UNIT 9

FISCAL ECONOMICS

INTRODUCTION

FISCAL ECONOMICS : MEANING

The term 'Fiscal Economics' is a new one; the old and popular term of the subject is 'Public Finance'. The subject Public Finance is related to the financing of the State activities and it discusses the financial operations of the Government treasury.

FUNCTIONS OF MODERN STATE

The modern state is a welfare state and not just police state. The state assumes greater roles by creating economic and social overheads, ensuring stability both internally and externally, conserving resources for sustainable development and so on.

SUBJECT MATTER / SCOPE OF PUBLIC FINANCE

In Modern times, the subject 'Public Finance' includes five major sub-divisions, viz., Public Revenue, Public Expenditure, Public Debt, Financial Administration and Fiscal Policy.

1. PUBLIC REVENUE

Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.

2. PUBLIC EXPENDITURE

This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.

3. PUBLIC DEBT

Public debt deals with the methods of raising loans from internal and external sources. The burden, effects and redemption of public debt fall under this head.

4. FINANCIAL ADMINISTRATION

This part deals with the study of the different aspects of public budget. The budget is the Annual master financial plan of the Government. The various objectives and steps in preparing a public budget, passing or sanctioning, allocation evaluation and auditing fall within financial administration.

5. FISCAL POLICY

Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

DIRECT AND INDIRECT TAXES

DIRECT TAXES	INDIRECT TAXES
Direct taxes are paid entirely by a taxpayer directly to the government	Indirect tax is ultimately paid for by the end-consumer of goods and services.
Burden of taxes cannot be shifted	Burden of taxes can be shifted
It can help reduce inflation	It enhances inflation
Tax evasion can be possible	These cannot be evaded as are charged on goods and services
Higher administrative costs are involved	Lesser administrative cost involved
Direct tax is progressive	Indirect tax is regressive

BUDGET

The budget is an annual financial statement which shows the estimated income and expenditure of the Government for the forthcoming financial year.

i) Revenue Budget:

It consists of revenue receipts and revenue expenditure. Moreover, the revenue receipts can be categorised into tax revenue and non-tax revenue.

ii) Capital Budget:

It consists of capital receipts and capital expenditure. In this case, the main sources of capital receipts are loans, advances etc.

iii) Supplementary Budget:

During the time of war emergencies and natural calamities like tsunami, flood etc, the expenditures allotted in the budget provisions are not always enough.

iv) Vote - on - Account:

Under Article 116 of the Indian Constitution, the budget can be presented in the middle of the year. The reason may be political in nature.

v) Zero Base Budget:

The Government of India presented Zero-Base-Budgeting (ZBB first) in 1987-88. It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.

vi) Performance Budget:

When the outcome of any activity is taken as the base of any budget, such budget is known as 'Performance Budget'. For the first time in the world, the performance budget was made in USA.

BALANCED BUDGET :

Balanced budget is a situation, in which estimated revenue of the government during the year is equal to its anticipated expenditure. Sa

UNBALANCED BUDGET :

The budget in which Revenue & Expenditure are not equal to each other is known as Unbalanced Budget. Unbalanced budget is of two types: 1. Surplus Budget 2. Deficit Budget

BUDGETARY DEFICITS :

Budget deficit is a situation where budget receipts are less than budget expenditures.

- ❖ Revenue Deficit (RD) = Total Revenue Expenditure (RE) - Total Revenue Receipts (RR)
- ❖ Budget Deficit = Total Expenditure – Total Revenue
- ❖ Fiscal deficit (FD) = Budget deficit + Government's market borrowings and liabilities
- ❖ Primary Deficit (PD) = Fiscal deficit (PD) - Interest Payment (IP)

FINANCE COMMISSION

Finance commission is a quasi-judicial body set up under Article 280 of the Indian Constitution. It was established in the year 1951, to define the fiscal relationship framework between the Centre and the state.

MEANING OF FISCAL POLICY

In common parlance fiscal policy means the budgetary manipulations affecting the macro economic variables – output, employment, saving, investment etc.

HOW A FISCAL POLICY WORKS?

- ❖ Expansionary fiscal policy, such as increased spending and tax cuts, can stimulate a battered economy and return it to a growth trajectory.
- ❖ Contractionary fiscal policy, on the other hand, can check inflationary risk in an overheating economy.
- ❖ Since fiscal policy has direct and measurable effects on employment and consumer income; it straddles both economic and political agendas.

BOOK EXERCISE QUESTIONS - MULTIPLE CHOICE QUESTIONS

PART - A

1. **The modern state is**
   a) Laissez-faire state
   b) Aristocratic state
   c) Welfare state
   d) Police state

2. **One of the following is NOT a feature of private finance**
   a) Balancing of income and expenditure
   b) Secrecy
   c) Saving some part of income
   d) Publicity

3. **The tax possesses the following characteristics**
   a) Compulsory
   b) No quid pro quo
   c) Failure to pay is offence
   d) All the above

4. **Which of the following canons of taxation was not listed by Adam smith?**
   a) Canon of equality
   b) Canon of certainty
   c) Canon of convenience
   d) Canon of simplicity

5. **Consider the following statements and identify the correct ones.**

i. Central government does not have exclusive power to impose tax which is not mentioned in state or concurrent list.

ii. The Constitution also provides for transferring certain tax revenues from union list to states.

(a) i only (b) ii only
(c) both (d) none

6. **GST is equivalence of**
   a) Sales tax b) Corporation tax
   c) Income tax d) Local tax

7. **The direct tax has the following merits except**
   a) equity
   b) convenient
   c) certainty
   d) civic consciousness

8. **Which of the following is a direct tax?**
   a) Excise duty b) Income tax
   c) Customs duty d) Service tax

9. **Which of the following is not a tax under Union list?**
   a) Personal Income Tax
   b) Corporation Tax
   c) Agricultural Income Tax
   d) Excise duty

10. **"Revenue Receipts" of the Government do not include**
    a) Interest
    b) Profits and dividents
    c) Recoveries and loans
    d) Rent from property

11. **The difference between revenue expenditure and revenue receipts is**
    a) Revenue deficit

b) Fiscal deficit

c) Budget deficit

d) Primary deficit

12. The difference between total expenditure and total receipts including loans and other liabilities is called

a) Fiscal deficit

b) Budget deficit

c) Primary deficit

d) Revenue deficit

13. The primary purpose of deficit financing is

a) Economic development

b) Economic stability

c) Economic equality

d) Employment generation

14. Deficit budget means

a) An excess of government's revenue over expenditure

b) An excess of government's current expenditure over its current revenue

c) An excess of government's total expenditure over its total revenue

d) None of above

15. Methods of repayment of public debt is

a) Conversion

b) Sinking fund

c) Funded debt

d) All these

16. Conversion of public debt means exchange of

a) new bonds for the old ones

b) low interest bonds for higher interest bonds

c) Long term bonds for short term bonds

d) All the above

17. The word budget has been derived from the French word "bougette" which means

a) A small bag

b) An empty box

c) A box with papers

d) None of the above

18. Which one of the following deficits does not consider borrowing as a receipt?

a) Revenue deficit

b) Budgetary deficit

c) Fiscal deficit

d) Primary deficit

19. Finance Commission determines

a) The finances of Government of India

b) The resources transfer to the states

c) The resources transfer to the various departments

d) None of the above

20. Consider the following statements and identify the right ones. i. The finance commission is appointed by the President ii. The tenure of Finance commission is five years

(a) i only (b) ii only

(c) both (d) none

Answers

1	2	3	4	5	6	7	8	9	10
c	d	d	d	b	a	b	b	c	d
11	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
a	a	a	c	d	b	a	c	b	c

PART - B

Answer the following questions in one or two sentences

21. Define public finance.

According to Huge Dalton"Public finance is one of those subjects that lie on the border line between Economics and Politics. It is concerned with income and expenditure of public authorities and with the adjustment of one to the other".

22. What is public revenue?

Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.

23. Differentiate tax and fee.

	Tax	Fee
Meaning	Tax is a compulsory payment by the citizens to the government to meet the public expenditure.	Fee is charged by public authorities for rendering a service to the citizens.
Compulsion	It is legally imposed by the government on the tax payer	There is no compulsion involved in case of fees
Benefit	the tax payer cannot claim any specific benefit against the payment of a tax.	The government provides certain services and charges certain fees for them.

24. Write a short note on zero based budget.

- It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.
- The review has been made to provide justification or otherwise for the project as a whole in the light of the socio-economic objectives which have been already set up for this project and as well as in view of the priorities of the society.

25. Give two examples for direct tax.

- Corporation Tax
- Income Tax
- Property Tax and
- Gift Tax.

26. What are the components of GST?

- The component of GST are of 3 types. They are: CGST, SGST & IGST.
- CGST: Collected by the Central Government on an intra-state sale (Eg: Within state/ union territory)
- SGST: Collected by the State Government on an intra-state sale (Eg: Within state/ union territory)
- IGST: Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

27. What do you mean by public debt?

According to Philip E.Taylor"The debt is the form of promises by the Treasury to pay to the holders of these promises a principal sum and in most instances interest on the principal. Borrowing is resorted to in order to provide funds for financing a current deficit."

PART - C

Answer the following questions in one Paragraph.

28. Describe canons of Taxation.

The characteristics or qualities which a good tax should possess are described as canons of taxation. According to Adam Smith, there are four canons or maxims of taxation. They are as follows:

1. Economical
2. Equitable
3. Convenient
4. Certain

(1) Canon of Ability:

The Government should impose tax in such a way that the people have to pay taxes according to their ability.

(2) Canon of Certainty:

The Government must ensure that there is no uncertainty regarding therate of tax or the time of payment.

(3) Canon of Convenience:

The method of tax collection and the timing of the tax payment should suit the convenience of the people.

(4) Canon of Economy:

The Government has to spend money for collecting taxes, for example, salaries are given to the persons who are responsible for collecting taxes.

29. Mention any three similarities between public finance and private finance.

(1) Rationality:

Both public finance and private finance are based on rationality. Maximization of welfare and least cost factor combination underlie both.

(2) Limit to borrowing :

Both have to apply restraint with regard to borrowing. The Government also cannot live beyond its means. There is a limit to deficit financing by the state also.

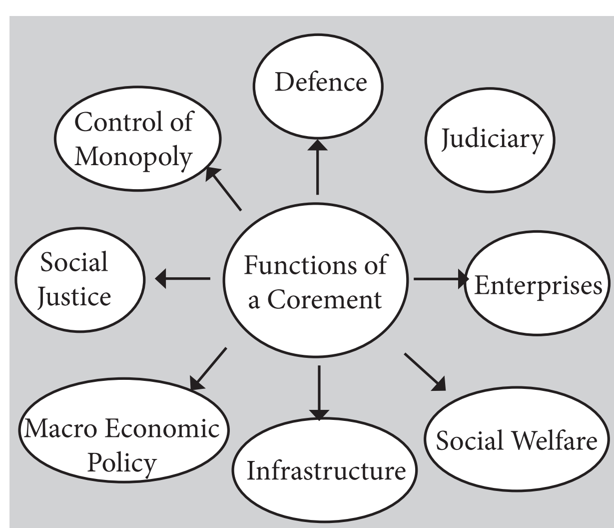
(3) Resource utilisation:

Both the private and public sectors have limited resources at their disposal. So both attempt to make optimum use of resources.

(4) Administration:

The effectiveness of measures of the Government as well as private depends on the administrative machinery. If the administrative machinery is inefficient and corrupt it will result in wastages and losses.

30. What are the functions of a modern state?



(i) Defence

The primary function of the Government is to protect the people from external aggression and internal disorder.

(ii) Judiciary

Rendering justice and settlement of disputes are the concern of the government.

(iii) Enterprises

The regulation and control of private enterprise fall under the purview of the modern State.

(iv) Social Welfare

It is the duty of the state to make provisions for education, social security, social insurance, health and sanitation for the betterment of the people in the country.

(v) Infrastructure

Modern States have to build the base for the economic development of the country by creating social and economic infrastructure.

(vi) Macro-economic policy

The Government has to administer fiscal policy and monetary policy to achieve macro-economic goals.

(vii) Social Justice

The Government needs to intervene with fiscal measures to redistribute income.

(viii) Control of Monopoly

Concentration of economic power is another evil to be corrected by the Government.

31. State any three characteristics of taxation.

1. A tax is a compulsory payment made to the government. People on whom a tax is imposed must pay the tax. Refusal to pay the tax is a punishable offence.
2. There is no quid pro quo between a taxpayer and public authorities. This means that the tax payer cannot claim any specific benefit against the payment of a tax.
3. Every tax involves some sacrifice on part of the tax payer.
4. A tax is not levied as a fine or penalty for breaking law.

32. Point out any three differences between direct tax and indirect tax. (write any three)

Basis For Comparison	Direct Tax	Indirect Tax
Meaning	Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government.	Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.
Nature	Progressive	Regressive
Incidence and Impact	Falls on the same person.	Falls on different persons.
Tax base	Income or wealth of the assessee	Purchase/sale/ manufacture of goods and provision of services
Evasion	Tax evasion is possible.	Tax evasion is hardly possible because it is included in the price of the goods and services.

Basis For Comparison	Direct Tax	Indirect Tax
Inflation	Direct tax helps in controlling the inflation.	Indirect taxes push up price inflation.
Imposition and collection	Imposed on and collected from assesses, i.e. Individual, HUF (Hindu Undivided Family), Company, Firm etc.	Imposed on and collected from consumers of goods and services but paid and deposited by the assesse.
Burden	Cannot be shifted.	Can be shifted

33. What is primary deficit?

- Primary deficit is equal to fiscal deficit minus interest payments.
- It shows the real burden of the government and it does not include the interest burden on loans taken in the past.
- Thus, primary deficit reflects borrowing requirement of the government exclusive of interest payments.

  Primary Deficit (PD) = Fiscal deficit (PD) - Interest Payment (IP)

34. Mention any three methods of redemption of public debt. (write any three headings)

(1) Sinking Fund

Under this method, the Government establishes a separate fund known as "Sinking Fund". The Government credits every year a fixed amount of money to this fund. By the time the debt matures, the fund accumulates enough amount to pay off the principal along with interest.

(2) Conversion

Conversion of loans is another method of redemption of public debt. It means that an old loan is converted intoa new loan. Under this system a high interest public debt is converted into a low interest public debt.

(3) Budgetary Surplus

When the Government presents surplus budget, it can be utilised for repaying the debt.

(4) Terminal Annuity

In this method, Government pays off the public debt on the basis of terminal annuity in equal annual installments.

(5) Repudiation

It is the easiest way for the Government to get rid of the burden of payment of a loan. In such cases, the Government does not recognise its obligation to repay the loan.

(6) Reduction in Rate of Interest

Another method of debt redemption is the compulsory reduction in the rate of interest, during the time of financial crisis.

(7) Capital Levy

When the Government imposes levy on the capital assets owned by an individual or any institution, it is called capital levy. The fund so collected can be used by the Government for paying off war time debt obligations.

PART - D

Answer the following questions in about a page.

35. Explain the scope of public finance.

The subject 'Public Finance' includes five major sub-divisions, viz., Public Revenue, Public Expenditure, Public Debt, Financial Administration and Fiscal Policy.

1. Public Revenue

Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.

2. Public Expenditure

This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.

3. Public Debt

Public debt deals with the methods of raising loans from internal and external sources.The burden, effects and redemption of public debt fall under this head.

4. Financial Administration

This part deals with the study of the different aspects of public budget. The budget is the Annual master financial plan of the Government. The various objectives and steps in preparing a public budget, passing or sanctioning, allocation evaluation and auditing fall within financial administration.

5. Fiscal Policy

Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

36. Bring out the merits of indirect taxes over direct taxes.

(1) Wider Coverage

All the consumers, whether they are rich or poor, have to pay indirect taxes. For this reason, it is said that indirect taxes can cover more people than direct taxes. For example, in India everybody pays indirect tax as against just 2 percent paying income tax.

(2) Equitable

The indirect tax satisfies the canon of equity when higher tax is imposed on luxuries used by rich people.

(3) Economical

Cost of collection is less as producers and retailers collect tax and pay to the Government. The traders act as honorary tax collectors.

(4) Checks harmful consumption

The Government imposes indirect taxes on those commodities which are harmful to health e.g. tobacco, liquor etc. They are known as sin taxes.

(5) Convenient

Indirect taxes are levied on commodities and services. Whenever consumers make purchase, they pay taxalong with the price. They do not feel the pinch of paying tax.

37. Explain the methods of debt redemption.

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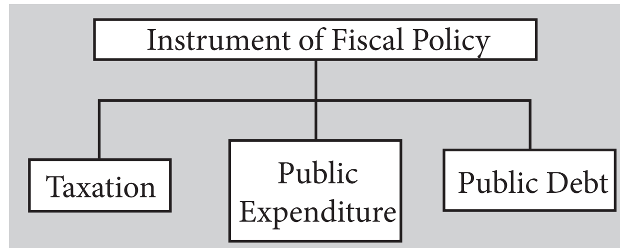
38. State and explain instruments of fiscal policy.



Fiscal Instruments

Fiscal Policy is implemented through fiscal instruments also called ‘fiscal tools’ or fiscal levers: Government expenditure, taxation and borrowing are the fiscal tools.

i) Taxation:

Taxes transfer income from the people to the Government. Taxes are either direct or indirect. An increase in tax reduces disposable income. So taxation should be raised to control inflation. During depression, taxes are to be reduced.

ii) Public Expenditure:

Public expenditure raises wages and salaries of the employees and thereby the aggregate demand for goods and services. Hence public expenditure is raised to fight recession and reduced to control inflation.

iii) Public debt:

When Government borrows by floating a loan, there is transfer of funds from the public to the Government. At the time of interest payment and repayment of public debt, funds are transferred from Government to public.

39. Explain the principles of federal finance.

1. Principle of Independence

Under the system of federal finance, a Government should be autonomous and free about the internal financial matters concerned. It means each Government should have separate sources of revenue, authority to levy taxes, to borrow money and to meet the expenditure.

2. **Principle of Equity**

From the point of view of equity, the resources should be distributed among the different states so that each state receives a fair share of revenue.

3. **Principle of Uniformity**

In a federal system, each state should contribute equal tax payments for federal finance. But this principle cannot be followed in practice because the taxable capacity of each unit is not of the same.

4. **Principle of Adequacy of Resources**

The principle of adequacy means that the resources of each Government i.e. Central and State should be adequate to carry out its functions effectively.

5. **Principle of Fiscal Access**

In a federal system, there should be possibility for the Central and State Governments to develop new source of revenue within their prescribed fields to meet the growing financial needs.

6. **Principle of Integration and coordination**

The financial system as a whole should be well integrated. There should be perfect coordination among different layers of the financial system of the country.

7. **Principle of Efficiency**

The financial system should be well organized and efficiently administered. There should be no scope for evasion and fraud.

8. **Principle of Administrative Economy**

Economy is the important criterion of any federal financial system. That is, the cost of collection should be at the minimum level

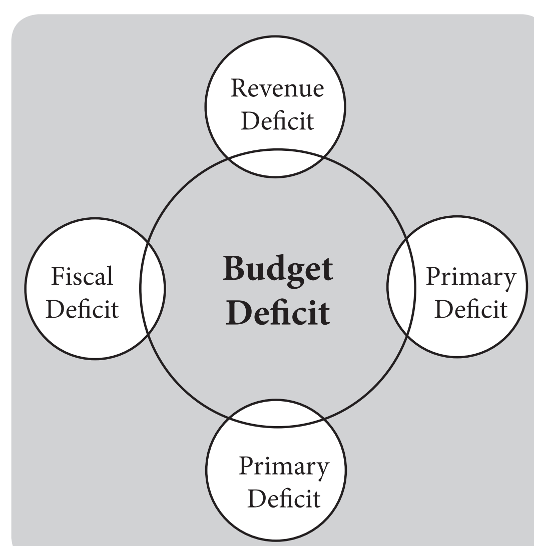
9. **Principle of Accountability**

Each Government should be accountable to its own legislature for its financial decisions i.e the Central to the Parliament and the State to the Assembly.

40. Describe the various types of deficit in budget.

Budgetary Deficits

Budget deficit is a situation where budget receipts are less than budget expenditures. This situation is also known as government deficit. In reference to the Indian Government budget, budget deficit is of four major types.



(A) Revenue Deficit

It refers to the excess of the government revenue expenditure over revenue receipts.

It does not consider capital receipts and capital expenditure. Revenue deficit implies that the government is living beyond its means to conduct day-to-day operations.

Revenue Deficit (RD) = Total Revenue Expenditure (RE) - Total Revenue Receipts (RR),
When RE - RR > 0

(B) Budget Deficit

Budget deficit is the difference between total receipts and total expenditure (both revenue and capital)

Budget Deficit = Total Expenditure – Total Revenue

(C) Fiscal Deficit

Fiscal deficit (FD) = Budget deficit + Government's market borrowings and liabilities

D Primary Deficit

Primary deficit is equal to fiscal deficit minus interest payments. It showsthe real burden of the government and it does not include the interest burden on loans taken in the past. Thus, primary deficit reflects borrowing requirement of the government exclusive of interest payments.

Primary Deficit (PD) = Fiscal deficit (PD) - Interest Payment (IP)

41. What are the reasons for the recent growth in public expenditure?

1. Population Growth

During the past 67 years of planning, the population of India has increased from 36.1 crore in 1951, to 121 crore in 2011. The growth in population requires massive investment in health and education, law and order, etc.

2. Defence Expenditure

There has been enormous increase in defence expenditure in India during planning period. The defence expenditure has been increasing tremendously due to modernisation of defence equipment.

3. Government Subsidies

The Government of India has been providing subsidies on a number of items such as food, fertilizers, interest on priority sector lending, exports, education, etc.

4. Debt Servicing

The government has been borrowing heavily both from the internal and external sources, As a result, the government has to make huge amounts of repayment towards debt servicing.

5. Development Projects

The government has been undertaking various development projects such as irrigation, iron and steel, heavy machinery, power, telecommunications, etc. The development projects involve huge investment.

6. Urbanisation

There has been an increase in urbanization. In 1950-51 about 17% of the population was urban based. Now the urban population has increased to about 43%. There are more than 54 cities above one million population. The increase in urbanization requires heavy expenditure on law and order, education and civic amenities.

7. **Industrialisation**

Setting up of basic and heavy industries involves a huge capital and long gestation period. It is the government which starts such industries in a planned economy.

8. **Increase in grants in aid to state and union territories**

There has been tremendous increase in grant-in-aid to state and union territories to meet natural disasters.

Additional One marks

1. **The term 'Fiscal Economics' is a new one; the old and popular term of the subject is ....?**

a. Private Finance

b. Public Finance

c. International Finance

d. Modern Economics

2. **The term fiscal is derived from Greek word which means basket and symbolizes the..................?**

a. public purse b. tax

c. fees d. public revenue

3. **Identify the odd one.**

a. Public Revenue

b. Corporate Finance

c. Federal Finance

d. Public Debt

4. **Find the author of following statement. "Public finance is an investigation into the nature and principles of the state revenue and expenditure".**

a. Ricardo b. Dalton

c. Marshall d. Adam Smith

5. **Assertion (A) : Maximization of welfare and least cost factor combination underlie both private and public finance.**

Reason (R) :Both public finance and private finance are based on rationality.

a. Both (A) and (R) are true and (R) is the correct explanation of (A).

b. Both (A) and (R) are true, but (R) is not the correct explanation of (A).

c. (A) is true, but (R) is false.

d. (A) is false, but (R) is true.

6. **In the context of a welfare state, find the incorrect one.**

a. creating economic and social overheads

b. ensuring stability both internally and externally

c. augmenting the profit of public enterprises

d. conserving resources for sustainable development and so on.

7. **Assertion (A) :The state intervenes through control of monopolies and restrictive trade practices to curb concentration of economic power.**

Reason (R) : Concentration of economic power is another evil to be corrected by the Government.

a. Both (A) and (R) are true and (R) is the correct explanation of (A).

b. Both (A) and (R) are true, but (R) is not the correct explanation of (A).

c. (A) is true, but (R) is false.

d. (A) is false, but (R) is true.

8. **Find the incorrect one of a state role**
   a. As a producer of goods and services.
   b. As a supplier of public goods and social goods.
   c. As a regulator of the system.
   d. As an exporter of raw material

9. **During the past 67 years of planning, the population of India has increased from 36.1 crore in…………, to 121 crore in………..?**
   a. 1951 and 2011
   b. 1981 and 2011
   c. 1991 and 2018
   d. 1971 and 2001

10. **The defence expenditure of the government was Rs. 10,874 crores in ……………which increased significantly to Rs. 2,95,511crores in…………?**
    a. 1950-51 and 2018-19
    b. 1990-91 and 2018-19
    c. 1980-81 and 2018-19
    d. 2000-01 and 2018-19

11. **11. The interest payment of the central government has increased from Rs. 21,500 crores in …………to Rs.5, 75,794crores in…………?**
    a. 1950-51 and 2018-19
    b. 2000-01 and 2018-19
    c. 1990-91 and 2018-19
    d. 1960-61 and 2018-19

12. **In India, there are more than …………. above one million population.**
    a. 45 cities b. 54 towns
    c. 54 cities d. 45 towns

13. **A state's fine is a penalty imposed on an individual for…………?**
    a. violation of law
    b. social welfare
    c. following duties
    d.criminal offence

14. **Grants from foreign countries are known as……………?**
    a. Global Aid b. Foreign Aid
    c. International Aid d. All the above

15. **What is name of following? 1. Economical 2. Equitable 3. Convenient 4. Certain.**
    a. Canons of Taxation
    b. Canons of Budget
    c. Fiscal Federalism
    d. None of the above

16. **The plans and policies of the Direct Taxes are being recommended by the ………………?**
    a. Finance commission
    b. Planning Commission
    c. Central Board of Direct Taxes
    d. PMO office

17. **Expand the term CBDT.**
    a. Central Bureau of Direct Taxes
    b. Central Board of Development Taxes
    c. Corporation Board of Development Taxes
    d. Central Board of Direct Taxes

18. **Central Board of Direct Taxes is under control of …………..?**
    a. The Ministry of External Affairs
    b. The Ministry of Finance
    c. The Ministry of Urban Development
    d. None of the above

19. **Income tax satisfies the canon of …………….?**

a. equity b. equality

c. economy d. efficiency

20. Direct taxes satisfy the canon of ....?

a. efficiency b. economy

c. elasticity d. equity

21. .... can be ensured by direct taxes?

a. Canon of certainty

b. Canon of convenience

c. Canon of economy

d. Canon of equity

22. Find the meaning of following statement. "Payable by the manufacturer who shifts the tax burden to retailers and wholesalers."

a. Stamp Duty b. Income Tax

c. Shifting Tax d. Excise Duty

23. **Find the meaning of following statement. "Paid by a shopkeeper or retailer, who then shifts the tax burden to customers by charging sales tax on goods and services."**

a. Trade Tax b. GST

c. Sales Tax d. Revenue Tax

24. Find the meaning of following statement. "Import duties levied on goods from outside the country, ultimately paid for by consumers and retailers"

a. Sales Tax b. Custom Duty

c. Gift Tax d. GST

25. Which of the following is note related to direct tax?

a. Progressive

b. Falls on the same person

c. Income or wealth of the assesse

d. Can be shifted

26. ....in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition

a. Goods & Services Tax

b. Professional Tax

c. Corporation Tax

d. Income Tax

27. The component of GST are of ....

a. 2 types b. 5 types

c. 4 types d. 3 types

28. Which is not a component of GST

a. CGST b. SGST c. GCST d. GST

29. Find the meaning of following statement. "Under Article 116 of the Indian Constitution, the budget can be presented in the middle of the year."

a. Shadow Budget

b. Vote - on – Account

c. Zero Based Budget

d. Current Account Budget

30. The existing Government may or may not continue for the year, on account of the fact that elections are due, then the Government places a ....

a. Balanced Budget

b. Election Budget

c. Lame duck Budget

d. None of the above

31. Find the meaning of following statement. "It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item."

a. Lame duck budget

b. Vote on account budget

c. Unbalanced budget

d. Zero-Base-Budgeting

32. When the outcome of any activity is

taken as the base of any budget, such budget is known as ……………………..

a.Unbalanced Budget

b. Performance Budget

c. Revenue Budget

d. Deficit Budget

33. For the first time in the world, the performance budget was made in?

a. USA b. UAE

c. USSR d. UK

34. In India, the ……………………….is also known as 'Outcome Budget'.

a. Provisional Budget

b. Programme Budget

c. Performance Budget

d. Zero based Budget

35. Find the formula of Revenue Deficit (RD)

a. Total Revenue Expenditure (RE) - Total Revenue Receipts (RR)

b. Net Revenue Expenditure (NE) - Total Revenue Receipts (RR)

c. Total Revenue Expenditure (RE) - Net Revenue Receipts (NR)

d. Total Budget Expenditure (RE) - Total Budget Receipts (RR)

36. How do you measure Revenue Deficit?

a. When RE + RR > 0

b. When RE - RR > 0

c. When RE - RR < 0

d. When RE - RR = 0

37. How do you measure Budget Deficit?

a. Total Revenue Expenditure (RE) - Total Revenue Receipts (RR)

b. Net Revenue Expenditure (NE) - Total Revenue Receipts (RR)

c. Total Revenue Expenditure (RE) - Net Revenue Receipts (NR)

d. Total Expenditure – Total Revenue

38. What is the formula for calculating the Fiscal deficit (FD)?B

a. Budget deficit + Government's market borrowings and liabilities

b. Net Revenue Expenditure (NE) - Total Revenue Receipts (RR)

c. Total Revenue Expenditure (RE) - Net Revenue Receipts (NR)

d. Total Expenditure – Total Revenue

39. Find the measure of Primary Deficit (PD)?

a. Fiscal Surplus (PS) - Interest Payment (IP)

b. Fiscal Surplus (PS) – Net Interest Payment (NIP)

c. Fiscal Deficit (PS) – Net Interest Payment (IP)

d. Fiscal deficit (PD) - Interest Payment (IP)

40. ……………………. refers to the system of assigning the source of revenue to the Central as well as State Governments for the efficient discharge of their respective functions.

a. Public Economics

b. Federal Economics

c. Federal finance

d. Fiscal Economics

41. There are ……………… enumerated in the Seventh Schedule of constitution.

a. two lists b. five lists

c. three lists d. 78 lists

42. Find the incorrect one regarding the Seventh Schedule of constitution.

a. the Foreign list

b. the Union list

c. the State list

d. the Concurrent List.

43. TheUnion List consists of ………….. of national importance such as Defence, Railways, Post and Telegraph, etc.

a. 22 subjects

b. 100 subjects

c. 3 subjects

d. 200 subjects

44. ……………….consists of 61 subjects of local interest such as Public Health, Police etc?

a. Central List

b. Union List

c. Concurrent List

d. The State List

45. The Concurrent List has 52 subjects important to………………., such as Electricity, Trade Union, Economic and Social Planning, etc.

a. both the Union and the State

b. Union

c. State

d. None of the above

46. Which of the following is not a Union Source?

a. Corporation tax

b. Capitation tax

c. Currency, coinage and legal tender, foreign exchange.

d. Duties of customs including export duties.

47. Which of the following is not a State Source.

a. Estate duty in respect of property other than agricultural land.

b. Taxes on agricultural income.

c. Taxes on land and buildings.

d. Taxes on mineral rights, subject to limitations impose by Parliament relating to mineral development.

48. Which of the following Taxes are not Levied and Collected by the union but Assigned to the States (Art.269)?

a. Duties in respet of succession to property other than agricultural land.

b. Estate duty in respect of property other than agricultural land.

c. Taxes on railway fares and freights.

d. None of the above

49. Finance commission is a ……………… set up under Article 280 of the Indian Constitution.

a. statutory body

b. quasi-judicial body

c. permanent body

d. international body

50. A Finance Commission is set up once in every …………..?

a. 6 years b. 1 year

c. 5 years d. 3 years

51. The 14th Finance Commission was set up in 2013and its recommendations were valid for the period…………………?

a. from 31st April 2015 to 31st March 2020

b. from 1st April 2015 to 1st March 2020

c. from 1st March 2015 to 31st April 2020

d. from 1st April 2015 to 31st March 2020.

52. The 15th Finance Commission has been set up in November 2017 and its recommendations will be implemented starting…..?

a. 1 April 2020 b. 1 April 2021

c. 1 April 2025 d. 1 April 2031

53. Which of the following is not a direct tax?

a) Personal Income Tax

b) Service tax

c) Wealth Tax

d) Corporate Income Tax.

54. Consider the following statements and identify the right ones.

i. Central government does not have exclusive power to impose tax which is not mentioned in state or concurrent list.

ii. The constitution also provides for transferring certain tax revenues from union list to states.

a. i only b. ii only

c. both d. none

55. Consider the following statements and identify the right ones.

i. The 14th finance commission is headed by C. Rangarajan

ii. The recommendations of the commission will come into effect from April, 1, 2015

a. i only b. ii only

c. both d. none

56. The objective of taxation by the Government are

a. Raising revenue for the state

b. To maintain economic stability

c. To remove disparities in the distribution of income

d. All of the above

57. Find the correct answer.

	Finance Commission:		Formed in
I.	Twelfth	-	2002
II.	Thirteenth	-	2013
III.	Fourteenth	-	2007
IV.	Fifteenth	-	2017

a. All are correct

b. I and II are incorrect

c. II and III are incorrect

d. III and IV are only correct

58. Find the correct answer.

Head		Duration
C. Rangarajan	-	2005–10
Dr. Vijay L. Kelkar	-	2020–25
Dr. Y. V Reddy	-	2015–20
N. K. Singh	-	2010–15

a. All are incorrect

b. I and II are incorrect

c. II and III are incorrect

d. II and IV are incor**rect**

59. Which is not a type of Local Bodies?

a. Village Panchayats

b. District Boards or ZilaParishads

c. Municipal Wards

d. Municipal Corporations

60. Which of the following is not the source of revenue of village panchayats?

a. general property tax

b. taxes on land

c. profession tax

d. taxes on industries

61. Find the author of following statement. "By fiscal policy is meant the use of public finance or expenditure, taxes, borrowing and financial administration to further our national economic objectives"

a. Buehler b.Dalton

c. Arthur Smithies d. Pigou

62. The following is not a characteristic of a tax.

a. It is a compulsory payment

b. Every tax involves a sacrifice by tax payer

c. There is a quid-pro-quo between the tax payer and the Government.

d. Refusal to pay tax is a punishable offence.

63. The following is a characteristic of indirect tax

a. The impact and incidence are not on the same person.

b. It is levied on income.

c. Taxes are progressive in nature.

d. All of the above

64. Impact of a tax refers to

a. Final money burden

b. Immediate money burden

c. Indirect real burden

d. None of the above

65. After levying of a tax, if the price does not rise at all, it means that

a. Incidence of the tax remains with producer

b. Tax has been shifted backward

c. Shifting has taken place

d. All of the above

66. Which factor has no role in the shifting of a tax?

a. Change in prices

b. Elasticity of demand and supply

c. Nature of Demand

d. Income of the consumer

67. Generally, the nature of indirect tax is ……………

a. Progressive b. Regressive

c. Proportional d. None of the above

68. Which of the following is not true of public budget?

a. A budget contains only proposals of taxation.

b. It refers to the policies of the government.

c. It contains the estimated receipts and proposed expenditure.

d. It reflects the programmers of the government.

69. Which of the following is not true of public budget?

a. Tentative Budge

b. Proposed Budget

c. Zero Budget

d. Lame Duck Budget

70. Pick out the item which is not a part of non-tax revenue,

a. Interest Receipts b. Dividends

c. Customs d. Profits

71. Pick out the feature which is not true in the case of repudiation of debt.

a. Simplest method of liquidating a debt.

b. It will increase the credibility of the government

c. Debtors may face loss.

d. It is discriminating

72. **Pick out the method which is not a part of redemption,**
   a. Sinking Fund
   b. Surplus Budget
   c. Terminal Annuities
   d. Refunding

73. **Pick out the feature which is not true of a capital levy.**
   a. For paying off unproductive debt.
   b. It is paid by those who earn huge profits.
   c. It does not follow the principle of equity.

74. **Which of the following is the most comprehensive measure of budgetary imbalances?**
   a. Fiscal Deficit b. Revenue Deficit
   c. Primary Deficit d. All of the above

75. **The major objectives of public expenditure are ....**
   a. Economic Growth
   b. Maintenance of Defence
   c. Social Welfare
   d. All of the above

76. **External debts can be raised from ....**
   a. Individuals
   b. RBI
   c. Commercial Banks
   d. World Bank

77. **Fiscal federalism deals with ....**
   a. The division of governmental functions
   b Financial relations among levels of government
   c. Proper allocation of Resources
   d. All of the above

78. **Assertion (A) :The effectiveness of measures of the Government as well as private depends on the administrative machinery.**
   Reason (R) :If the administrative machinery is inefficient and corrupt it will result in wastages and losses.
   a. Both A and R are true and R is the correct explanation of A.
   b. Both A and R are true but R is not the correct explanation of A.
   c. A is true but R is false.
   d. A is false but R is true.

79. **Assertion (A) :The modern state is a welfare state and not just police state.**
   Reason (R) :The state assumes greater roles by creating economic and social overheads, ensuring stability both internally and externally, conserving resources for sustainable development and so on.
   a. Both A and R are true and R is the correct explanation of A.
   b. Both A and R are true but R is not the correct explanation of A.
   c. A is true but R is false.
   d. A is false but R is true.

80. **Assertion (A) :The state intervenes through control of monopolies and restrictive trade practices to curb concentration of economic power.**
   Reason (R) :Concentration of economic power is another evil to be corrected by the Government.
   a. Both A and R are true and R is the correct explanation of A.

b. Both A and R are true but R is not the correct explanation of A.

c. A is true but R is false.

d. A is false but R is true.

81. Assertion (A) :There has been enormous increase in defence expenditure in India during planning period.

Reason (R) :The defence expenditure of the government was Rs. 10,874 crores in 1990-91 which increased significantly to Rs. 2,95,511crores in 2018-19.

a. Both A and R are true and R is the correct explanation of A.

b. Both A and R are true but R is not the correct explanation of A.

c. A is true but R is false.

d. A is false but R is true.

82. Assertion (A) :A poor person should pay more tax compared to a middle class person or a rich person.

Reason (R) :The Government should impose tax in such a way that the people have to pay taxes according to their ability.

a. Both A and R are true and R is the correct explanation of A.

b. Both A and R are true but R is not the correct explanation of A.

c. A is true but R is false.

d. A is false but R is true.

83. Assertion (A) :The state has to supplement the traditional revenue sources with borrowing from individuals, and institutions within and outside the country.

Reason (R) :In the 18th and 19th centuries, the role of the state was minimum, but since 20th century there has been enormous increase in the responsibilities of the state.

a. Both A and R are true and R is the correct explanation of A.

b. Both A and R are true but R is not the correct explanation of A.

c. A is true but R is false.

d. A is false but R is true.

84. The property tax, wealth tax, inheritance tax, and income taxes such as personal and corporate taxes are

a. indirect taxes.

b. direct taxes.

c. inelastic.

d. value-added tax.

85. Match the correct codes

1	Public revenue	i	This part deals with the study of the different aspects of public budget
2	Public Expenditure	ii	Deals with the methods of raising public revenue
3	Public debt	iii	This part studies the fundamental principles that govern the Government expenditure
4	Financial Administration	iv	Deals with the methods of raising loans from internal and external sources

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)

b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)
d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

86. Match the correct codes

1	Public expenditure benefiting the entire society	i	E.g., the expenditure on general administration, defence, education, public health, transport.
2	Public expenditure conferring a special benefit on certain people and at the same time common benefit on the entire community	ii	E.g. administration of justice etc.
3	Public expenditure directly benefiting particular group of persons and indirectly the entire society,	iii	E.g., subsidy granted to a particular
4	Public expenditure conferring a special benefit on some individuals, industry	iv	E.g. social

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)
b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)
c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)
d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

87. Match the correct codes

1	A fee	i	Charged by public authorities for rendering a service to the citizens
2	A fine	ii	A penalty imposed on an individual for violation of law.
3	Earnings from Public Enterprises	iii	The Government also gets revenue by way of surplus from public enterprises
4	A grant	iv	One government to another is an important source of revenue

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)
b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)
c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)
d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

88. Match the correct codes

1	Canon of Ability	i	The method of tax collection and the timing of the tax payment should suit the convenience of the people.
2	Canon of Certainty	ii	The Government has to spend money for collecting taxes, for example, salaries are given to the persons who are responsible for collecting taxes.
3	Canon of Convenience	iii	The Government must ensure that there is no uncertainty regarding the rate of tax or the time of payment.
4	Canon of Economy	iv	The Government should impose tax in such a way that the people have to pay taxes according to their ability.

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)
b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)

d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

89. Match the correct codes

1	Excise Duty	i	Liability is on the cinema theatre owners, who transfer the burden to cinema goers.
2	Sales Tax	ii	Payable by the manufacturer who shifts the tax burden to retailers and wholesalers
3	Custom Duty	iii	Paid by a shopkeeper or retailer, who then shifts the tax burden to customers by charging sales tax on goods and services.
4	Entertainment Tax	iv	Import duties levied on goods from outside the country, ultimately paid for by consumers and retailers.

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)

b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)

d (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

90. Match the correct codes

1	CGST	i	Collected by the Central Government on an intra-state sale (Eg: Within state/ union territory)
2	SGST	ii	Collected by the State Government on an intra-state sale (Eg: Within state/ union territory)
3	IGST	iii	One indirect tax for the entire country.
4	GST	iv	Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)

b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)

d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

91. Match the correct codes

1	Revenue Deficit (RD)	i	Fiscal deficit (PD) - Interest Payment (IP)
2	Budget Deficit	ii	Total Revenue Expenditure (RE) - Total Revenue Receipts (RR),
3	Fiscal deficit (FD)	iii	Total Expenditure – Total Revenue
4	Primary Deficit (PD)	iv	Budget deficit + Government's market borrowings and liabilities

Codes

a. (1) – (i) (2) – (ii) (3) – (iv) (4) – (iii)

b. (1) – (ii) (2) – (iii) (3) – (iv) (4) – (i)

c. (1) – (iv) (2) – (iii) (3) – (i) (4) – (ii)

d. (1) – (i) (2) – (ii) (3) – (iii) (4) – (iv)

Answers

1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
b	a	b	d	a	c	b	d	a	b
11	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
c	c	a	d	a	c	d	b	a	c
21	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
a	d	c	b	d	a		c	b	c
31	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
d	b	a	c	a	b	d	a	d	c

41	**42**	**43**	**44**	**45**	**46**	**47**	**48**	**49**	**50**
c	a	b	d	a	b	a	d	b	c
51	**52**	**53**	**54**	**55**	**56**	**57**	**58**	**59**	**60**
d	a	b	b	d	c	d	c	d	a
61	**62**	**63**	**64**	**65**	**66**	**67**	**68**	**69**	**70**
c	a	b	d	d	b	a	d	c	b
71	**72**	**73**	**74**	**75**	**76**	**77**	**78**	**79**	**80**
d	c	a	d	d	d	a	a	a	b
81	**82**	**83**	**84**	**85**	**86**	**87**	**88**	**89**	**90**
d	b	b	b	a	d	c	b	a	b
91									
b									

Additional Two Marks

1. **What is Public Finance.**

   The subject Public Finance is related to the financing of the State activities and it discusses the financial operations of the Government treasury.

2. **What the term 'fiscal economics' means?**

   ❖ The term fiscal is derived from Greek word which means basket and symbolizes the public purse.

   ❖ Hence the subject 'Public Finance' has been newly termed 'Fiscal Economics'.

3. **What are the sub divisions of Public Finance?**

   The subject 'Public Finance' includes five major sub-divisions, viz., Public Revenue, Public Expenditure, Public Debt, Financial Administration and Fiscal Policy.

4. **What a modern state can assume while delivering its role on public finance?**

   The state assumes greater roles by creating economic and social overheads, ensuring stability both internally and externally, conserving resources for sustainable development and so on.

5. **Write a brief note on the role of state – for enterprises.**

   ❖ The regulation and control of private enterprise fall under the purview of the modern State.

   ❖ Ownership of certain enterprises and operating them successfully are the responsibilities of the government.

6. **Write a brief note on the role of state – for Social Welfare**

   It is the duty of the state to make provisions for education, social security, social insurance, health and sanitation for the betterment of the people in the country.

7. **What is role of state on infrastructure?**

   Modern States have to build the base for the economic development of the country by creating social and economic infrastructure.

8. **Write a short note on Macro-economic policy as role a modern state.**

   The Government has to administer fiscal policy and monetary policy to achieve macro-economic goals.

9. **Explain the role of "Social Justice" of a state.**

   ❖ During the process of growth of an economy, certain sections of the society gain at the cost of others.

   ❖ The Government needs to intervene with fiscal measures to redistribute income.

10. How do you classify the state roles?

i) As a producer of goods and services.

ii) As a supplier of public goods and social goods.

iii) As a regulator of the system.

11. Define Public Expenditure.

Public expenditure can be defined as,

"The expenditure incurred by public authorities like central, state and local governments to satisfy the collective social wants of the people is known as public expenditure".

12. What are the classifications of public expenditure?

1. Classification on the Basis of Benefit
2. Classification on the Basis of Function

13. List the classification on the Basis of Function about public expediture.

a) Protection Functions:

b) Commercial Functions:

c) Development Functions:

14. Write a note on Indian Government Subsidies

❖ The Government of India has been providing subsidies on a number of items such as food, fertilizers, interest on priority sector lending, exports, education, etc.

❖ Because of the massive amounts of subsidies, the public expenditure has increased manifold.

15. Define Dalton's broad view of Public Revenue.

According to Dalton, the term "Public Income" has two senses — wide and narrow. In its wider sense it includes all the incomes or receipts which a public authority may secure during any period of time.

16. What is meant by public revenue in narrow sense?

In its narrow sense, it includes only those sources of income of the public authority which are ordinarily known as "revenue resources."

17. Write the meaning of Tax in the words of Dalton.

According to Dalton "A Tax is a compulsory contribution imposed by public authority, irrespective of the exact amount of service rendered to the tax payer in return and not imposed as a penalty for any legal offence."

18. What is the meaning of Canons of Taxation?

❖ The characteristics or qualities which a good tax should possess are described as canons of taxation.

❖ It must be noted that canons refer to the qualities of an isolated tax and not to the tax system as a whole.

19. List the canons of taxation.

Canons of Taxation

1. Economical
2. Equitable
3. Convenient
4. Certain

20. Write a short note on indirect tax.

❖ Indirect Tax is referred to as a tax charged on a person who purchases the goods and services and it is paid indirectly to the government.

❖ The burden of tax can be easily shifted to the another person. It is levied on all persons equally whether rich or poor.

21. What is Excise Duty?

Payable by the manufacturer who shifts the tax burden to retailers and wholesalers.

22. What are Sale Taxes?

Paid by a shopkeeper or retailer, who then shifts the tax burden to customers by charging sales tax on goods and services.

23. Write a note on Custom Duty

Import duties levied on goods from outside the country, ultimately paid for by consumers and retailers.

24. What is an Entertainment Tax?

Liability is on the cinema theatre owners, who transfer the burden to cinema goers.

25. What is the main Advantages of GST?

- ❖ GST will mainly remove the cascading effect on the sale of goods and services.
- ❖ Removal of cascading effect will directly impact the cost of goods. Since tax on tax is eliminated in this regime, the cost of goods decreases.

26. List the sources of external public debt of India.

The main sources of External public debt are IMF, World Bank, IDA and ADB etc. Loan from other countries and the Governments.

27. "Sinking Fund" – Define.

- ❖ Under this method, the Government establishes a separate fund known as "Sinking Fund".
- ❖ The Government credits every year a fixed amount of money to this fund.
- ❖ By the time the debt matures, the fund accumulates enough amount to pay off the principal along with interest.
- ❖ This method was first introduced in England by Walpol.

28. Write a short note on terminal annuity.

In this method, Government pays off the public debt on the basis of terminal annuity in equal annual instalments. This is the easiest way of paying off the public debt.

29. What is Repudiation?

- ❖ It is the easiest way for the Government to get rid of the burden of payment of a loan.
- ❖ In such cases, the Government does not recognise its obligation to repay the loan.
- ❖ It is certainly not paying off a loan but destroying it.
- ❖ However, in normal case the Government does not do so; if done it will lose its credibility.

30. Define the "Budget" in the words Stourn.

According to ReneyStourn"It is a document containing a preliminary approved plan of public revenue and expenditure".

31. What is the meaning of Revenue Budget?

- ❖ It consists of revenue receipts and revenue expenditure.
- ❖ Moreover, the revenue receipts can be categorised into tax revenue and non-tax revenue. Revenue expenditure can also be categorised into plan revenue expenditure and non-plan revenue expenditure.

32. Define - Capital Budget?

- ❖ It consists of capital receipts and capital expenditure.
- ❖ In this case, the main sources of capital receipts are loans, advances etc.
- ❖ On the other side capital expenditure can be categorised into plan capital expenditure and non-plan capital expenditure.

33. Discuss in short about Supplementary Budget.

- ❖ During the time of war emergencies and natural calamities like tsunami, flood etc, the expenditures allotted in the budget provisions are not always enough.
- ❖ Under these circumstances, a supplementary budget can be presented by the Government to tackle these unforeseen events.

34. What is Vote - on – Account Budget?

- ❖ Under Article 116 of the Indian Constitution, the budget can be presented in the middle of the year. The reason may be political in nature.
- ❖ The existing Government may or may not continue for the year, on account of the fact that elections are due, then the Government places a 'lame duck budget'. This is also called 'Vote-on-account Budget'.

35. Write the meaning of Performance Budget?

- ❖ When the outcome of any activity is taken as the base of any budget, such budget is known as 'Performance Budget'.
- ❖ For the first time in the world, the performance budget was made in USA.

36. Mention the types of Unbalanced budget.

1. Surplus Budget 2. Deficit Budget

37. What are the parts of Government Accounts in India?

In India,the Government Accounts are maintained in three parts:

(i) Consolidated Fund

(ii) Contingency Fund

(iii) Public Accounts

38. What are the committees of parliament in India?

There are also two committees of parliament, viz,

(i) The Public Accounts Committee, and

(ii)The Estimates Committee.

39. List the major types of budget deficits.

In reference to the Indian Government budget, budget deficit is of four major types.

(a) Revenue Deficit
(b) Budget Deficit
(c) Fiscal Deficit, and
(d) Primary Deficit

40. Write a note on Division of Powers?

- ❖ In our Constitution, there is a clear division of powers so that none violates its limits and tries to encroach upon the functions of the other and functions within own sphere of responsibilities.
- ❖ There are three lists enumerated in the Seventh Schedule of constitution.
- ❖ They are: the Union list, the State list and the Concurrent List.

41. Write a brief note on The Concurrent List.

Ithas 52 subjects important to both the Union and the State, such as Electricity, Trade Union, Economic and Social Planning, etc.

42. What happens to the deficit, when government spending is increased?

The increase in government spending increases the deficit, but that increase is partly off set by an reduction in the deficit associated with the increase in GDP due to the increase in government spending.

43. Principle of Equity – Comment.

From the point of view of equity, the resources should be distributed among the different states so that each state receives a fair share of revenue.

44. Principle of Uniformity – Comment.

In a federal system, each state should contribute equal tax payments for federal finance. But this principle cannot be followed in practice because the taxable capacity of each unit is not of the same.\

45. Principle of Accountability - Comment

Each Government should be accountable to its own legislature for its financial decisions i.e the Central to the Parliament and the State to the Assembly.

46. Mention how a tax cut might actually result in a decline in the budget deficit.

❖ A tax cut might actually bring about a decline in the budget deficit if the increase in GDP that would result was enough to bring in more new tax dollars than the amount lost through the tax cut.

❖ In addition, if the economy expands enough, the amount of transfer payments may decline enough to offset any initial cut in taxes.

47. Write a note on 14th and 15th Finance commissions of India.

❖ The 14th Finance Commission was set up in 2013. Its recommendations were valid for the period from 1st April 2015 to 31st March 2020.

❖ The 15th Finance Commission has been set up in November 2017. Its recommendations will be implemented starting 1 April 2020.

48. Enumerate the Types of Local Bodies .

1. Village Panchayats
2. District Boards or ZilaParishads
3. Municipalities
4. Municipal Corporations

49. List the objectives of Fiscal Policy.

1. Full Employment
2. Price stability
3. Economic growth
4. Equitable distribution
5. External stability
6. Capital formation
7. Regional balance

50. Define automatic stabilizers.

Automatic stabilizers exist when revenue and expenditure items in the budget automatically change with the state of the economy in such a way as to stabilize GDP.

51. Write how an increase in government spending might actually result in a decline in the budget deficit.

An increase in government spending might actually result in a decline in the budget deficit if the income multiplier increases GDP enough to bring in more tax revenue for the government than the amount of government spending.

52. Define – "Escheats".

Escheats refer to the claim of the state to the property of persons who die without legal heirs or documented will.

Additional Three marks

1. List the Classification of public expenditureon the Basis of Benefit

Cohn and Plehn have classified the public expenditure on the basis of benefit into four classes:

a) Public expenditure benefiting the entire society, e.g., the expenditure on general administration, defence, education, public health, transport.

b) Public expenditure conferring a special benefit on certain people and at the same time common benefit on the entire community, e.g. administration of justice etc.

c) Public expenditure directly benefiting particular group of persons and indirectly the entire society, e.g. social security, public welfare, pension, unemployment relief etc.

d) Public expenditure conferring a special benefit on some individuals, e.g., subsidy granted to a particular industry.

2. List the Classification of public expenditure Classification on the Basis of Function

Adam Smith classified public expenditure on the basis of functions of government in the following main groups:

a) Protection Functions

This group includes public expenditure incurred on the security of the citizens, to protect from external invasion and internal disorder, e.g., defence, police, courts etc.

b) Commercial Functions

This group includes public expenditure incurred on the development of trade and commerce, e.g., development of means of transport and communication etc.

c) Development Functions

This group includes public expenditure incurred for the development infrastructure and industry.

3. Write a short note on direct tax.

❖ A direct tax is referred to as a tax levied on person's income and wealth and is paid directly to the government;

❖ The burden of such tax cannot be shifted.

❖ The tax is progressive in nature.

❖ It is levied according to the paying capacity of the person, i.e. the tax is collected more from the rich and less from the poor people.

❖ The plans and policies of the Direct Taxes are being recommended by the Central Board of Direct Taxes (CBDT) which is under the Ministry of Finance, Government of India.

4. Discuss the merits of Direct Taxes

1.Equity

Direct taxes are progressive i.e. rate of tax varies according to tax base. For example, income tax satisfies the canon of equity.

2.Certainity

Canon of certainty can be ensured by direct taxes. For example, an income tax payer knows when and at what rate he has to pay income tax.

3. Elasticity:

Direct taxes also satisfy the canon of

elasticity. Income tax is income elastic in nature. As income level increases, the tax revenue to the Government also increases automatically.

4. Economy

The cost of collection of direct taxes is relatively low. The tax payers pay the tax directly to the state.

5. What is the difference between Capital Budget and Revenue Budget?

Basis of Difference	Capital Budget	Revenue Budget
Meaning	Capital budget assesses the long-term financial viability of investments by comparing future cash inflows and outflows.	Revenue budget is a forecast on revenue that will be generated by the company.
Preparation	Different capital budgets are prepared for each investment project.	Revenue budget is a main budget that is prepared for the year as a part of the budget process.
Complexity	Capital budget involves a number of factors that should be considered, thus complex in nature.	Revenue budget is less complicated compared to capital budget.

6. What are the demerits of Direct Taxes

1.Unpopular

Direct taxes are generally unpopular. It is inconvenient and less flexible.

2. Productivity affected

According to many economists direct tax may adversely affect productivity. Citizens are not willing to earn more income because in that case they have to pay more taxes.

3. Inconvenient

The tax payers find it inconvenient to maintain accounts, submit returns and pay tax in lump sum.

4. Tax Evasion

The burden of direct tax is so heavy that tax-payers always try to evade taxes. This ultimately leads to the generation of black money, which is harmful to the economy.

7. Explain few types of Indirect Taxes.

Excise Duty: Payable by the manufacturer who shifts the tax burden to retailers and wholesalers.

Sales Tax: Paid by a shopkeeper or retailer, who then shifts the tax burden to customers by charging sales tax on goods and services.

Custom Duty: Import duties levied on goods from outside the country, ultimately paid for by consumers and retailers.

Entertainment Tax: Liability is on the cinema theatre owners, who transfer the burden to cinema goers.

Service Tax: Charged on services like telephone bill, insurance premium such as food bill in a restaurant etc.

8. Enumerate the types of deficit and their

meaning

Types of Defieits	Concept/ Meaning
Budgetary deficit	Total Revenue. Total Expenditure
Revenue Deficit	Revenue Receipts. Revenue Expenditure
Effective Revenue Deficit	Revenue Defici. Grants for creation of capital asset
Fiscal Deficit	Total expenditure - (revenue receipts + non-debt capital receipts
Primary Deficit	Fiscal deficit. Interest payments

9. Discuss the Demerits of Indirect Taxes.

(1) Higher Cost of Collection

The cost of collection of indirect taxes is higher than the direct taxes. The Government has to spend huge money to collect indirect taxes.

(2) **Inelastic**

Indirect taxes are less elastic compared to direct taxes. As indirect taxes are generally proportional.

(3) Regressive

Indirect taxes are sometimes unjust and regressive in nature since both rich and poor persons have to pay same amount as taxes irrespective of their income level.

(4) Uncertainity

The rise in indirect taxes increase the price and reduces the demand for goods. Therefore, the Government is uncertain about the expected revenue collection. So Dalton says under indirect taxes 2+2 is not 4 but 3 or even less than 3.

(5) No civic Consciousness

As the tax is hidden in price, the consumers are not aware of paying tax.

10. Explain the Components of GST.

❖ The component of GST are of 3 types. They are: CGST, SGST & IGST.

❖ CGST: Collected by the Central Government on an intra-state sale (Eg: Within state/ union territory)

❖ SGST: Collected by the State Government on an intra-state sale (Eg: Within state/ union territory)

❖ IGST: Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu) \

11. What are the major Advantages of GST?

1. GST will mainly remove the cascading effect on the sale of goods and services. Removal of cascading effect will directly impact the cost of goods. Since tax on tax is eliminated in this regime, the cost of goods decreases.

2. GST is also mainly technologically driven. All activities like registration, return filing, application for refund and response to notice need to be done online on the GST Portal. This will speed up the processes.

12. What are the main sources of internal public debt?

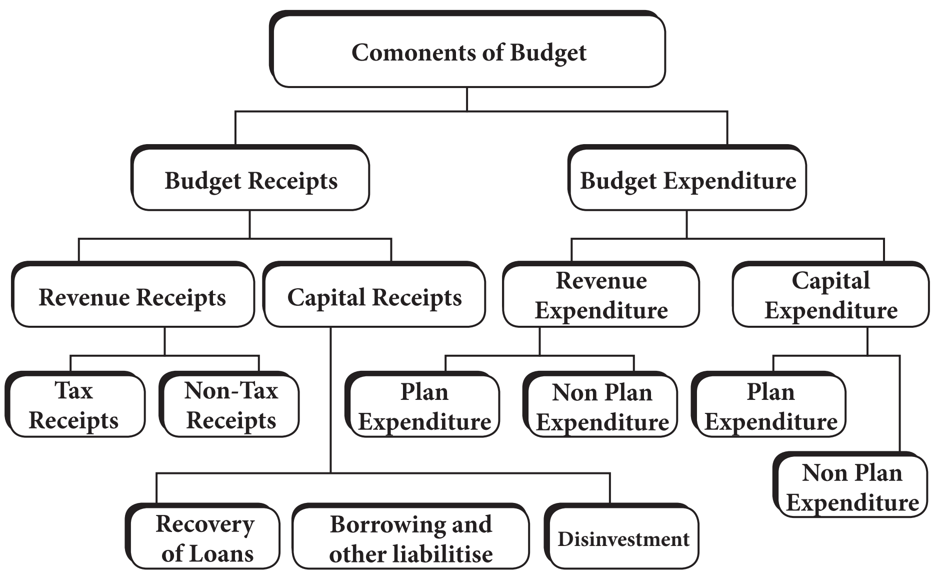
❖ Individuals, who purchase government bonds and securities;

❖ Banks, both private and public, buy bonds from the Government.

❖ Non-financial institutions like UTI, LIC, GIC etc. also buy the Government bonds.

❖ Central Bank can lend the Government in the form of money supply. The Central Bank can also issue money to meet the expenditures of the Government.

13. Draw the flow chart depicting components of budget.



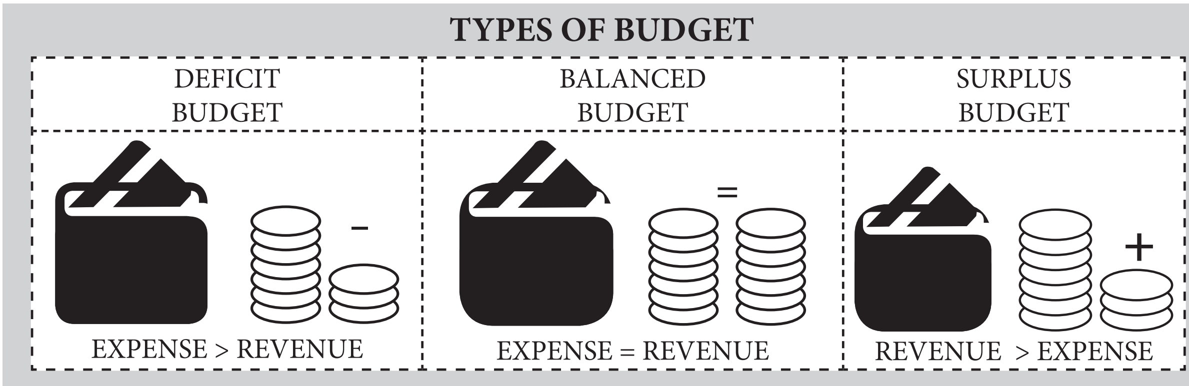
14. Explain the balanced and unbalanced Bidget.

A. Balanced Budget

Balanced budget is a situation, in which estimated revenue of the government during the year is equal to its anticipated expenditure.

B. Unbalanced Budget

The budget in which Revenue & Expenditure are not equal to each other is known as Unbalanced Budget.



Unbalanced budget is of two types:

1. Surplus Budget 2. Deficit Budget

1. Surplus Budget

The budget is a surplus budget when the estimated revenues of the year are greater than anticipated expenditures.

Government Estimated revenue > Estimated Government Expenditure.

2. Deficit Budget

Deficit budget is one where the estimated government expenditure is more than expected revenue.

Government's estimated Revenue < Government's proposed Expenditure.

15. What are the main elements of a budget?

(i) It is a statement of estimates of government receipts and expenditure.

(ii) Budget estimates pertain to a fixed period, generally a year.

(iii) Expenditure and sources of finance are planned in accordance with the objectives of the government.

(Iv) It requires to be approved (passed) by Parliament or Assembly or some other authority before its implementation.

16. What are the main elements of a budget?

The following are the sources of revenue of village panchayats.

(i) general property tax,

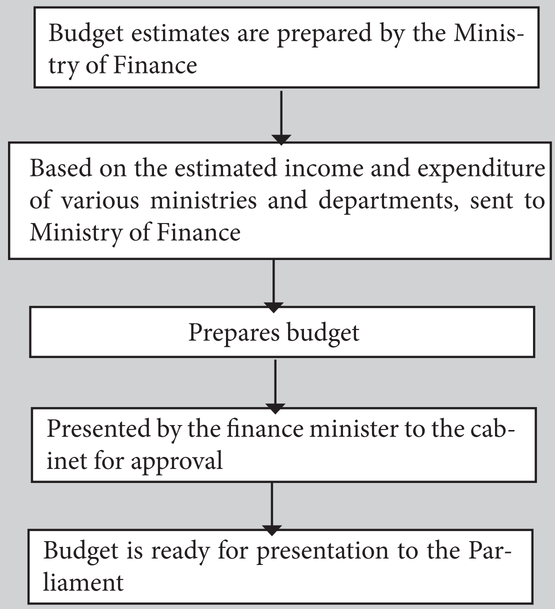
(ii) taxes on land,

(iii) profession tax, and

(iv) tax on animals and vehicles.

17. **Present the flow chart depicting the process in the preparation of the budget.**

Process in the Preparation of the Budget



18. **Present the flow chart depicting the process in the preparation of the budget.**

❖ The Hon'bleMinister of Finance, on behalf of the Central Government, places the Union Budget before Parliament on the eve of a new financial year.

❖ Similarly at state levels, the Hon'ble Finance Minister of the respective State Government places the State Budget before the State Legislature.

❖ According to the Indian Constitution, all money bills must be initiated in the Lower House. All the money bills are

19. **Discuss the division of power in federal finance.**

Division of Powers:

In our Constitution, there is a clear division of powers so that none violates its limits and tries to encroach upon the functions of the other and functions within own sphere of responsibilities.

i. There are three lists enumerated in the Seventh Schedule of constitution. They are: the Union list, the State list and the Concurrent List.

ii. TheUnion List consists of 100 subjects of national importance such as Defence, Railways, Post and Telegraph, etc.

iii. The State List consists of 61 subjects of local interest such as Public Health, Police etc.

iv. The Concurrent List has 52 subjects important to both the Union and the State, such as Electricity, Trade Union, Economic and Social Planning, etc.

20. **List the main principles of federal system of finance.**

1. Principle of Independence.

2. Principle of Equity.
3. Principle of Uniformity.
4. Principle of Adequacy.
5. Principle of Fiscal Access.
6. Principle of Integration and coordination.
7. Principle of Efficiency.
8. Principle of Administrative Economy.
9. Principle of Accountability.

21. List the Sources of revenue of District Boards.

(i) Grants-in-aid from the state government.
(ii) Land Cesses.
(iii) Toll, fees etc.
(iv) Income from the property and loans from the state governments.
(v) Grants for the centrally sponsored schemes relating to development work.
(vi) Income from fairs and exhibitions.
(vii) Property tax and other taxes which the state governments may authorise the district boards.

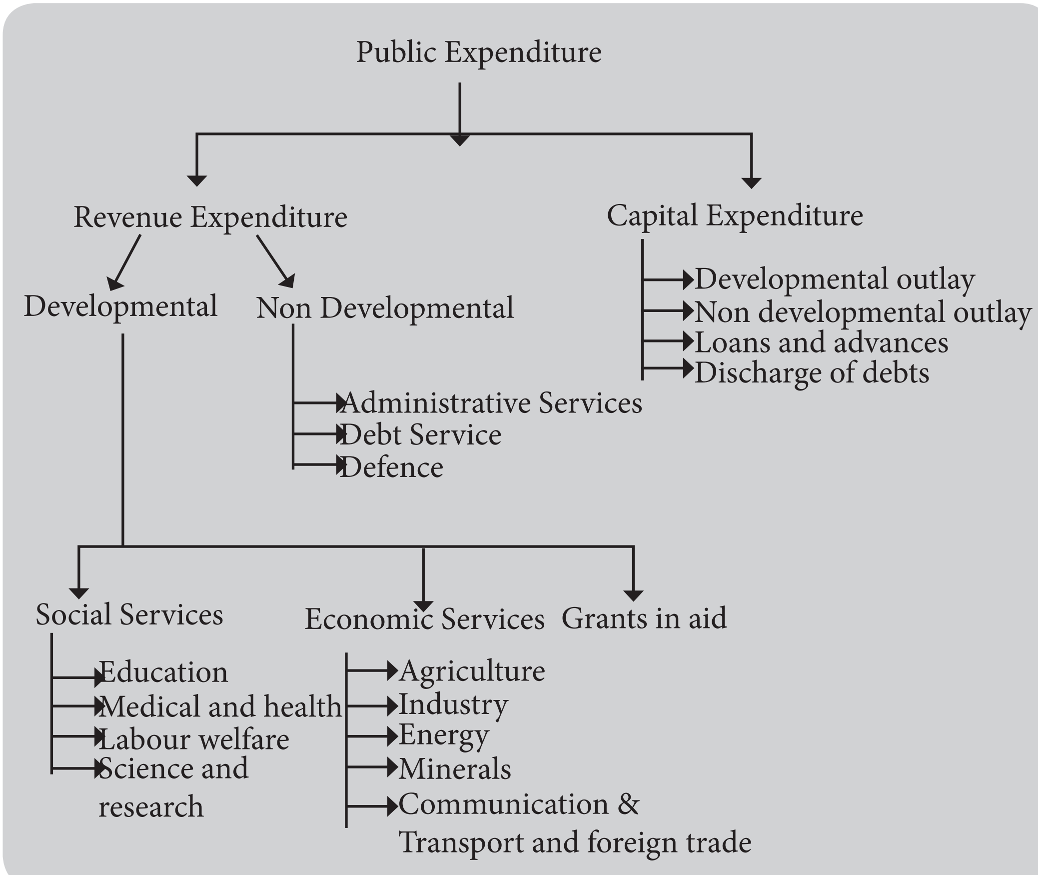
22. Mention the Sources of revenue of municipalities.

(i) taxes on property
(ii) taxes on goods, particularly octroi and terminal tax
(iii) personal taxes, taxes on profession, trades and employment
(iv) taxes on vehicles and animals
(v) theatre or show tax, and
(vi) grants-in-aid from state government.

23. Mention the Sources of revenue of municipalities.

(i) tax on property,
(ii) tax on vehicles and animals,
(iii) tax on trades, calling and employment,
(iv) theatre and show tax,
(v) taxes on goods brought into the cities for sale,
(vi) taxes on advertisements,
(vii) octroi and terminal tax etc.

24. Present chart depicting public expenditure.



Additional Five Marks

1. Discuss in elaborate about the Classification of public expenditure are as follows:

I. Classification on the Basis of Benefit:

Cohn and Plehn have classified the public expenditure on the basis of benefit into four classes:

a) Public expenditure benefiting the entire society, e.g., the expenditure on general administration, defence, education, public health, transport.

b) Public expenditure conferring a special benefit on certain people and at the same time common benefit on the entire community, e.g. administration of justice etc.

c) Public expenditure directly benefiting particular group of persons and indirectly the entire society, e.g. social security, public welfare, pension, unemployment relief etc.

d) Public expenditure conferring a special benefit on some individuals, e.g., subsidy granted to a particular industry.

II. Classification on the Basis of Function:

Adam Smith classified public expenditure on the basis of functions of government in the following main groups:

a) **Protection Functions:** This group includes public expenditure incurred on the security of the citizens, to protect from external invasion and internal disorder, e.g., defence, police, courts etc.

b) **Commercial Functions:** This group includes public expenditure incurred on the development of trade and commerce, e.g., development of means of transport and communication etc.

c) **Development Functions:** This group includes public expenditure incurred for the development infrastructure and industry.

2. Explain the Non-Tax Revenue of a state.

The revenue obtained by the government from sources other than tax is called Non-Tax Revenue. The sources of non-tax revenue are

1. Fees

Fees are another important source of revenue for the government. A fee is charged by public authorities for rendering a service to the citizens. Unlike tax, there is no compulsion involved in case of fees.

2. Fine

A fine is a penalty imposed on an individual for violation of law. For example, violation of traffic rules, payment of income tax after the stipulated time etc.

3. Earnings from Public Enterprises

The Government also gets revenue by way of surplus from public enterprises. Some of the public sector enterprises do make a good amount of profits. The profits or dividends which the government gets can be utilized for public expenditure.

4. Special assessment of betterment levy

It is a kind of special charge levied on certain members of the community who are beneficiaries of certain government activities or public projects. For example, due to a public park or due to the construction of a road, people in that locality may experience an appreciation in the value of their property or land.

5. Gifts, Grants and Aids

A grant from one government to another is an important source of revenue in the modern days. The government at the Centre provides grants to State governments and the State governments provide grants to the local government to carry out their functions.

6. Escheats

It refers to the claim of the state to the property of persons who die without legal heirs or documented will.

3. List the Revenue of Union Sources

1. Corporation tax
2. Currency, coinage and legal tender, foreign exchange.
3. Duties of customs including export duties.
4. Duties of excise on tobacco and certain goods manufactured or produced in India.
5. Estate duty in respect of property other than agricultural land.

6. Fees in respect of any of the matters in the Union List, but not including any fees taken in any Court.
7. Foreign Loans.
8. Lotteries organized by the Government of India or the Government of a State.
9. Post Office Savings Bank.
10. Posts and Telegraphs, telephones, wireless, Broadcasting and other forms of communication.
11. Property of the Union.
12. Public Debt of the Union.
13. Railways.
14. Rates of stamp duty in respect of Bills of Exchange, Cheques, Promissory Notes, etc.
15. Reserve Bank of India.
16. Taxes on income other than agricultural income.
17. Taxes on the capital value of the assets, exclusive of agricultural land of individuals and companies.
18. Taxes other than stamp duties on transactions in stock exchanges and future markets.
19. Taxes on the sale or purchase of newspapers and on advertisements published therein.
20. Terminal taxes on goods or passengers, carried by railways, sea or air.

4. List the Revenue of State Sources.

1. Capitation tax
2. Duties in respect of succession to agricultural land.
3. Duties of excise on certain goods produced or manufactured in the State, such as alcoholic liquids, opium, etc.
4. Estate duty in respect of agricultural land.
5. Fees in respect of any of the matters in the State List, but not including fees taken in any Court.
6. Land Revenue.
7. Rates of stamp duty in respect of documents other than those specified in the Union List.
8. Taxes on agricultural income.
9. Taxes on land and buildings.
10. Taxes on mineral rights, subject to limitations impose by Parliament relating to mineral development.
11. Taxes on the consumption or sale of electricity.
12. Taxes on the entry of goods into a local area for consumption, use or sale therein.
13. Taxes on the sale and purchase of goods other than newspapers.
14. Taxes on the advertisements other than those published in newspapers.
15. Taxes on goods and passengers carried by road or on inland waterways.
16. Taxes on vehicles.
17. Taxes on animals and boats.
18. Taxes on professions, trades, callings and employments.
19. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
20. Tolls.

5. Compare and contrast direct and indirect tax.

Basis For Comparison	Direct Tax	Indirect Tax
Meaning	Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government.	Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.
Nature	Progressive	Regressive
Incidence and Impact	Falls on the same person.	Falls on different persons.
Tax base	Income or wealth of the assessee	Purchase/sale/manufacture of goods and provision of services
Evasion	Tax evasion is possible.	Tax evasion is hardly possible because it is included in the price of the goods and services.
Inflation	Direct tax helps in controlling the inflation.	Indirect taxes push up price inflation.
Imposition and collection	Imposed on and collected from assesses, i.e. Individual, HUF (Hindu Undivided Family), Company, Firm etc.	Imposed on and collected from consumers of goods and services but paid and deposited by the assesse.
Burden	Cannot be shifted.	Can be shifted

6. Distinguish between Balanced and Unbalanced Budget

Balanced Budget	Unbalanced Budget
1. In case of balanced budget, the proposed govt. expenditure is equal to the estimated govt. receipts in the budget year.	1. In case of unbalanced budget, the proposed expenditure and the estimated receipt are unequal during the budget year.
2. Balanced budget reduces unproductive and extravagant expenditure of the govt.	2. Unbalanced (deficit) budget helps the govt. to incur unproductive and extravagant expenditure.
3. It is ineffective during economic instability.	3. It is effective during economic instability (surplus during inflation and deficit during deflation).

Balanced Budget	Unbalanced Budget
4. It fails to achieve full employment from under-employment equilibrium.	4. Unbalanced (deficit) budget is a powerful instrument to achieve full employment.
5. It cannot solve the problems of under-developed countries (UDCs).	5. Unbalanced (deficit) budget is a powerful instrument of resource mobilisation for economic development of UDCs.

7. **Distinguish between Balanced and Unbalanced Budget**

1. Income and Expenditure adjustment

The government adjusts the income to the expenditure while individuals adjust their expenditure to the income. Private finance involves stitching coat according to cloth available whereas public finance decides the cloth according to the need for the coat.

2. Borrowing

The government can borrow from internal and external sources; it can borrow from the people by issuing bonds. However, an individual cannot borrow from himself.

3. Right to print currency

The government can print currency. This involves the creation, distribution and monitoring of currency. The private sector cannot create currency.

4. Present vs. future decisions

The public finance is more involved with future planning and making long-term decisions. These investments could include building of schools, hospitals and infrastructure. The private finance makes financial decisions on projects with a short term vision.

5. Objective

The public sector's main objective is to provide social benefit in the economy. The private sector aims to maximize personal benefit i.e. Profit.

6. Coercion to get revenue

The sources of income of a private individual is relatively limited while those of the Government is wide. The Government can use its power and authority.

7. Ability to make huge and deliberate changes

The public finance has the ability to make big decisions on income. For example, it can effectively and deliberately adjust the revenue. But individuals cannot make such massive decisions.

8. State and explain types of budget.

i) Revenue Budget:

It consists of revenue receipts and revenue expenditure. Moreover, the revenue receipts can be categorised into tax revenue and non-tax revenue. Revenue expenditure can also be categorised into plan revenue expenditure and non-plan revenue expenditure.

ii) Capital Budget:

It consists of capital receipts and capital expenditure. In this case, the main sources of capital receipts are loans, advances etc. On the other side capital expenditure can be categorised into plan capital expenditure and non-plan capital expenditure.

iii) Supplementary Budget:

During the time of war emergencies and natural calamities like tsunami, flood etc, the expenditures allotted in the budget provisions are not always enough. Under these circumstances, a supplementary budget can be presented by the Government to tackle these unforeseen events.

iv) Vote - on - Account:

Under Article 116 of the Indian Constitution, the budget can be presented in the middle of the year. The reason may be political in nature. The existing Government may or may not continue for the year, on account of the fact that elections are due, then the Government places a 'lame duck budget'. This is also called 'Vote-on-account Budget'.

v) Zero Base Budget:

The Government of India presented Zero-Base-Budgeting (ZBB first) in 1987-88. It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.

vi) Performance Budget:

When the outcome of any activity is taken as the base of any budget, such budget is known as 'Performance Budget'. For the first time in the world, the performance budget was made in USA.

9. numerate the factors are taken into account while preparing the budget

- ❖ The macro economic targets to be achieved within a plan period;
- ❖ The basic strategy of the budget;
- ❖ The financial requirements of different projects;
- ❖ Estimates of the revenue expenditures (includes defence expenditure, subsidy, interest payment on debt etc.);
- ❖ Estimates of the capital expenditures (includes development of railways, roadways, irrigations etc.);
- ❖ Estimates of revenue receipts from tax and non-tax revenues;
- ❖ Estimates of capital receipts from the recovery of loans, disinvestment of public sector units, market borrowings etc.
- ❖ Estimates of the gap between revenue

receipts and revenue expenditure; and

- ❖ Estimates of fiscal deficit, primary deficit, and revenue deficit.
- ❖ Finance commission is a quasi-judicial body set up under Article 280 of the Indian Constitution. It was established in the year 1951, to define the fiscal relationship framework between the Centre and the state.

10. Write a note on Indian Finance Commission.

- ❖ Finance Commission aims to reduce the fiscal imbalances between the centre and the states (Vertical imbalance) and also between the states (horizontal imbalance). It promotes inclusiveness.
- ❖ A Finance Commission is set up once in every 5 years. It is normally constituted two years before the period. It is a temporary Body.
- ❖ The 14th Finance Commission was set up in 2013. Its recommendations were valid for the period from 1st April 2015 to 31st March 2020.
- ❖ The 15th Finance Commission has been set up in November 2017. Its recommendations will be implemented starting 1 April 2020.

11. What are the taxes levied and collected by the union but assigned to the states?

1. Duties in respect of succession to property other than agricultural land.
2. Estate duty in respect of property other than agricultural land.
3. Taxes on railway fares and freights.
4. Taxes other than stamp duties on transactions in stock exchanges and future markets.
5. Taxes on the sale or purchase of newspapers and on advertisements published therein
6. Terminal taxes on goods or passengers carried by railways, sea or air.
7. Taxes on the sale or purchase of goods other than newspapers where such sale or purchase taxes place in the course of inter-State trade or commerce.