

Hyderabad's Revenues Statistics or Damn Lies?

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One of the most contentious issues in the formation of Telangana has been the question of Hyderabad's revenues and how much of Andhra Pradesh's total they represent. Some reports claim that Hyderabad contributes a mind-boggling 74% of the state's total revenues. This has been central to the demand for a special status to Hyderabad and allowing a share of its revenues to the residual state. This article sets the record straight and identifies the source of the confusion.

The Telangana issue, ever since 1956, has been one revolving around statistics of revenues, investments, water, power, employment, etc, diverted from the region. It finally became an emotional issue, which no statistics can either describe, confirm or refute. This led to opinion polls – paid or unpaid, dishonest or balanced – attempting to prove that the emotions were really imaginary.

The most recent manifestation of deliberate confusion being created was over figures relating to Hyderabad city revenues. First, this was a collateral issue arising from the attempt of the Seemandhra leaders to decapitate Telangana by making Hyderabad a union territory (UT) or a permanent joint capital for the successor states. This idea of Hyderabad as UT was unacceptable to the Telangana supporters. Once the UT idea was discarded, the principle of territoriality maintained that Hyderabad was Telangana's natural and historical capital, located in the heart of the region and could not be shared with Seemandhra, whose territory would be a few hundred kilometres away.

Finally, the resolutions of the Congress Working Committee (CWC) and the United Progressive Alliance (UPA) government at the centre recommended the creation of Telangana with Hyderabad as its capital. The Seemandhra government was to be allowed to use Hyderabad as its capital for 10 years till it built its capital in its own territory. With the issue of Hyderabad as a temporary common capital accepted, the idea of giving some share of Hyderabad's revenues to Seemandhra was mooted.

The Golden Goose

For this purpose the case was being made that Hyderabad yielded enormous government revenues which should be

“shared” between the successor states. This was a violation of the principle of territoriality that guided state revenue collections. However, while a new state could be created by the exercise of powers under Articles 2 and 3 of the Constitution, Article 4 permits the insertion in the relevant Bill of some “supplemental, incidental and consequential provisions”...“as Parliament may deem necessary” to facilitate the process. The reorganisation legislation is also put beyond the scope of Article 368 and thus does not need two-thirds majority in Parliament and consent of states to be enacted. Since then, there has been a sustained campaign to distort the picture and advance a wide range of numbers for the revenues that Hyderabad city generates.

The game started after the CWC resolution recommended Telangana statehood on 30 July 2013. On the same day, *The Times of India* led with a story which said “Overall, Hyderabad contributes Rs 40,000 crore towards State taxes, Rs 35,000 crore towards Central taxes and Rs 15,000 crore of local revenues. The total yield comes to a whopping Rs 90,000 crore”.¹ That meant Hyderabad contributed Rs 55,000 crore to the state budget – that is “almost 55% of Andhra Pradesh government's revenues are generated in Hyderabad”. State budget therefore was estimated at Rs 1,00,000 crore. The next day, 31 July, the *Chandigarh Tribune* led with the same story and same figures.²

Two days later, on 2 August, the *Business Standard* reported, “In 2012-13, the state's own tax revenues reportedly stood at Rs 69,146 crore. Of this, Rs 36,400 crore came from Hyderabad and its surrounding Ranga Reddy district.”³ On 7 August 2013, *The Hindu* cited these same figures.⁴ On 9 August 2013, *The Hindu Business Line* published detailed division and district-wise commercial tax figures for Telangana and wrote, “The city's five offices clocked Rs 8,959 crore in financial year 2012-13 as against Andhra Pradesh's total VAT (value added tax) collections of Rs 20,041 crore”.⁵ This meant Hyderabad was producing 45% of the state VAT.

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If this largest segment of revenues was only about Rs 9,000 crore what was one to make of the figures nearly four to five times greater? The Government of Andhra Pradesh was not prepared to shed any light on this confusion as it probably suited their managers. *The Hindu Business Line* also contradicted the Srikrishna Commission Report by saying (without comment), “The Commission, which considered the figures for 2008-09, pointed out that about 75% of the Rs 22,000 crore of sales tax (or VAT) was collected from Hyderabad alone”.⁶ That is, four years ago Hyderabad generated Rs 16,500 crore. The Srikrishna Commission had concluded this without presenting basic figures, which surely could have been available to it.

On 20 August 2013, *The Times of India* returned to the subject, quoting an unnamed minister who “interacted with the Antony Committee” and stated that “the note which was given to some Seemandhra ministers said Hyderabad and Ranga Reddy districts (Greater Hyderabad or Hyderabad Metropolitan Development Authority (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 without Hyderabad”⁷ (note the decimal figures). This was a repeat of the *Business Standard* piece of 2 August but now hinting at confidential sources.

On 26 August, the *Hindustan Times* waded in with a table which showed the state budget at Rs 1,60,000 crore of which Hyderabad’s share of the income was Rs 55,000 crore.⁸ These figures were the same as in the story in *The Times of India* of 30 July and *The Tribune* of 31 July. Only now the state budget figure was given as Rs 1,60,000 crore and not Rs 1,00,000 crore as implied in the earlier report! *The Hindu Business Line* stated as early as 31 March 2013, “Andhra Pradesh Finance Minister Anam Ramnarayana Reddy today presented a tax-free budget for 2013-14. Total expenditure in the next fiscal will be Rs 1,61,346 crore against current fiscal’s Rs 1,45,854 crore.”⁹ Thus media sources

had no need to be confused by the total budget figures.

On 28 August 2013, the newspaper *Hans India* carried a story and table indicating commercial tax collection in 2012-13 in Hyderabad were Rs 30,500 crore out of a total for the state of Rs 41,150 crore – or 74% of the state’s collections. It also said other taxes including commercial taxes amounted to Rs 69,000 crore for Andhra Pradesh, of which Hyderabad contributed Rs 34,000 crore. There the matter lay with readers incredulous about the figures published in the media while the Government of Andhra Pradesh maintained a discrete silence.

On 24 October 2013, *The Times of India* returned with,

The note, prepared under the guidance of the finance minister with the backing of the chief minister was given the final touches on wednesday by finance department officials. The note is likely to be forwarded to the group of ministers through the chief secretary by Thursday...Statistics show that of the Rs 69,146 crore revenue that accrued to the state exchequer for the year 2012-13, Hyderabad and Ranga Reddy alone accounted for Rs 48,400 crore.¹⁰

As for VAT, the state total was “Rs 42,795 crore of which Rs 5,918 crore was from Andhra, Rs 1,146 crore from Rayalaseema and Rs 3,329 crore from Telangana. The remaining, the largest chunk of over Rs 32,000 crore, was from Hyderabad and peripheral areas.”¹¹ On 1 November 2013, *India Today* also repeated these figures.¹² Metro India weighed in on 10 November saying, “According to official records, Hyderabad is generating Rs 18,000 crore in the form of VAT, liquor sales, land registrations and through various other revenue sources. It may fall to Rs 10,000 crore, if it is made a UT.”¹³

Thus the lowest figure for Hyderabad revenues was Rs 18,000 crore and the highest figure was Rs 55,000 crore. The public could choose what to believe!

Defining the City

Part of the problem was the definition of the revenue jurisdictions of Hyderabad city. The presidential order of 1975 defined the limits of Hyderabad city as those of the old Municipal Corporation of Hyderabad and Secunderabad (MCH) at 73 square kilometres (sq km) and was

smaller than the Hyderabad revenue district. The revenue district is 217 sq km, the Greater Hyderabad Municipal Corporation (GHMC), 922 sq km currently, the Hyderabad Urban Development Authority (HUDA) 1,348 sq km and the HMDA a massive 7,073 sq km. One selects what one likes and the revenue figures would change as more and more districts surrounding Hyderabad are added. GHMC involves three districts and HMDA involves five, out of the 10 Telangana districts!

But finally, the bubble has burst. On 8 November 2013, *The Asian Age/Deccan Chronicle* carried the official release. Quoting Delhi sources it said,

A note that was circulated by the Union Finance Ministry after getting inputs from the State Finance Department states that Hyderabad city only contributed Rs 20,022 crore of the state’s total revenue of Rs 1,27,866 crore in 2012-13. The break-up is as follows: Hyderabad Rs 20,022 crore, Telangana (other than Hyderabad district) Rs 41,391 crore, Rayalaseema Rs 18,215 crore and coastal Andhra Rs 47,937 crore.¹⁴

Thus the State’s Own Tax Revenues (SOTR) for Seemandhra (Rayalaseema and Andhra) were Rs 5,000 crore greater than those for Telangana and Hyderabad combined.

Even this is mysterious as the central and other funds devolving on the state, over and above its SOTR, have been allocated across the regions and Hyderabad. How was this done? We know that the SOTR for these four entities for 2012-13 is as in Table 1.

The non-SOTR revenues had been allocated to the regions by their Census 2011 population proportions – 58% to Seemandhra, 31% to Telangana and 11% to

Table 1: State’s Own Tax Revenues, Region-wise (2012-13, Rs crore)

Item	Seemandhra	Telangana	Hyderabad	State
		(Excluding	GHMC Area	Total
		GHMC)		
Sales tax	7,065	6,202	8,960	22,227
Excise	9,745	6,024	941	16,710
Stamp duty	2,841	2,940	651	6,432
Transport	1,550	641	1,178	3,369
Minerals	812	636		1,448
(a) Oil & gas	121			121
(b) Coal		1,134		1,134
Total SOTR	22,134	17,577	11,730	51,441
Total non-SOTR	44,018	23,813	10,292	76,425
Grand total	61,152	41,390	22,022	1,27,866

Source: Additional Commissioner, Commercial Taxes Department, Government of Andhra Pradesh.

Hyderabad (taken as Hyderabad and Ranga Reddy districts). However, it should have only been 4.7% to Hyderabad alone and 37% to Telangana (including Ranga Reddy district). But this may be partly justified by the argument that the GHMC limits include large parts of the Ranga Reddy district and a part of Medak district.

Clearing the Confusion

Only *The Hindu Business Line's* 9 August figures for Hyderabad VAT turned out to be exact (only off by a crore). We now come to Hyderabad's (GHMC) share in the SOTR. All the items except sales tax are specific to the territory – excise on distilleries and breweries, stamp duty on land sales and motor vehicle tax. As for sales tax, registered “dealers” with a statewide registration can deposit their sales tax anywhere in the state. Those having their headquarters in Hyderabad may be paying all their sales taxes there – even if they were due on sales in Seemandhra or other parts of Telangana. These are difficult to isolate and, anyway, on division of the state, new sales tax registrations have to be secured and sales taxes on sales in each successor state will have to be paid in that state itself.

For example, as per its website, the AP Beverages Corporation paid sales tax of Rs 7,992 crore in 2012-13.¹⁵ *The Times of India* stated that sales taxes on petroleum products (which presumably includes Aviation Turbine Fuel sold at Hyderabad's international airport) was Rs 10,000 crore.¹⁶ What proportion of this estimated sales tax of Rs 17,992 crore is related to Seemandhra sales and paid in Hyderabad is unclear. But if even a part of it is deposited at Hyderabad, it will have to be deducted from the Rs 8,960 crore of Hyderabad sales tax revenues to get a true picture.

Interestingly, as late as on 12 November 2013 at the Group of Ministers (GoM) meeting on Telangana, the Bharatiya Janata Party Andhra Pradesh state president G Kishan Reddy quoted the GoM as having said that they are still collecting information on crucial issues involved in division, like revenue sharing, “How come they GoM do not have information? If they do not have information, how can we?”¹⁷ On the same day, the Majlis-e-Ittehadul Muslimeen leader Asadudin Owaisi is

reported to have asked the GoM what proportion of Hyderabad revenues did the Anthony Committee report propose to share with Seemandhra after separation. The ministers are reported to be unaware of the figures, and interestingly Anthony denied that he had given any such report!¹⁸ Even more intriguingly Jairam Ramesh, whose report of river water sharing issues was circulating in “informed circles” and which had supposedly suggested that Bhadrachalam division of Khammam district of Telangana be given to Seemandhra so that it can facilitate its submergence under the proposed Polavaram project,¹⁹ also denied his putative report.²⁰

Confusion Creators

The picture is now clearer after the last 14 weeks of fudging in the media and wild speculation among the public. This is entirely because the chief minister and his Seemandhra colleagues had a vested interest in sowing confusion. With selected leaks of exaggerated figures to the media they wished to convince the central government that Seemandhra needed a share of Hyderabad revenues and that it was necessary to maintain a special status for Hyderabad even after the creation of Telangana.

Unfortunately, neither the bureaucracy nor the media have played a positive role and helped clear the confusion. Instead, the bureaucracy by its silence and the media by not verifying the unsubstantiated stories fed to it, have added to the confusion. Here the Government of India also seemed helpless in bringing clarity to the issues at hand and was unable to ensure even a modicum of cooperation from the chief minister and Government of Andhra Pradesh.

NOTES

- 1 http://articles.timesofindia.indiatimes.com/2013-07-30/india/40893834_1_hyderabad-lab-central-taxes-crore (accessed on 13 November 2013).
- 2 <http://www.tribuneindia.com/2013/20130731/main3.htm> (accessed on 13 November 2013).
- 3 http://www.business-standard.com/article/current-affairs/telangana-seemandhra-can-sustain-separately-113080200984_1.html (accessed on 13 November 2013).
- 4 <http://www.thehindu.com/news/national/andhra-pradesh/hyderabad-revenue-crucial-for-both-states/article4996776.ece> (accessed on 13 November 2013).

- 5 <http://www.thehindubusinessline.com/economy/telangana-vat-a-big-deal/article5007411.ece> (accessed on 13 November 2013).
- 6 Ibid.
- 7 <http://timesofindia.indiatimes.com/india/Congress-high-command-vetoes-Union-Territory-status-to-Hyderabad/articleshow/21926136.cms?inttarget=no> (accessed on 13 November 2013).
- 8 <http://www.hindustantimes.com/India-news/NewDelhi/Congress-faces-backlash-of-Telangana-state/Article1-112915.aspx> (accessed on 13 November 2013).
- 9 <http://www.thehindubusinessline.com/news/states/andhra-pradesh-unveils-taxfree-budget/article4521456.ece> (accessed on 13 November 2013).
- 10 <http://timesofindia.indiatimes.com/india/Seemandhra-sans-Hyderabad-not-viable-Anam-report-says/articleshow/24619364.cms> (accessed on 13 November 2013).
- 11 Ibid.
- 12 <http://indiatoday.intoday.in/story/andhra-pradesh-telangana-seemandhra-andhra-pradesh-formation-day/1/321182.html> (accessed on 13 November 2013).
- 13 <http://metroindia.com/Details.aspx?id=1714> (accessed on 13 November 2013).
- 14 As if to explain the confusion it added further: “Recently, the AP finance department had ‘leaked’ information to scribes stating that Hyderabad contributed the lion’s share of the total revenues of the state. However, it had stated that the revenue earnings were only from revenue earning departments like commercial taxes, excise, transport, stamps and registration, mines, forests, and land revenue. It said that the state’s revenue in 2012-13 was Rs 70,548.27 crore with the following breakup: Hyderabad and Ranga Reddy districts contributed the lion’s share of Rs 34,100.73 crore whereas Coastal Andhra and Rayalaseema put together contributed Rs 21,538.94 crore. The remaining Rs 13,506.83 crore was contributed by the other districts of Telangana.” The decimal figures were obviously intended to give an appearance of exactitude! <http://www.asianage.com/india/hyderabad-revenue-only-rs-20200-cr-114> (accessed on 13 November 2013).
- 15 www.apbcl.gov.in/RTI-ACT.pdf Page 41 (accessed on 13 November 2013).
- 16 http://articles.timesofindia.indiatimes.com/2012-05-25/hyderabad/31851947_1_petrol-price-hike-litre-petrol-rates (accessed on 13 November 2013).
- 17 <http://economictimes.indiatimes.com/news/politics-and-nation/all-party-meet-by-gom-on-ap-division-an-eyewash-alleges-bjp/articleshow/25700166.cms> (accessed on 13 November 2013).
- 18 <http://epaper.newindianexpress.com/184231/The-New-Indian-Express-Hyderabad/13-11-2013/#page/1/1> (accessed on 13 November 2013). This led the newspaper to ask: “This raises the question was to who is lying because it is reportedly given to the CM, Dy CM and others at the recent Cong coordination panel meeting”.
- 19 The exact quote for the controversial report was: “The revenue division of Bhadrachalam will be part of the residuary State of AP as major submergence will be in this division”. It did not point out to the GoM that the Polavaram project was denied clearance by the Ministry of Environment and that the states of Odisha and Chhattisgarh were contesting the project in the Supreme Court along with supporters of tribal and forest rights as it would involve tens of thousands of acres of forestland being inundated and nearly three lakhs tribal persons displaced. It further ignored the fact that the famous Rama Temple situated in the division was also threatened with submergence.
- 20 <http://www.siasat.com/english/news/mim-khairatabad-division-joint-working-capital>