws, grants form external governments or organisations, interest received from the loans given, and profit from the enterprises operated by the government, like Indian Railways, Postal Services, etc.

The expenditure incurred by the government in undertaking its various activities are known as public expenditure. This expenditure can be classified into two broad categories of developmental and non-developmental. The expenditure incurred in the creation of new assets is called developmental expenditure. For instance, the construction of new roads, bridges, airports, etc. This expenditure is more visible to the general public. While those expenses which are less visible in the public eyes are called non-developmental expenses. These are incurred to provide governmental services like defence, pension, poverty alleviation schemes, etc.

5. Question

What are the sources of non-tax revenue?

Answer

Non-tax revenue forms one of the main sources of public revenue, along with tax revenue. The major sources of non-tax revenue are: -

1. Fees: it is the reward collected for the government's services like license fees, registration fees, tuition fees, etc.

2. Fines and Penalties: these are monetary punishments meted out to individuals and organisations for violating the laws of the land.

3. Grants: are the financial aids provided by one government or organisations for meeting specific objective. For example, charitable institutions provide grants for the uplift the conditions of certain groups of people.

4. Interest: the Government receives interests for the loans it extended to various enterprises, agencies and countries.

5. Profit: it is the net income Government receives from the enterprises it operates like the Indian Railways, Postal Services etc.

6. Question

Rewrite if required:

Deficit budget : income = expenditure

Surplus budget : income < expenditure

Balanced budget : income > expenditure

Answer

(a) Deficit Budget: Income = Expenditure

Incorrect. Deficit Budget: Income < Expenditure

(b) Surplus Budget: Income < Expenditure

Incorrect. Surplus Budget: Income > Expenditure

(c) Balanced Budget: Income > Expenditure

Incorrect. Balanced Budget: Income = Expenditure

7. Question

What is fiscal policy? Explain its aims.

Answer

The Government's policy decisions regarding public revenue, public expenditure and public debt is called fiscal policy. These policies are implemented through the budget.

Some aims of the fiscal policy are: -

•Attain economic stability

•Control unnecessary expenditure

•Create employment opportunities

•Reduce Tax evasion

•Targeted developmental activities

•Reduce bureaucratic delay

•Attain equitable growth in all regions

8. Question

Public finance and fiscal policy determine a country's progress. Substantiate.

Answer

Public finance is the branch of economics that related to public expenditure, public income and public debt. Fiscal policy is the policy decisions of the Government regarding public finance. Together these two elements determine a country’s progress.

The growth of any country is conventionally measured in the growth of its Gross Domestic Product (GDP), it is the total value of all the goods produced and services provided in an economy in a year. A related dynamic is the operation of demand and supply in the economy. The public finance and fiscal policy help in adjusting consumption patterns in the economy, and thereby facilitating a healthy growth of the country.

For an economy to operate without large troubles it is necessary that demand from the consumers and supply from the producers be equal to each other, as much as possible. This equilibrium is often unbalanced, creating situations of excess demand (demand exceeds supply) or excess supply (supply exceeds demand). Such situations are harmful to the economy in the long run. The Government uses its tools of public finance and fiscal policy to bring back the equilibrium in demand and supply.

For example, when there is excess demand the government increases tax rates to arrest the excess money in the hands of the public, so as to reduce the demand. When there is excess supply, the government does the opposite, it reduces tax rates to increase the money in the hands of the public in order to increase demand to reach the supply level. Thus, the government through its tools of public finance and fiscal policy intervene in the economy to ease situations before it turns detrimental to the country’s progress.

Extended Activities

1. Question

From the central budget 2017-18 find out the tax revenue collected from GST.

Answer

In the first financial year of Goods and Service Tax, the revenue received from this indirect tax has been ₹4,42,562 crores, i.e., four lakhs forty-two thousand five hundred sixty-two crores.

2. Question

Collect bills for the goods and services bought in your house for a month. Do the following activities based on this.

Answer

TAX INVOICE
Spencer's Retail Ltd.
CIN L74999WB2017PLC219355

TVM Vellayambalam D
DIAMOND CASTLE
SASTHAMANGALAM RD,
VELLAYAMBALAM
TRIVANDRUM -10
TRIVANDRUM - 695010
Kerala (GST Code : 32)
GST Number : 32AAICR1034[illegible]
VAT TIN Number : 320[illegible]
customercare@spencers.in
Toll Free-18001030134 9AM-9PM All days

Till No : 5 Tax Invoice No : 47079
Date : 29/05/19 Time : 06:24:43 PM
Shift : 2 Cashier : 10038026

Item Name SNo	Qty	MRP(Rs)	Disc(Rs)	Amount (Rs) (Incl.GST)
HSN/SAC	UOM	CGST%	SGST%	
AMUL KOOL FLV MILK ELAICHI PET 200ml				
1	1	25.00	0.00	25.00
2202	PC	6	6	
MUSCLEBLAZE PROTEIN BAR CHOC 72g				
2	1	120.00	42.00	78.00
2106	PC	9	9	
TOTAL :	2.000		42.00	103.00

PAYMENT SUMMARY(Rs)
E-Wallet/UPI : 103.00
TOTAL : 103.00
Amount Repaid : 0.00

GST BREAKUP

GST	Base Amount	Tax Amount
CGST	103.00	7.29
SGST	103.00	7.29
TOTAL GST		14.58

** YOU SAVED Rs.42.00 TODAY **

Only Packed Items will be exchanged
within 7 Days, with Bill except Electric
al & Electronics Items Once Sold cannot
be refunded
Thank You, Visit Again
GST is included in the selling price
Taxes shown separately are mandated
by GST regulations
Signature

TAX INVOICE

SRI KRISHNA SWEETS PRIVATE LIMITED
TC 9 / 2553 / 10 Ground Floor
Vellayambalam - Sasthamangalam Road
Thiruvananthapuram-695010 Mobile 9942924444

GSTIN 32AAGCS6523B1ZT

GST Registration Number of the firm.

CIN U15411TZ1983PTC001364

Employee Code 502189
Bill No:2019-83-2266

Friday May [illegible]1, 2019 [illegible]

Item Name		Rate	Amount
HSN21069099(Sweets) @ 5.00			
MYSURPA		[illegible]	580.82
Net Wgt	01.02[illegible]		
Gross Wgt	01.124 Kg		
MYSURPA		565.00	580.82
Net Wgt	01.028 Kg		
Gross Wgt	01.124 Kg		

Received With Thanks CASH

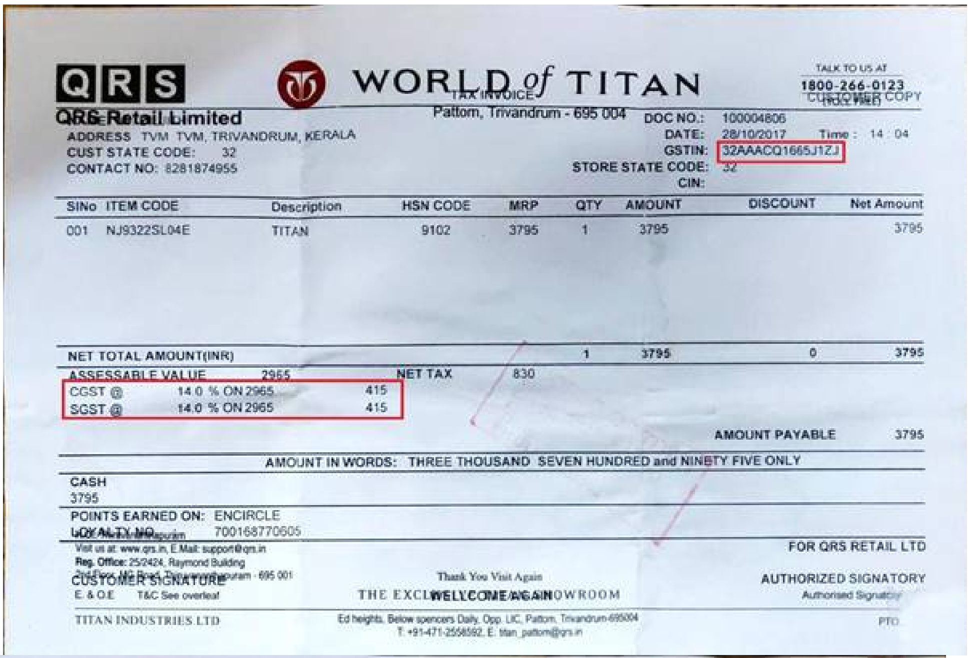
Total	1161.64
CGST @2.50	29.04
SGST @2.50	29.04

GST PERCENTAGE = 5%

PLEASE CHECK & ENSURE
THE QUANTITY/WEIGHT
WHILE ACCEPTING
THIS BILL

Net Wgt	:	**02.056**
Gross Wgt	:	**02.248**
Rounded Off	:	**00.28**
Grand Total (Rounded) :		**1220.00**

Amount in words
(One Thousand Two Hundred and Twenty)



QRS Retail Limited — WORLD of TITAN — TAX INVOICE — CUSTOMER COPY

Pattom, Trivandrum - 695 004

TALK TO US AT 1800-266-0123 (TOLL FREE)

ADDRESS TVM TVM, TRIVANDRUM, KERALA
CUST STATE CODE: 32
CONTACT NO: 8281874955

DOC NO.: 100004806
DATE: 28/10/2017 Time: 14 : 04
GSTIN: 32AAACQ1665J1ZJ
STORE STATE CODE: 32
CIN:

SlNo	ITEM CODE	Description	HSN CODE	MRP	QTY	AMOUNT	DISCOUNT	Net Amount
001	NJ9322SL04E	TITAN	9102	3795	1	3795		3795
NET TOTAL AMOUNT(INR)					1	3795	0	3795

ASSESSABLE VALUE 2965 NET TAX 830
CGST @ 14.0 % ON 2965 415
SGST @ 14.0 % ON 2965 415

AMOUNT PAYABLE 3795

AMOUNT IN WORDS: THREE THOUSAND SEVEN HUNDRED and NINETY FIVE ONLY

CASH
3795

POINTS EARNED ON: ENCIRCLE
LOYALTY NO: 700168770605

CUSTOMER SIGNATURE
E & O.E T&C See overleaf

Thank You Visit Again
WELLCOME AGAIN
THE EXCLUSIVE TITAN SHOWROOM

FOR QRS RETAIL LTD
AUTHORIZED SIGNATORY

TITAN INDUSTRIES LTD PTO

Sugan Lifestyle
Phoenix Chennai
Phoenix Market City Mall, S - 59, 2nd Floor, 142, Velachery Main Road,
Velachery Chennai 600042
GSTIN No.: 33ACPFS5098H2ZJ
Phone No. : 61153737
Customer Name: [redacted] Phone No. : [redacted]

Manyavar

Tax Invoice
Date: 08/05/2019
Time: 01:49:05 PM
Cash Memo No.: PM/00616
Salesman: Kaleem Basha

Sl No.	HSN code	Item No./Item Name	Size/Colour	GST %	Qty.	MRP	Rate	Amount
1	6211	8903035377982 S952717	XXL 327-L GREEN	12.00	1.00	2999.00	2999.00	2999.00

Gross Amt 2999.00
Adjustment (Advance/Return) CN/00023 -2999.00
Rupees: Zero Only. Total GST: 321.32 1.00 Net Amount 0
Credit Note Received [CN/00023] 2999.00

Description	Taxable	IGST	CGST	SGST	CESS
GST 12%	2677.68	0.00	160.66	160.66	0.00
Totals:	2677.68	0.00	160.66	160.66	0.00

NOTE : This is a computer generated invoice & does not require signature

3. Question

Classify the bills into GST bills and non GST bills.

Answer

A non-GST bill is issued to a customer when GST cannot be charged in the invoice for the purchase. On the other hand, GST bills are those which has specified GST slab rate in the bill.

When you collect the bills, observe the GST tax rate mentioned in them. If it is mentioned, it is a GST bill, and if it is not it is a non-GST bill.

4. Question

Calculate the amount paid from your house as GST.

Answer

Based on the above four bills.

The amount of GST paid = GST for Bill 1 + GST for Bill 2 + GST for Bill 3 + GST for Bill 4

GST paid for bill 1 = **₹ 58.08**

GST paid for bill 2 = **₹ 14.58**

GST paid for bill 3 = **₹ 321.32**

GST paid for bill 4 = **₹ 830**

Therefore, total amount paid as GST = ₹58.08 + ₹14.58 + ₹321.32 + ₹830

= ₹1223.98

5. Question

Visit the website www.services.gst.gov.in

• Click on search tax payer

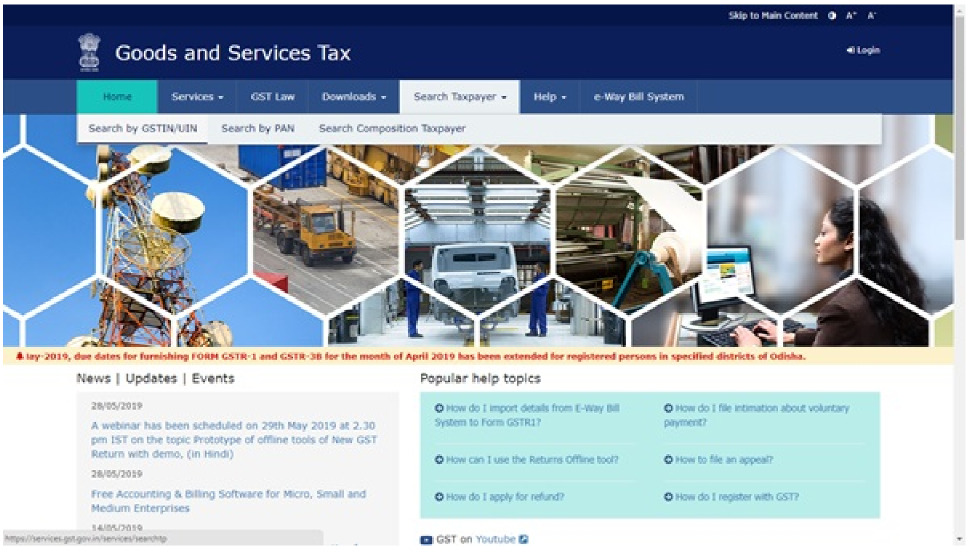
• Enter GST number in GSTIN/UIN and collect the available information.

Answer

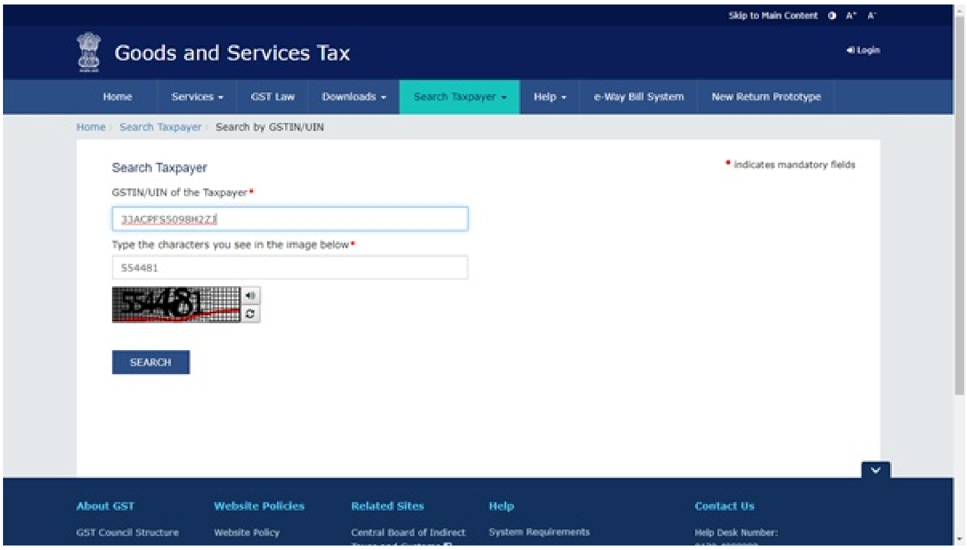
Step 1: Go to the website

If the given web address shows error, try https://www.gst.gov.in/

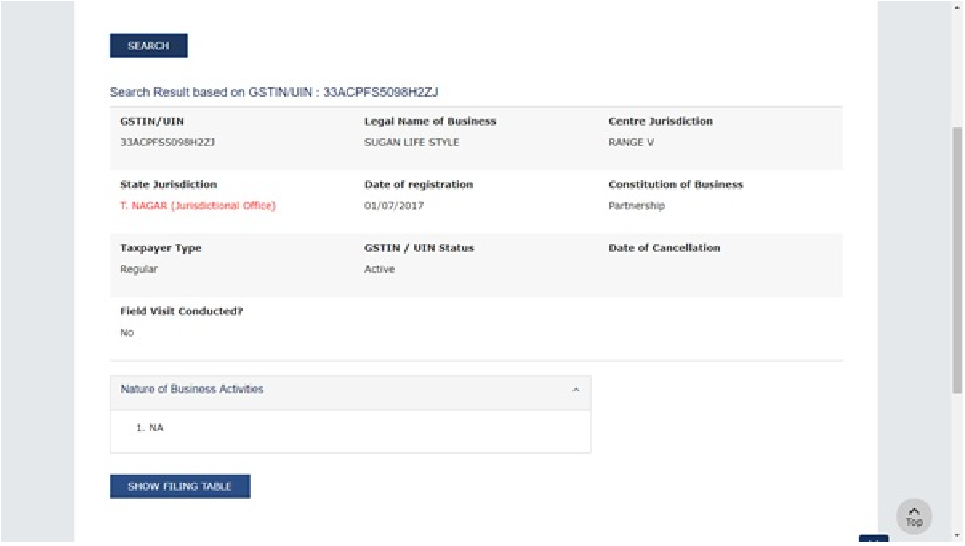
Step 2: Click on ‘Search Taxpayer’



Step 3: Enter the GSTIN/UIN number



Step 4: Go through the available information



SEARCH

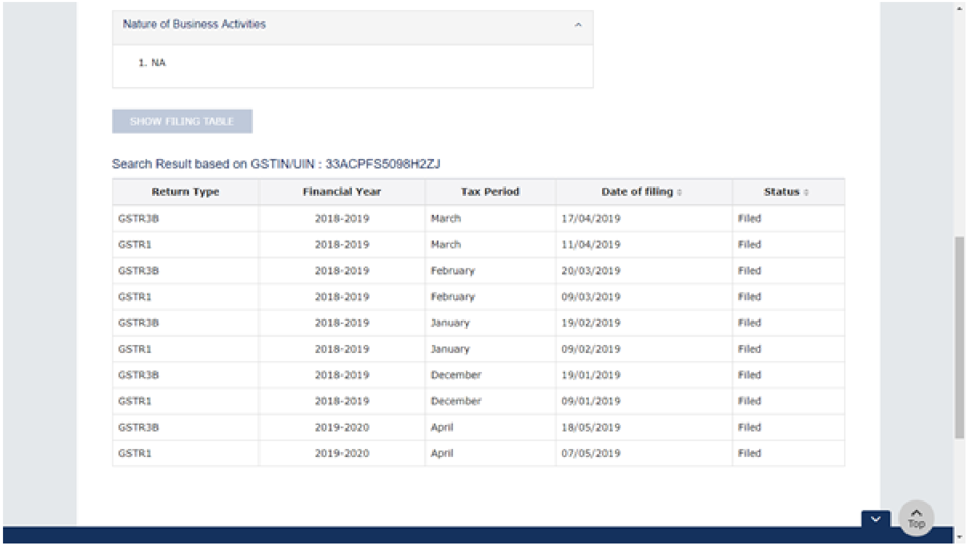
Search Result based on GSTIN/UIN : 33ACPFS5098H2ZJ

GSTIN/UIN	Legal Name of Business	Centre Jurisdiction
33ACPFS5098H2ZJ	SUGAN LIFE STYLE	RANGE V
State Jurisdiction	**Date of registration**	**Constitution of Business**
T. NAGAR (Jurisdictional Office)	01/07/2017	Partnership
Taxpayer Type	**GSTIN / UIN Status**	**Date of Cancellation**
Regular	Active	
Field Visit Conducted?		
No		

Nature of Business Activities

1. NA

SHOW FILING TABLE



Nature of Business Activities

1. NA

SHOW FILING TABLE

Search Result based on GSTIN/UIN : 33ACPFS5098H2ZJ

Return Type	Financial Year	Tax Period	Date of filing	Status
GSTR3B	2018-2019	March	17/04/2019	Filed
GSTR1	2018-2019	March	11/04/2019	Filed
GSTR3B	2018-2019	February	20/03/2019	Filed
GSTR1	2018-2019	February	09/03/2019	Filed
GSTR3B	2018-2019	January	19/02/2019	Filed
GSTR1	2018-2019	January	09/02/2019	Filed
GSTR3B	2018-2019	December	19/01/2019	Filed
GSTR1	2018-2019	December	09/01/2019	Filed
GSTR3B	2019-2020	April	18/05/2019	Filed
GSTR1	2019-2020	April	07/05/2019	Filed

Filling table shows the details of GST filing done by the firm.