Revenue Receipts: Tax Revenue and Non-Tax Revenue

The receipts that do not create any liabilities and does not lead to a claim on the government are called revenue receipts. These revenue receipts are non-redeemable and can be classified into two categories namely: tax revenue and non-tax revenue. Tax revenues are the vital components of revenue receipts that have been bifurcated for the long term into direct taxes, enterprises and indirect taxes such as customs duties, excise taxes and service tax. Non-tax revenues, on the other hand, are the recurring income that is earned from the sources other than taxes by the government.

What are Revenue Receipts?

The money received by a business through normal business operations is known as revenue receipts. The revenue receipts are recurring and affect the profit and loss of business on the income statement. They are the government receipts which neither create an asset nor reduce any liability and are considered as the current income receipts for the government from all sources.

A receipt is considered as a revenue receipt if it fulfils the following two criteria:

- It should not create any liability for the government. For example, the taxes that are levied by the government are regarded as revenue receipts but any amount that is borrowed by the government is not a revenue receipt.
- It should not any decrease in the assets.

These revenue receipts are non-redeemable and can be classified into two categories namely: tax revenue and non-tax revenue.

Tax Revenue- Direct Tax and Indirect Tax

Tax is a compulsory payment which is made to the government by the people or the companies without having any direct benefit in return. The sum of all receipts from the taxes and all other duties under the government are referred to as tax revenue. They are either from direct taxes or indirect taxes. It is the main source of regular receipts of the government and is categorized into Direct Taxes and Indirect Taxes.

What are Direct Taxes?

The taxes that are imposed on the property and income of an individual and a company are known as direct taxes. Direct taxes are paid directly to the government by the companies and the individuals. The income level, as well as the purchasing power of the people, are affected by direct taxes. It also helps in changing the level of aggregate demand of the economy. Direct Tax Systems can be progressive, regressive or proportional.

Indirect Taxes

The taxes that affect the income and property of an individual and a company through their consumption expenditure are called indirect taxes. Indirect taxes are imposed on goods and services and are known to be compulsory payments.

What is Non-Tax Revenue?

Non-Tax Revenue is the recurring income that is earned from the sources other than taxes by the government. They are the revenue receipts which are not generated by taxing the public. Some of the major sources of non-tax revenue are mentioned below:

1. Interests which are received by the government through the loans provided by it to the state governments, UTs, private enterprises and the general public are an important source of non-tax revenue.
2. **Power Supply Fees:** This includes fees received by the central power authority of any nations. In the case of India, this includes fees received by the Central Electricity Authority.
3. **Fees:** They are the charges that cover the cost of recurring services that are provided and imposed by the government. It is a compulsory contribution like a tax.
4. **License Fee:** It is a form of tax charged by the government and it's allied entities for conducting an activity that can be anything such as opening a restaurant or operating a heavy vehicle.
5. **Fines and Penalties:** Fines are mostly used in the context of criminal law wherein a court of law will punish a person convicted of a crime by imposing a fine. Penalty, meanwhile, is used in both civil as well as criminal law. it includes both monetary and physical forms of punishment.
6. **Escheats:** Escheats is the transfer of estate assets or property to the government in the event that an individual passes away without leaving a legally biding bill or legal heirs
7. Several grants are received by the government from the various International Organisations and foreign governments. Such grants are not a fixed source of revenue and are generally received during a national crisis such as war, flood, etc.
8. **Forfeitures:** Forfeiture is the loss of any property without compensation as a result of defaulting on the obligations of a contract or a penalty for illegal conduct. Under the terms of a contract, forfeiture refers to the requirement by the defaulting party to give up ownership of an asset or cash flows from an asset, as compensation for the resulting losses to the other party.

9. **Interests:** It comprises of interests of loans and insurance given to the government for non-plan schemes and planned schemes and also interest on loans that have been advanced to Public Sector Enterprises or other statutory bodies.
10. **Fees for Communication Services:** This mainly includes the license fees from telecom operators on account of spectrum usage charges that licensed Telecom Service Providers pay to the government ministry that handles telecommunications.