

# Sales tax revenue of Hyderabad: no sweat!

By Gautam Pingle - HYDERABAD

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There has been much controversy over the revenue figures for Hyderabad. This has become an unnecessary and irrelevant point in the discussion around the imminent de-merger of Telangana. Nonetheless, a lot of hot air, mixed with genuine emotion and concern, is being generated around the subject. For a division-wise (not district-wise) break-up, you have to consult the latest Andhra Pradesh Statistical Abstract 2011 where the latest figures given are for 2010-11.

In 2010-11, the total collection was Rs 29,434 crore is on account of Andhra Pradesh General Sales Tax (APGST) plus Central Sales Tax (CST). CST is not the state's income, it only collects it for the Union government and it is levied on inter-state sales of enterprises registered in the state. However, it is estimated at about 20 pc of the total.

The share of Hyderabad division, which includes Ranga Reddy district, in both APGST and CST is Rs 21,714 crore (that is, 74 pc of the total), of which Abids and Secunderabad sub-divisions alone contribute Rs 15,692 crore.

The figure circulated by the Congress high command is ridiculous and does not match the published official figures. It claims that : "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. " In two years, the revenues could not have gone up by so much!

Now, note the figure given is for 'Greater Hyderabad or HMDA area.' The HMDA region covers a total area of 7,073 km with a population of over 7 million and comprises all of the GHMC (population 5.4 million), Sangareddy and Bhuvanagiri municipalities as well as 849 urbanising villages (population 1.9 million) falling within 52 mandals and located in Ranga Reddy, Medak, Mahbubnagar and Nalgonda districts.

So, if the figures are for HMDA, they have to include total figures for Hyderabad division (Hyderabad and RR districts), Nizamabad division (Nizamabad and Medak districts), and Nalgonda division (Nalgonda and Mahbubnagar districts). Thus, the estimate that HMDA provided 50 pc of the state's revenues may be near-reality, especially if it includes CST figures and other taxes also \_ as the Congress high command note says "total tax". So there is no clarity on what state sales tax revenues in Hyderabad district alone yield.

It could be in the range of Rs 17,000 crore or 80 pc of the total collection in Hyderabad division. This is after deducting APGST for Ranga Reddy district and CST for the whole. However, it is clear that many commercial enterprises which have sales all over the united state (and country) are registered in Hyderabad. Nearly 3,000 head offices of major companies and manufacturing units are said to be located in Hyderabad and pay APGST and CST.

After de-merger of Telangana, what will happen to the APGST levied on sales in the Seemandhra region but collected in Hyderabad? That is the main concern to the Seemandhra interests. CST is not the issue. The following points will make the position clear.

1. Hyderabad division includes Hyderabad district as well as Ranga Reddy district with Abids and Secunderabad sub-divisions as the largest contributors
2. As of now, APGST paid by all enterprises which have registered offices in Hyderabad or Ranga Reddy will be credited to the Hyderabad division regardless of where the sales were made within the united AP state
3. On de-merger, if the enterprise registered office remains in Hyderabad division, then its sales to Seemandhra state will be treated as inter-state sales and attract Central Sales Tax (CST) for such sales, but not Telangana state sales tax.
4. If the enterprise shifts its registered office to Seemandhra state, its sales in Telangana state will likewise attract only CST but not Seemandhra state sales tax.
5. Enterprises selling across the whole undivided state will select the best current rate (CST or either of the two states' ST) and move their registered office accordingly. This has nothing to do with government.
6. Even if the APGST on sales to Seemandhra districts is Rs 10,000 crore, the de-merger will mean these sales will attract CST and not Telangana or Seemandhra Sales Taxes.

Similar is the case with sales from Seemandhra to Telangana. This is what the two states need to discuss with the Government of India and get concessions and not quarrel with each other as there is nothing to gain from each other on this account.

So no great excitement is warranted and no quarrel needed over what will happen to state APGST revenues from the Hyderabad division when de-merger takes place.

The Union government will benefit through an increase in CST from both states. Here both the states can rationally and fairly ask that for the next five years any increase CST revenues be given back to the respective states which show an increase in CST after de-merger.

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Letters to the Editor --The Hans India -- 30th August 2013

## **Hyderabad Revenue**

With reference to the piece, "State facing financial crisis", (The Hans India, Aug.29), the figures for Hyderabad revenues are of doubtful validity, though being circulated by the Congress High Command. The Government figures for Gross District Domestic Product (GDDP) in 2009-10 the latest data for Hyderabad District works out to 7% of the State total while in 1993-94 it was 5.2%.

Revenues are based largely on income generated (GDDP). Therefore, if we apply this GDDP proportion of Hyderabad to total State revenues of Rs 69,500 crores, the contribution of Hyderabad to State revenues will be Rs 4,865 crores. There is no way 7% GDDP can generate 50% of State revenues.

This may, however, be a low estimate as the structure of taxation is different in Hyderabad from that in the rest of the State, as Hyderabad's economic base is more modern. Even if we double the figure, Hyderabad will probably only contribute around less than Rs 10,000 crores, much more of it based on income generated locally. This is nowhere near the Rs 34,000 crore figure cited in your piece.

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