

CHAPTER V

NON-TAX REVENUE

Outline

Non-tax revenue is the revenue received by the central government other than taxes, duties and licences. It includes the following classes:

- 1) Receipts For An In Aid of Specific Government Services.
- 2) Receipts on Account of Undertakings of A Commercial Character.
- 3) Revenue from Government Property.
- 4) Miscellaneous Receipts and Sales.

From 1958-1961, there was a further class of government revenue titled, "Development Plan" which showed the instalments of contribution from the United Kingdom, agreed to at the time of independence to assist in the development of the country and to offset a part of the cost of the Emergency.

Receipts for and in Aid of Specific Government Services

The important components of this class of revenue are fees of courts and offices, and other receipts for services rendered like the Audit Department and the Department of Agriculture. Revenue from these are insignificant as a source of revenue for the government but generally revenue from this class has been increasing. Except for 1959 and 1960, all other years have shown a net increase over the previous year's collection and this trend is expected to continue in 1966, bringing in an amount double that of 1958. In percentage terms this source of revenue has not been significant, in that it averaged between 3% - 4%. The percentage contribution is unlikely to show a sharp increase though the absolute collection is likely to increase with the expansion of services rendered by the public authority.

Receipts on Account of Undertakings of A Commercial Character

The government's commercial activity is three-fold. By far the most important commercial undertaking is Telecommunications which constitutes well over 75% of all revenue collected under this class. Next in line of importance, is the Postal Service. Finally Civil

Aviation radio services contribute about 1% of the revenue collected from commercial undertakings of the government.

Revenue from such services has been increasing and the trend is indicative of further increases. Percentage-wise it has averaged between 5% and 6% of total governmental revenue. In other words contribution from this source has been slightly more important than revenue collected from specific government services which are not classified as being of a commercial character. Finally one can predict, with some accuracy, an increase in the absolute collections in future years though percentage contribution is less likely to follow this trend.

Government services to the public may be alternatively classified into either utility services or business enterprises of the public sector. In Malaysia, it appears that most of the government undertakings are of a utility character. Neither are they undertaken in competition with the private sector nor is profit motive their ultimate aim. Apparently, then, most of the central government's undertakings may be classified as utility services.

As part of the 1966 Supply Bill,¹ the Minister of Finance told members of Parliament that the telephone service was coming under review. Under the system of unlimited service rate, no charge was being made on "local calls". Obviously such a system has two basic faults. In the first place, there is no relation between the telephone rental paid and the service provided. It is quite true that business subscribers had to pay \$270 annual rental as compared with \$180 for residential. But the use of this service by the business community was three times that made by the other² rendering the difference in rental very disproportionate. Secondly, the unlimited service rate also encourages a large number of non-essential calls and thereby placing a strain on the service. Therefore as from 1st July 1966, local calls are being charged at 10¢ per call without a time limit. As a relief, especially to the smaller subscribers, "a free call allowance" of 100 calls per month is given. Local calls beyond this number are being charged at 10¢ per call. This is expected to bring in \$5.3 m. in revenue. The question as in many other cases is, why it took such a long time to tap the potentialities of this source.

Revenue from Government Property

Revenue under this class takes the form of either interest or rent.³ It has shown a general increase till 1962. From 1963, however, it has steadily fallen. The main reason was that in the initial years interest from sterling securities was increasing. Later revenue from this source was decreasing and consequently there has been a reduction

¹Supply Bill 1966, op. cit., p. 75-76.

²Ibid.

³Financial Statements, op. cit., 1958-1964.

in the total revenue from government property. The same factor that operated in the absolute receipts also causes its percentage in total revenue to reach a maximum in 1962 (6.12%) and then to undergo a steady decline.

Miscellaneous Receipts and Sales

The only significant feature of this category of non-tax revenue is the unusually large amount for 1964.⁴ This can be due to 2 reasons:

i) In 1964, the "Currency Surplus Fund" distribution was \$57.6 m. while the 1965 revised estimates put it at \$44.3 m. and the 1966 figure is expected to be even lower - \$37.4 m.⁵.

ii) "Miscellaneous and Sundry Sales" are available for 1964; no such figures are given in the 1965, and 1966 estimates. There can be no estimates of such items since these are incidental accruals and no rational estimation is possible.

It would serve us sufficiently if we just take note that percentage-wise this category is expected to fluctuate. We do not feel the need to analyse such fluctuations since items unclassified in any of the above headings are put under this category merely for the purpose of convenience.

It would also be useful if we appraise the classification of non-tax revenue. The present classification is not on an economic basis. They are all classified according to administrative convenience; the reasons may perhaps be also historical. The possibility of a reclassification has not yet been investigated. An alternative economic classification to the existing one may be as follows:

- i) Fees for Utility Services.
- ii) Interest and Rent.
- iii) Others.

Tax Revenue and Non-Tax Revenue

For the period 1958-1964, the total revenue figures are shown to have been increasing steadily. The 1966 estimates indicate that by this year the amount of revenue collected would be twice that of 1958.

⁴Financial Statements, op. cit., 1964.

⁵Estimates of Malaysia, op. cit., 1966.

TABLE 5.1
TAX REVENUE AND NON-TAX REVENUE - THEIR
RELATIVE IMPORTANCE IN TOTAL REVENUE

Year	Total Revenue (1)	Total Tax Revenue (2)	Non-Tax Revenue (3)	Col. (2) as % of Col. (1) (4)	Col. (3) as % of Col. (1) (5)
1958	762,465,446	599,947,926	162,517,520	18.68	21.32
1959	890,972,163	772,161,560	168,810,603	81.05	18.95
1960	1,069,020,972	882,640,059	186,380,874	82.56	17.44
1961	1,061,006,862	873,655,570	207,351,291	80.31	19.19
1962	1,097,388,792	880,262,622	217,126,175	80.21	19.79
1963	1,150,246,312	902,032,899	248,213,412	79.42	21.58
1964	1,338,195,777	1,033,378,113	304,817,664	77.22	22.78
1965	1,437,400,000	1,167,713,800	269,686,200	81.23	18.77
1966	1,936,050,500	1,264,710,800	291,339,700	81.27	18.73

Source: As per Table 2.6.

Generally, this is also the trend in the tax revenue receipts. The years which witnessed large increases in tax revenue were 1959, 1960 and 1964. Both 1965 and 1966 are expected to be in this category.⁶ In the case of 1959, the increase was caused by a massive increase in export duties, especially of rubber. In 1960, however, there was moderate increases in nearly all the sources of tax revenue. But the most significant increase occurred in Excise Revenue which rose by about 854 m.. The expected increase in 1965 is indicative of an expectation of additional revenue from all sources of tax revenue. 1966 is rather peculiar in that while customs duties are expected to show a decline, total revenue figures indicate to a possible increase. The figures however, of excise, licences and inland revenue are expected to increase and these increases are anticipated to increase total tax revenue to an all time record figure of \$1,264 m. Another feature of column (2) is the sudden drop in 1961 from the 1960 figure. The main, if not the sole reason, appears to be the \$68 m. drop in export duties which in turn was caused by a sudden drop in revenue from rubber export duties.

Column (3) Table 5.1 has one basic trend: an increase in the absolute amount of non-tax revenue collected till 1964. 1965 and 1966 figures show a decline but it would lead us into unnecessary detail to analyse this. In any case they might even show increases since non-tax revenue seems very unpredictable, especially "Miscellaneous Receipts and Sales". For our purpose it is sufficient to bear in mind that tax revenue contributes about 80% or 4/5 of total federal revenue while non-tax revenue contributes about 20% of central government revenue. In other words, as in most other countries, tax revenue is by far the most important source of federal revenue.