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India Data Releases

Revenue Expenditure Growth Re-Accelerates in September

Revenue expenditure grew at 38% in September:

Growth in revenue expenditure re-accelerated in September to 38% YoY after registering a decline of 10% in July-August. However, it remained below the 44% growth registered in the first quarter (April-June).

Tax collections growth accelerated to 27% in

September: This compares with 22% registered in the previous month. Year to date tax collections have grown by 30% ahead of the full-year government budget estimate (BE) of 19%. The key reason for the acceleration was corporate tax collection growth, which quickened to 35% in September after growing at 26% in August. Personal income tax collection also accelerated to 18% in September from 10% in the previous month. Tax collection on domestic production, i.e., excise duties, grew at 9% in September, same as that in the previous month and ahead of the full-year BE of 6%. Customs duty collections continued to be strong, growing at 31% in September (compared to full-year BE of 20%). Other tax collections (primarily service taxes) grew by 52% in September.

Revenue and fiscal deficit deteriorates: After registering a decline for two consecutive months, the revenue and fiscal deficit growth re-accelerated to 9% and 70% YoY in September. Year-to-date revenue and fiscal deficit growth has been 6% and 3%, respectively, as compared with the full-year BE of a decline of 8% and growth of 2%, respectively.

Government Finances: Summary

(% Change YoY)	Fiscal Year to Date (April - Sep 2006)	F2007 BE*
Corporate Profits	49%	28%
Personal income	24%	17%
Total Direct Taxes	40%	24%
Excise Duties	-17%	6%
Customs Duties	33%	20%
Total Indirect Taxes	18%	11%
Other Taxes	64%	48%
Total Tax Collections	30%	19%
Total Revenue Receipts	31%	16%
Total Revenue Expenditure	23%	11%
Revenue Deficit	6%	-8%
Fiscal Deficit	3%	2%

*BE = Government Budget Estimates, Source: Ministry of Finance, Morgan Stanley Research

Exhibit 1

India: Gross Tax Collection

(Rs. Bn)	Monthly					Fiscal Year to date					Full Year Estimates		BE	
	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06	F2007 (BE)	F2006 (RE)	F2007 (BE)	F2006 (RE)
Direct Taxes on company profits	278	29	32	149	-18	506	228	199	167	18	1330	1036	824	696
Direct Taxes on personal incomes	85	33	37	41	29	262	177	144	106	65	774	662	512	452
Total Direct Taxes	363	62	69	190	11	768	405	342	273	83	2104	1698	1336	1148
Excise Duties	99	92	91	87	59	335	335	243	152	65	1190	1120	855	716
Customs Duties	76	75	70	71	70	415	340	265	195	124	771	642	356	329
Total Indirect Taxes	174	167	161	158	129	751	675	508	347	189	1961	1762	1210	1045
Other Taxes	31	32	44	29	26	177	146	114	70	41	357	241	179	133
Total	569	261	274	377	165	1696	1226	965	691	314	4422	3702	2725	2326

NM=Not Meaningful; RE = Revised Government Estimates, BE = Government budget estimates Source: Ministry of Finance, Morgan Stanley Research

Exhibit 2

India: Gross Tax Collection (% YoY)

% YoY	Monthly					Fiscal Year to date					F2007	Required Growth in rest of the yr
	Sep-06	Aug-06	Jul-06	Jun-06	May-06	Sep-06	Aug-06	Jul-06	Jun-06	May-06		
Direct Taxes on company profits	35%	26%	NM	22%	NM	49%	71%	81%	50%	-271%	28%	18%
Direct Taxes on personal incomes	18%	10%	40%	21%	29%	24%	27%	32%	29%	35%	17%	13%
Total Direct Taxes	31%	17%	173%	22%	-72%	40%	49%	56%	41%	123%	24%	16%
Excise Duties	9%	9%	6%	12%	9%	-17%	7%	6%	7%	1%	6%	19%
Customs Duties	31%	34%	35%	44%	33%	33%	33%	33%	32%	26%	20%	8%
Total Indirect Taxes	18%	19%	17%	24%	21%	18%	19%	19%	20%	16%	11%	16%
Other Taxes	52%	57%	53%	90%	79%	64%	66%	69%	81%	75%	48%	35%
Total	27%	22%	43%	26%	4%	30%	32%	35%	32%	40%	19%	17%

NM = Not Meaningful; RE = Revised Government Estimates, BE = Government budget estimates Source: Ministry of Finance, Morgan Stanley Research

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