

The year 2020/21 was the fourth year in the course of the 6th FYDP. The Budget Law for this year was formulated in light of the Vision Plan and the General Policies of the Islamic Republic of Iran, the major policies of the 6th FYDP, and the Budget Circulars.

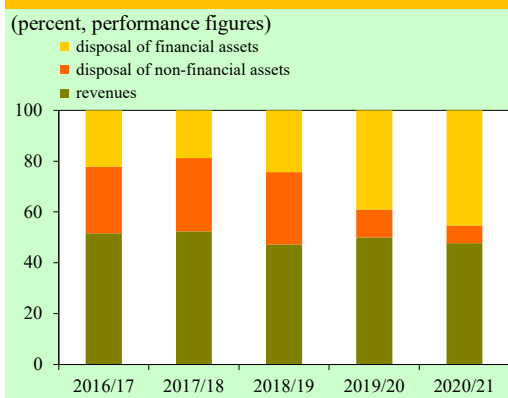
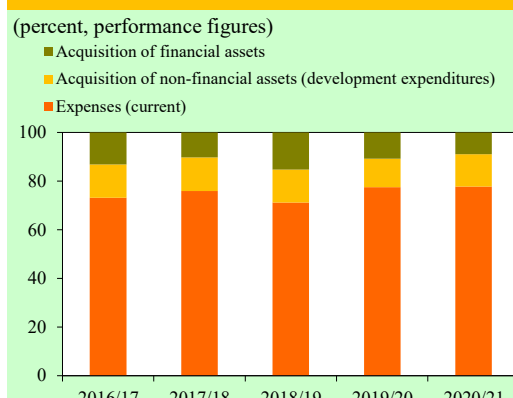
11.1. Budget Highlights

Based on Paragraph (A), Note (1), Budget Law for 2020/21, the share of the National Iranian Oil Company (NIOC) in foreign exchange earnings received from the exports of crude oil and natural gas condensate as well as the net exports of natural gas was approved at 14.5 percent. Meanwhile, it was determined that the share of the NDFI in receipts from oil exports should be set at 20.0 percent and that of the government (including the share of oil-producing and less-developed regions), at 65.5 percent.

Based on the Budget Law for 2020/21, the sources of the government general budget (excluding special revenues) were approved at Rls. 5,710.1 trillion and the uses (excluding special expenses) were also approved at Rls. 5,710.1 trillion. The approved revenues, including taxes and other revenues, amounted to Rls. 2,888.0 trillion, and the approved expenses totaled Rls. 4,360.3 trillion in 2020/21. Thus, the operating balance would record a deficit of Rls. 1,472.3 trillion. The approved sources out of the disposal of the non-financial assets were set at Rls. 1,074.9 trillion and the approved payments out of the

acquisition of non-financial assets were set at Rls. 879.8 trillion. Therefore, the approved operating and non-financial balance (the sum of the approved operating balance and the net disposal of the non-financial assets) was projected to record a deficit of Rls. 1,277.3 trillion in 2020/21. This was to be financed out of the net disposal of financial (excess) assets, which was to be mainly received from the sales of Islamic financial instruments, as well as the utilization of the NDFI resources. The sources of the approved government budget in 2020/21 constituted 50.6 percent of receipts from the revenues, 18.8 percent of receipts from the disposal of the non-financial assets, and 30.6 percent receipts from the disposal of the financial assets. The uses of the approved government budget in 2020/21 comprised the expenses by 76.4 percent, the acquisition of the non-financial assets by 15.4 percent, and the acquisition of the financial assets by 8.2 percent.

Data related to the budget performance for 2020/21 indicate that the general sources (excluding special revenues) of the budget were financed out of the revenues by 47.7 percent, out of the disposal of the non-financial assets by 6.9 percent, and out of the disposal of the financial assets by 45.4 percent. The general uses of the budget (excluding special expenses) indicated the allocation of 77.8 percent for current expenses, 13.2 percent for the acquisition of non-financial assets, and 9.0 percent for the acquisition of financial assets in the year under review.

Figure 11.1. Composition of Budget Sources

Figure 11.2. Composition of Budget Uses


11.2. Budget Performance

Government revenues, including taxes and other revenues, increased by 28.5 percent compared with 2019/20 to reach Rls. 2,791.6 trillion in 2020/21, constituting 96.7 percent of the approved figure. Out of total revenues, Rls. 2,067.8 trillion was received from taxes, and Rls. 723.8 trillion was related to other revenues. Government current expenses showed a rise of 35.0 percent, compared with the year before, to Rls. 4,547.0 trillion in 2020/21. This was 4.3 percent higher than the figure approved in the budget. Therefore,

based on the performance of government revenues and expenses, the operating balance recorded a deficit of Rls. 1,755.4 trillion. Receipts from the disposal of non-financial assets, including sales of crude oil and products, sales of movable and immovable assets, and the transfer of unfinished government projects to the private sector, decreased by 15.4 percent compared with 2019/20 to reach Rls. 402.6 trillion in 2020/21. This was 62.5 percent lower than the approved figure.

Table 11.1. Sources and Uses of Government General Budget¹ (trillion rials-percent)

	Approved		Change (%)	Share in total		Performance		Change (%)	Share in total	
	2019/20	2020/21		2019/20	2020/21	2019/20	2020/21		2019/20	2020/21
Sources	4,485.8	5,710.1	27.3	100.0	100.0	4,346.0	5,848.1	34.6	100.0	100.0
Revenues	2,389.8	2,888.0	20.8	53.3	50.6	2,171.8	2,791.6	28.5	50.0	47.7
Disposal of non-financial assets	1,585.2	1,074.9	-32.2	35.3	18.8	475.6	402.6	-15.4	10.9	6.9
Disposal of financial assets	510.8	1,747.3	242.1	11.4	30.6	1,698.6	2,653.9	56.2	39.1	45.4
Uses	4,485.8	5,710.1	27.3	100.0	100.0	4,346.0	5,848.1	34.6	100.0	100.0
Expenses (current)	3,523.8	4,360.3	23.7	78.6	76.4	3,367.9	4,547.0	35.0	77.5	77.8
Acquisition of non-financial assets	668.6	879.8	31.6	14.9	15.4	506.3	774.7	53.0	11.7	13.2
Acquisition of financial assets	293.5	470.0	60.1	6.5	8.2	471.8	526.4	11.6	10.9	9.0

Source: Annual Budget Laws, Ministry of Economic Affairs and Finance

¹ Excludes special revenues and expenses.

Disbursements on the acquisition of non-financial assets (development expenditures) increased by 53.0 percent to Rls. 774.7 trillion, 11.9 percent lower compared with the approved figure. Accordingly, the net disposal of the non-financial assets posted a deficit of Rls. 372.1 trillion in 2020/21. Considering revenues and expenses as well as the disposal and acquisition of non-financial assets, the operating and non-financial balance (the sum of the operating balance and the net disposal of the non-financial assets) registered a deficit of Rls. 2,127.5 trillion, up by 73.4 percent. This was 66.6 percent higher than the figure approved in the Budget. The disposal of the financial assets amounted to Rls. 2,653.9 trillion and the acquisition of the financial assets totaled Rls. 526.4 trillion. Therefore, the net disposal of financial assets recorded a surplus of Rls. 2,127.5 trillion, which covered the deficit in the operating and non-financial balance.

Tax revenue, including direct and indirect taxes, rose by 28.6 percent compared with the

year before, to amount to Rls. 2,067.8 trillion in 2020/21, accounting for 101.1 percent of the approved figure in the budget. Out of total tax revenue, Rls. 1,163.1 trillion was related to direct tax and Rls. 904.8 trillion was in the form of indirect tax. Direct and indirect taxes indicated increases by 43.0 and 13.8 percent, respectively. The share of the direct tax out of the total tax revenue in the year under review was 56.2 percent, and that of the indirect tax was 43.8 percent. The other government revenues, including the revenues received from "government ownership", "sales of goods and services", and "fines and penalties" as well as the "miscellaneous revenues" increased by 28.5 percent compared with the year before to Rls. 723.8 trillion in 2020/21, which was 14.1 percent lower than the approved budget. "Revenues received from government ownership" enjoyed the highest share of the other revenues of the government by Rls. 370.2 trillion, 55.0 percent higher than 2019/20 and 10.2 percent lower than the approved figure. Miscellaneous revenues, with Rls. 186.4 trillion, were the second highest component.

Table 11.2. Government Fiscal Position (performance figures)¹

(trillion rials)

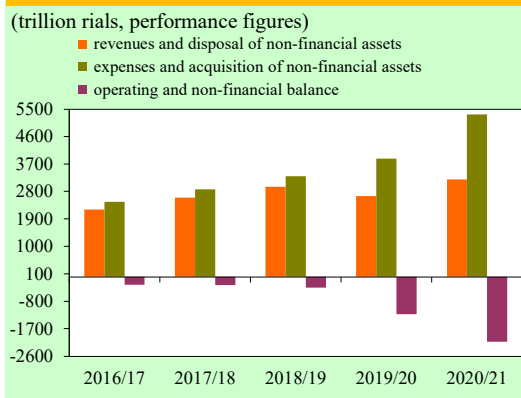
	2018/19	2019/20	2020/21	Percentage change	
				2019/20	2020/21
Revenues	1,838.4	2,171.8	2,791.6	18.1	28.5
Tax revenue	1,264.3	1,608.4	2,067.8	27.2	28.6
Other government revenues	574.0	563.4	723.8	-1.9	28.5
Expenses (current)	2,776.2	3,367.9	4,547.0	21.3	35.0
Operating balance	-937.9	-1,196.0	-1,755.4	27.5	46.8
Disposal of non-financial assets	1,109.2	475.6	402.6	-57.1	-15.4
Acquisition of non-financial assets (development expenditures)	525.9	506.3	774.7	-3.7	53.0
Net disposal of non-financial assets	583.2	-30.7	-372.1	-105.3	#
Operating and non-financial balance	-354.6	-1,226.7	-2,127.5	245.9	73.4
Ratio to GDP (at current prices)²				(base year 2016/17)	
	Percent			Change	
	2018/19 ▲	2019/20 ▲	2020/21	2019/20	2020/21
Revenues	8.8	8.2	7.0	-0.6	-1.2
Tax revenue	6.0	6.1	5.2	*	-0.9
Other government revenues	2.7	2.1	1.8	-0.6	-0.3
Expenses (current)	13.3	12.7	11.4	-0.5	-1.3
Operating balance deficit	-4.5	-4.5	-4.4	0.0	0.1
Disposal of non-financial assets	5.3	1.8	1.0	-3.5	-0.8
Acquisition of non-financial assets (development expenditures)	2.5	1.9	1.9	-0.6	0.0
Net disposal of non-financial assets	2.8	-0.1	-0.9	-2.9	-0.8
Operating and non-financial balance deficit	-1.7	-4.6	-5.3	-2.9	-0.7

Source: Annual Budget Laws, Ministry of Economic Affairs and Finance

¹ Excludes special revenues and expenses.

² Calculated through dividing the performance figures by the GDP figures at current prices, multiplying the result by 100.

Figure 11.3. Government Fiscal Position



Considering the performance of the government revenues at Rls. 2,791.6 trillion and the expenses at Rls. 4,547.0 trillion, the deficit of the operating balance of the government budget increased by 46.8 percent compared with the year before, to amount to Rls. 1,755.4 trillion, 19.2 percent higher than the figure approved in the budget. Meanwhile, the deficit of the operating and non-financial balance (the sum of the operating balance and the net disposal of the non-financial assets) increased by 73.4 percent compared with 2019/20, to Rls. 2,127.5 trillion in 2020/21, which was 66.6 percent higher than the figure approved in the budget.

Figure 11.4. Ratio of Selected Budget Figures to GDP at Current Prices (base year 2016/17)

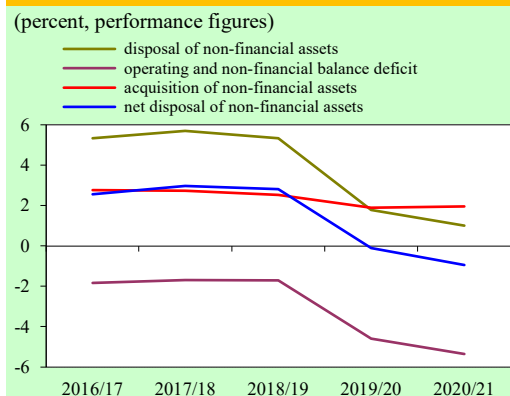


Figure 11.5. Ratio of Selected Budget Figures to GDP at Current Prices (base year 2016/17)

