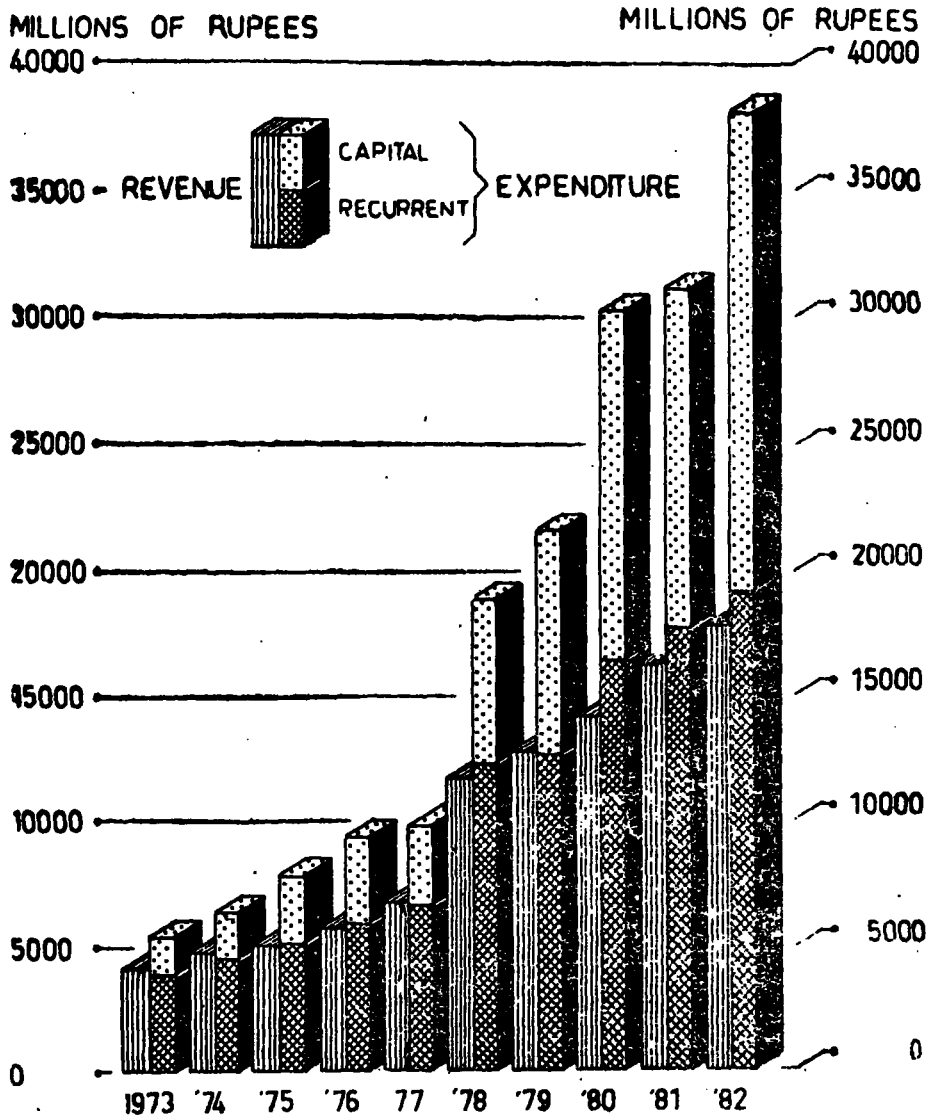


## GOVERNMENT REVENUE & EXPENDITURE

DATA BY FINANCIAL YEARS



Central Bank of Ceylon

# THE BUDGET 1984

On November 16, 1983 the Minister of Finance and Planning, Mr. Ronnie de Mel, presented his seventh consecutive Budget in Parliament. This is also the second budget of the second consecutive UNP government. In introducing his budgetary proposals the Minister emphasised that despite the economic difficulties of the country, which had been aggravated by the recent disturbances, he would attempt not to impose additional burdens on the less affluent sections of the people.

He was offering, he said some relief which he hoped would be welcome and a few additional burdens on those who were most able to bear them.

The main strategy and thinking behind the budget is discussed in the note that follows. Other aspects of the budget are analysed in the contributions on "Problems and Prospects of Budget 1984", "Targets and Implications of Recent Budgets", and "The Budget Proposals for 1984 - their impact on Revenue".

### Main Features

Government revenue in 1984 is expected to yield Rs 30,770.3 million, while total current expenditure is estimated at Rs 28,650 and total capital expenditure is estimated at Rs 21,860 million.

The overall budget deficit is expected to be in the region of Rs Rs 16,543 million. The deficit is to be financed by way of Rs 3,550 million obtained from domestic non-bank sources, a sum of Rs 681 million from domestic bank sources, and a sum of Rs 12,312 million from foreign sources comprising foreign loans (both project and commodity) and grants.

### Revenue

Total revenue receipts for the financial year 1984 are estimated at Rs 30,770 million indicating an increase of 28 per cent over the revised estimates for 1983. Indirect taxes on production and expenditure constitute nearly 66 per cent of estimated revenue as against 68 per cent for 1983. External trade oriented taxes inclusive of turnover taxes on imports are estimated to yield about 37 per cent of total revenue in 1983. Turnover taxes, including those on imports, continue to be the largest source of revenue accounting for 27 per cent of revenue receipts as compared with 25 per cent for 1983. Import duties form the second largest source of revenue with a share of 17 per cent as compared with 19 per cent for 1983. Receipts from direct taxes have been estimated at Rs 4,570 million showing an increase of Rs Rs 1,195 million or 35 per cent over the revised estimates for 1983. Income taxes, the major component of direct taxes, have been estimated at Rs 4,500 million showing an increase of 36 per cent. Among non-tax revenue, current transfers are estimated at Rs 2,080 million. These include a transfer of Rs 1,700 million from the Central Bank profits to be utilized in liquidation of Government obligations to the Central Bank. In 1983 Rs 1,500 million was transferred in this manner. A detailed breakdown of Government revenue is given in Table P along with comparable data for 1983.

**Table 1**  
**Government Revenue – 1983 and 1984**

Rs Million

	1983		1984	
	Revised Estimates	Per Centages	Budget Estimates	Per Centages
1. Taxes on production and expenditure	6,410.00	68.1	20,408.3	66.3
(i) T.T. (non manufacturing)	(2,000.00)	(8.3)	(n.a.)	—
(ii) T.T. (manufacturing)	(2,700.00)	(11.2)	(n.a.)	—
(iii) T.T. (imports)	(1,450.00)	(6.0)	(n.a.)	—
(b) Excise on liquor	850.00	3.5	970.00	3.2
(c) Excise on tobacco	1,350.00	5.6	1,720.00	5.7
(d) Tea (ad-valorem) tax	900.00	3.7	1,030.00	3.3
(e) Import duties	4,500.00	18.7	5,285.3	17.2
(f) Export duties	2,200.00	9.7	2,735.0	8.9
(i) Tea	( 1,110.0)	( 4.6)	( 1,550.0)	(6.0)
(ii) Rubber	( 760.0)	( 3.2)	( 910.0)	(3.0)
(iii) Coconut	( 200.0)	( 0.8)	( 153.0)	(0.5)
(iv) Other	( 130.0)	(0.5)	( 122.0)	(0.4)
(g) Licence fees	180.0	0.7	163.0	0.5
(h) Taxes on Transfer of assets	280.0	1.2	280.0	0.9
2. Corporate income taxes	3,300.0	13.7	4,500.0	14.6
3. Non-corporate income taxes				
4. Receipts from trading enterprises	1,285.0	5.3	1,632.0	5.3
(a) Railway	( 500.0)	( 2.1)	( 532.0)	(1.7)
(b) Posts & Telecommunication	( 785.0)	( 2.2)	( 1,100.0)	(3.6)
(c) Other	( — )	( — )	( — )	( — )
5. Rents and interest	525.0	2.2	1,270.0	4.1
6. Sales and charges	525.0	2.2	585.0	1.9
7. Social security contributions	75.0	0.3	95.0	0.3
8. Other current transfers	1,652.0	6.9	2,080.0	6.8
9. Sales of capital goods	20.0	0.1	20.0	0.1
10. Capital transfer	75.0	0.3	70.0	0.2
11. Repayment of loans and advances	225.0	0.9	110.0	0.4
12. Capital transfers from abroad	—	—	—	—
<b>Total</b>	<b>24,095.0*</b>	<b>100.00</b>	<b>30,770.3</b>	<b>100.0</b>

Source: General Treasury

\*Inclusive of cash grant amounting to Rs. 3 Million

The gross allocations under recurrent expenditure is estimated at Rs 28,650 million and net out-payments under advance accounts Rs 300 million. Total recurrent expenditure net of the anticipated under expendi-

ture is estimated at Rs 28,077 million showing an increase of 14 per cent over the revised estimates for 1983. However, the recurrent expenditure inclusive of advance account out-payments for 1984 indicates an in-

crease of only 11 per cent, as advance account outpayments are estimated to be substantially lower in 1984. Personal emoluments, pensions and interest on public debt comprise nearly 58 per cent of the estimated gross allocations of recurrent expenditure as compared with 57 per cent in 1983. A detailed breakdown of recurrent expenditure is given in Table 11 along with comparable data for 1983.

A sum of Rs 1,060 million provided for the Import Duty Rebate Scheme is mainly connected with the garment export sector. Total transfers have been estimated at Rs 4,002 million as compared with Rs 4,335 million in 1983. These include transfers to households under Welfare Schemes (Food Stamp Scheme, Kerosene Stamp Scheme etc), transfers on account of subsidy programmes (fertilizer, interest subsidy to the National Savings Bank, etc.) transfers to meet operational deficits of public corporations and transfers to non-profit oriented semi-government entities to meet current commitments (Tourist Board, University etc.) Recurrent expenditure classified as 'other' relates to expenses connected with travelling, supplies, requisites, repairs and maintenance, transportation, communication, utilities etc. A Ministry-wise breakdown of recurrent expenditure is given in Table 11.

Total provision under the capital budget for 1984 is estimated at Rs 21,860 million. Net of under-expenditure and amortization payments, total net capital expenditure is estimated to be Rs 16,568 million indicating an 8 per cent increase over the revised estimates for 1983. The share of capital expenditure in total government expenditure is expected to decline from 44 per cent in 1983 to 40 per cent. On the basis of gross allocations, the Ministry of Mahaweli Development would receive a sum of Rs 6,017 million, while Ministry of Local Government, Housing & Construction has been allocated Rs 2,056 million. A Ministry-wise breakdown of gross capital expenditure is given in Table 1 V.