

Delhi Budget Analysis 2016-17

The Minister of Finance of Delhi, Mr. Manish Sisodia, presented the Budget for Delhi for the financial year 2016-17 on March 28, 2016.

Budget Highlights

- The **Gross State Domestic Product** of Delhi for 2015-16 is estimated to be Rs 5,58,745 crore (current prices). This is 13% higher than the estimates for 2014-15. GSDP estimates for 2016-17 are not available.
- **Total expenditure** for 2016-17 is estimated to be Rs 46,600 crore, an increase of 22.7% over the revised estimates of 2015-16. In 2015-16, the total expenditure was revised to Rs 37,965 crore, a decrease of Rs 3,164 crore (7.7%) from the budget estimates of 2015-16.
- **Total receipts** (excluding borrowings) for 2016-17 are estimated to be 15.7% higher than revised estimates of 2015-16, at Rs 41,772 crore. In 2015-16, total receipts fell short of the budgeted target by Rs 2,844 crore.
- A **revenue surplus** of Rs 5,543 crore is expected in 2016-17. As per revised estimates of 2015-16, a revenue surplus of Rs 7,211 was observed. **Fiscal deficit** is targeted at Rs 2,841 crore, as compared to the revised estimate of Rs 428 crore in 2015-16. **Primary surplus** is targeted at Rs 554 crore.
- Allocation towards the education sector is expected to increase by 33%, followed by a 27% increase each in allocations to public health and development. In addition, allocations for urban development and social welfare have increased by 16% and 4% respectively in 2016-17, over the revised estimates of 2015-16.
- Subsidy for the power sector is expected to be Rs 1,600 crore, an increase of 11% over the revised estimates of 2015-16. Subsidy on water is expected to be Rs 250 crore.
- Rs 1,574 crore has been allocated for centrally sponsored schemes in 2016-17. These include allocations for Smart City, AMRUT scheme, and Swachh Bharat Mission, of about Rs 200 crore each.

Policy Highlights

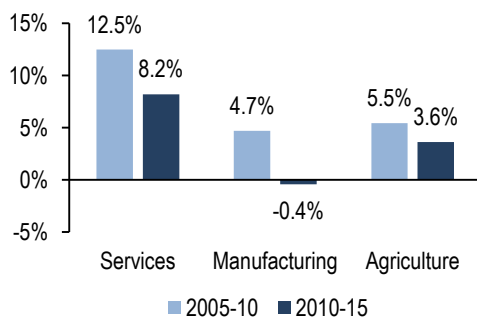
- **Citizen Local Area Development:** Rs 350 crore has been allocated for Mohalla sabhas for the purpose of local area development.
- **Transport:** Two elevated BRT corridors will be constructed from Anand Vihar Terminal to Peeragarhi and Wazirabad to Airport. 11 roads will be redesigned on a pilot basis to promote use of public transport, cycling, etc. Cycle tracks will be developed on both sides of the ring road from Vikas Puri to Wazirabad.

Tax Proposals

- **Value Added Tax (VAT):** VAT rate on e-rickshaw, hybrid vehicles, sweets, readymade garments (above Rs 5,000) will be reduced from 12.5% to 5%.
- VAT on textiles (except khadi and handloom fabrics), footwear, schoolbags, plastics waste, etc. will be applicable at a uniform rate of 5%.
- **Luxury Tax:** Luxury tax threshold has been increased from Rs 750 to Rs 1,500. Further, self-declaration will be introduced in declaring luxury tax.

Background: Delhi Economy

Figure 1: Sectoral growth in economy (in %)



Note: Average annual growth rate is the compounded annual growth rate for the period. Sources: Central Statistics Office; PRS.

The services sector contributes 87% to Delhi's economy, followed by the manufacturing sector (12%) and agriculture (1%). The services sector employs 77% of the state's population, followed by the manufacturing (20%) and agriculture (3%) sectors.¹

Average growth of Delhi's economy (at constant prices) decreased from 11.2% in 2005-10 to 7.1% in 2010-15.

Growth in the services sector, declined from 12.5% in 2005-10 to 8.2% in 2010-15. Over the same period, growth in manufacturing decreased from 4.7% in 2005-10 to -0.4% in 2010-15. Agricultural growth decreased from 5.5% in 2005-10 to 3.6% in 2010-15.

Budget Estimates for 2016-17

- The total expenditure in 2016-17 is targeted at Rs 46,600 crore. The revised estimates for the total expenditure in 2015-16 was Rs 37,965 crore, which is 7.7% (Rs 3,291 crore) less than the budgeted target of 2015-16.
- The expenditure in 2016-17 is proposed to be met through receipts (other than borrowings) of Rs 41,772 crore and borrowings of Rs 3,174 crore. Total receipts for 2016-17 (other than borrowings) are expected to be 15.7% higher than the revised estimate of 2015-16.

Table 1: Budget 2016-17 - key figures (in Rs crore)

Items	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
Total Expenditure	30,940	41,129	37,965	-7.7%	46,600	22.7%
Of which: Repayment of loans	1,347	1,765	1,435	-18.7%	1,987	38.5%
A. Borrowings	1,764	1,038	2,000	92.7%	3,174	58.7%
B. Receipts (except borrowings)	29,812	38,946	36,102	-7.3%	41,772	15.7%
Total Receipts (A+B)	31,577	39,984	38,102	-4.7%	44,946	18.0%
Revenue Deficit (-) deficit/(+) surplus	6,075	8,163	7,211		5,543	
Fiscal Deficit (-) deficit/(+) surplus	219	-418	-428		-2,841	
Primary Deficit (-) deficit/(+) surplus	2,993	2,810	2,382		554	

Notes: Total receipts include borrowings and total expenditure includes loan repayments. In the absence of estimates of the GSDP in 2016-17, it is not possible to calculate deficits as % of GSDP.

Sources: State Budget Documents 2016-17; PRS.

Revenue surplus: It is the excess of revenue receipts over revenue expenditure. A revenue surplus indicates an income over expenditure of the government on services provided by it. The government has estimated a revenue surplus of Rs 5,543 crore in 2016-17. For 2015-16, the government has revised its revenue surplus to Rs 7,211 crore, which is 11.7% lower than the budgeted target of Rs 8,163 crore.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities of the government. The government had projected a fiscal deficit of Rs 2,841 crore in 2016-17, compared to Rs 428 crore in the revised estimates of 2015-16. The increase may be attributed to a 25.7% increase in revenue expenditure, under sectors such as education, medical and public health, water supply and sanitation, and power.

Expenditure in 2016-17

- The state government's expenditure can be divided into (a) capital expenditure, which affects the assets and liabilities of the state, and (b) revenue expenditure, which includes the rest of the expenses.
- Total capital expenditure is proposed to increase by 13.7% to Rs 10,752 crore over the revised estimates of 2015-16. This includes expenditure which leads to creation of assets, repayment of loans, among others.
- Total revenue expenditure for 2016-17 is proposed to be Rs 35,848 crore, which is an increase of 25.7% over revised estimates of 2015-16. This expenditure includes payment of salaries, administration of government programs, etc.

Table 2: Expenditure budget 2016-17 (in Rs crore)

Item	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
Capital Expenditure	7,431	10,727	9,455	-11.9%	10,752	13.7%
Revenue Expenditure	23,509	30,402	28,510	-6.2%	35,848	25.7%
Total Expenditure	30,940	41,129	37,965	-7.7%	46,600	22.7%
A. Interest Payments	2,774	3,228	2,810	-12.9%	3,395	20.8%
B. Loan repayment	1,347	1,765	1,435	-18.7%	1,987	38.5%
Debt servicing (A+B)	4,121	4,993	4,245	-15.0%	5,382	26.8%

Sources: State Budget Documents 2016-17; PRS.

Departmental expenditure in 2016-17

The Departments below account for **81%** of the estimated expenditure of the state in 2016-17.

Table 3: Department-wise plan outlay for Delhi Budget 2016-17 (in Rs crore)

Demand	2014-15 Actuals	2015-16 Revised	2016-17 Budgeted	% change in BE 2016-17 over RE 2015-16	Budget Proposals for 2016-17
Urban Development (includes Public Works and Power Departments)	11,136	13,396	15,507	15.8%	<ul style="list-style-type: none"> Rs 1,600 crore has been allocated for providing a 50% subsidy on power bills with u.p to 400 units consumption during 2016-17 Rs 196 crore has been allocated for Smart City, and Rs 200 crore has been allocated for AMRUT scheme.
Education (includes School and Higher Education Departments)	5,197	6,509	8,642	32.8%	<ul style="list-style-type: none"> Rs 100 crore has been allocated for installation of CCTVs in classrooms of government schools. Vocational training will be started in 100 Smart Career Colleges. The State Apprenticeship Scheme will be restarted.
Social Welfare (includes Women and Child Directorate, Transport and Tourism Department)	4,026	5,474	5,708	4.3%	<ul style="list-style-type: none"> 1,000 premium buses and 1,000 cluster buses will be added to the DTC fleet. Rs 200 crore has been allocated for setting up Mohalla Rakshak Dal for women safety in all assembly constituencies.
Medical and Public Health (includes Directorate of Health Services and allocations to Medical Colleges and Hospitals)	3,116	3,626	4,613	27.2%	<ul style="list-style-type: none"> 1,000 Mohalla clinics to address common healthcare needs will be established in 2016. 150 polyclinics will be opened for specialised OPD including gynaecology and paediatrics. 100 basic and 10 advanced life support ambulances will be added to the existing fleet of CAT ambulances.
Development (includes Revenue, Environment and Irrigation & Flood Control Departments)	1,931	2,413	3,066	27.1%	<ul style="list-style-type: none"> 'Comprehensive Management of Roads' scheme will be launched for mechanised sweeping of roads, cleaning of street furniture, collection of litter, etc. Two construction and demolition recycle centres will be constructed to recycle construction waste. Rs 137 crore allocated for installation of LED screens for displaying traffic information, pollution levels, etc.
% of total expenditure	82.1%	82.8%	80.5%		
Other departments	5,534	6,549	9,064	38.4%	
Total expenditure	30,940	37,965	46,600	22.7%	

Sources: Budget Speech 2016-17; Detailed Demand for Grants 2016-17; PRS.

Other Announcements:

- A scheme to install CCTV cameras and surveillance system across Delhi has been proposed. Rs 200 crore has been allocated for the scheme.
- The one-time fixed subsidy provided for e-rickshaws will be increased from Rs 15,000 to Rs 30,000.

Subsidies

The government provides subsidies across various sectors. Some of these subsidies are shown in Table 4. In addition to the explicit subsidies, the budget provides implicit subsidies such as grant-in-aid to DTC of Rs 1,500 crore, and for provision of water (excluding creation of capital assets) of Rs 460 crore, etc.

Table 4: Subsidies in 2016-17 (in Rs crore)

Subsidy	Actuals 2014-15	Revised 2015-16	Budgeted 2016-17	% change from RE 2015-16 to BE 2016-17	Subsidy intended for
Power Subsidy	292	1,443	1,600	10.9%	Subsidy provided for power bills of consumers consuming up to 400 units of electricity
Water Subsidy	21	190	250	31.6%	Subsidy provided for water free of cost, to households consuming up to 20 kilo litres per month
DTC Concessional Pass	83	90	92	2.2%	Concessional passes issued to DTC buss commuters
Consumer subsidy	45	42	52	25.7%	Subsidy provided on sugar and to keep consumer prices under control

Source: Detailed Demand for Grants 2016-17; State Budget Documents 2016-17; PRS.

Receipts in 2016-17

- The total revenue receipts for 2016-17 are estimated to be Rs 41,391 crore, an increase of 15.9% over the revised estimates of 2015-16.
- Tax revenue is expected to increase by 16.4% (Rs 5,155 crore) in 2016-17 over the revised estimates of 2015-16. Non-tax revenue is estimated to increase by 75% (Rs 427 crore).
- Grants-in-aid from the central government, including grants in lieu of central taxes are expected at Rs 3,870 crore in 2016-17, Rs 88 crore (2.3%) more than the revised estimate of 2015-16.

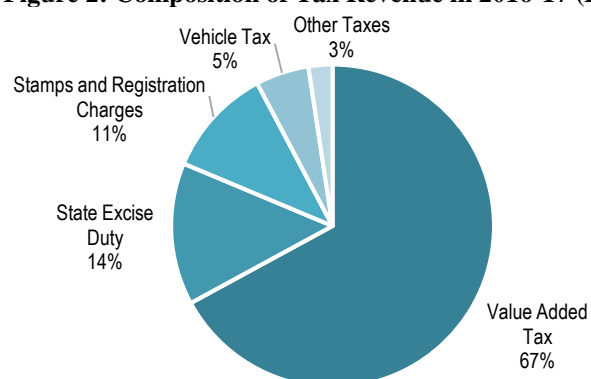
Table 5: Break up of state government receipts (in Rs crore)

Item	2014-15 Actuals	2015-16 Budgeted	2015-16 Revised	% change from BE 2015-16 to RE 2015-16	2016-17 Budgeted	% change from RE 2015-16 to BE 2016-17
State's Own Tax	26,604	34,661	31,370	-9.5%	36,525	16.4%
State's Own Non tax	633	1,127	569	-49.5%	996	75.0%
Grants in aid and contributions	2,348	2,777	3,782	36.2%	3,870	2.3%
Total Revenue Receipts	29,585	38,565	35,721	-7.4%	41,391	15.9%
Recovery of Loans and Advances	225.38	379	379	0.0%	379	0.0%
Borrowings	1,764	1,038	2,000	92.7%	3,174	58.7%
Total Capital Receipts	1,992	1,419	2,381	67.8%	3,555	49.3%
Total Receipts	31,577	39,984	38,102	-4.7%	44,946	18.0%

Note: States' own non tax revenue excludes grants-in-aid from the central government.

Sources: State Budget Documents 2016-17; PRS.

Figure 2: Composition of Tax Revenue in 2016-17 (BE)



Sources: Budget at a Glance, State Budget Documents 2016-17; PRS.

- **Tax Revenue:** Total tax revenue of Delhi is estimated to be Rs 36,525 crore in 2016-17. The composition of the state's tax revenue is shown in Figure 2.
- Value Added Tax (VAT) (sales tax) is the largest component of Delhi's tax revenue. VAT is levied on the sale of goods and services in the state, and is expected to generate Rs 24,500 crore (67% of tax revenue) in 2016-17.
- Further, the state is expected to generate Rs 5,200 crore (14.2%) through the state excise duty, which is levied on the production of various forms of alcohol.
- In addition, revenue will be generated through levy of stamp duties and registration fees on real estate transactions and taxes on vehicles, among others.
- **Non Tax Revenue:** Delhi is expected to generate Rs 996 crore (excluding grants-in-aid from the central government) through non-tax sources in 2016-17. For 2015-16, the government has revised its non-tax revenue estimates to Rs 569 crore, 49.5% lower than the budgeted target of Rs 1,127 crore.
- Interest receipts and dividends on loans provided to public sector undertakings and local bodies are expected to be the largest source of non-tax revenue in 2016-17, at Rs 611 crore.

¹ Fourth Annual Employment-Unemployment Survey, Labour Bureau, Government of India.

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