

Revenues from Hyderabad: Fact and fiction

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MUCH is being touted about the share of Hyderabad in the state revenues. The Seemandhra lot wants a share of it, if not the whole city. If they can't get it, they want to deprive Telangana of it by demanding that Hyderabad be made a Union Territory. The Telangana protagonists won't let go of a paisa, let alone the city which is expected to fund development in the new state.

THE HEADQUARTERS

The Sri Krishna Committee did not take any notice of the revenue bases of either Telangana, coastal Andhra, Rayalaseema or Hyderabad. However, Mr Rosaiah, as finance minister, presented to the Assembly a set of figures in answer to a member's question. Here he devised a new formula and invented a "Headquarters" category a part from Telangana, Rayalaseema and coastal Andhra. This "Headquarters" is presumably Hyderabad City and the revenues that occur to the state government and not those based on the three regions. And this is the bone over which the fight for Hyderabad revenues is all about.

For "Headquarters" revenues, he showed an annual average (2003-06) revenue of Rs 7,704 crore. This works out to 37 per cent out of total state's revenue.

Recently, a leading national newspaper carried a story that on a demand by the Seemandhra heavies to make Hyderabad a Union Territory. It said, "Responding to their demand, Antony and Digvijaya handed over a detailed note prepared by the Union home ministry on Andhra Pradesh's revenue statistics."

"The note, which was given to some Seemandhra ministers, said Hyderabad and Rangareddy districts (Greater Hyderabad or HMDA area) are contributing more than half of AP's total tax collections. While AP's total tax collection in 2012-

13 stood at Rs 69,146.5 crore, Greater Hyderabad area contributed Rs 34,100.73 crore to the exchequer, making it impossible for Telangana to think of it without Hyderabad." (note the decimal points to give "accuracy")

The story also stated that Telangana revenues without Hyderabad were Rs 13,506 crore while coastal Andhra had Rs 16,729.05 crore annual tax revenue and Rayalaseema got Rs 4,809.89 crore revenue. The total for the three regions without Hyderabad would then be Rs 35,044, that is 51 per cent of the state total with Hyderabad contributing to the remaining 49 per cent. Does this make sense?

Now another national newspaper has carried a story with a table showing that out of the state annual budget of Rs 1,60,000 crores Hyderabad's share was Rs 90,000 crores and it comes from Rs 40,000 crore in revenues, Rs 35,000 crore in central taxes and Rs 15,000 crore in local revenues. By now the confusion is complete and that is perhaps the objective. So let us look at the State Budgets for more clarity.

REVENUE SHARE

The latest reliable budget figures are for 2011-12 and 2012-13 as the budget for 2013-14 is in trouble already and these are given below:

STATE'S TOTAL REVENUES (RS CRORES)	2011-12	2012-13
SHARE OF UNION TAXES	17804	21965
STATE TAX REVENUES	53399	66021
NON-TAX REVENUE	12231	13852
GRANTS-IN-AID	13761	14949
TOTAL	97195	116787

The state's share of central taxes, grants-in-aid, non-tax revenues (proceeds from sale of government lands) will not be affected by the demerger of Telangana from Andhra. The real issue is state tax revenues. Disaggregating these figures, we are given the following break-up:

TAX COLLECTION (Rs crores)

	2011-12	2012-13
SALES TAX	36000	45000
STATE EXCISE	9014	10820
STAMPS AND REGISTRATION	4140	4968
TAX ON VEHICLES	2800	3640
TAXES ON INCOME & EXPENDITURE	648	713
ELECTRICITY DUTY	277	306
TAXES ON PROPERTY	97	162
LAND REVENUE	146	153
OTHER	277	260
TOTAL	53399	66021

Common sense tells us that the four biggest items are collected on a locational basis. That is, sales tax is credited to the registered address of the company or firm, state excise to the district or registered office of the firm, stamps and registration to where the land was sold and vehicle taxes to the district where the vehicle is registered.

Equally, taxes on property and land revenue are collected where the land or property is located. All this means that the 97.6 per cent or so of the state tax collection is location-based and credited to the district concerned. Thus, demerger will have no effect on the legitimate revenues of Telangana, Coastal Andhra or Rayalseema.

So what does one make of the figures floating around Hyderabad's great revenue collection which the Seemandhra is expected to lose and Telangana gain? It is inconceivable that Hyderabad has a tax revenue of its own of Rs 34,000 crores much less Rs 55,000 crores. As per Rosaiah's statement, Hyderabad (as Headquarters) had, in the period 2003-06, an annual average revenue of Rs 7,700 crore.

Even if we think 37 per cent was the share of "Headquarters" in the state during 2003-06 and apply to the latest state total figure we get only Rs 24,420 crore. Much of this revenue, as was demonstrated earlier, is specific to Hyderabad and will not relate to Seemandhra. Only sales taxes paid by Seemandhra-based companies registered in Hyderabad will be lost if their registered offices move out.

But the one thing everyone concurs on is that Hyderabad generates the largest share of corruption in the state. This is due to the location of the capital with its political and bureaucratic nerve-centre. Even that will shift to the new capital in coastal Andhra and Rayalseema automatically.

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