



Centre's fiscal deficit at 17% of FY25BE in Apr-Jul, lower than 34% of BE in the corresponding period of FY24

September 6, 2024





Higher receipts, lower spend kept fiscal deficit in check in Apr-Jul

- During April-July, the center's fiscal deficit amounted to Rs. 2.8tn, accounting for 17% of FY25BE, lower than the deficit in the corresponding period a year ago at 34% of BE. During this period, total receipts were up 32%YY, compared to the decline of 1% during the corresponding period a year ago. As a result, fiscal year-to-date (YTD) total receipts were higher (32% of FY25BE) than in April-July FY24 (29% of FY24BE). Due to the poll-induced slowdown in spending, total expenditure remained in contraction at (-)6%YY during April-July, compared to 23% increase in the same period in FY24. Total YTD spending remained lower (27% of FY25BE) during the first four months, compared to (31% of FY24BE) a year ago. Non-debt capital receipts were muted and lower year-on-year.
- The revenue account had posted surplus in the first three months of the fiscal YTD, due to the tailwind from strong dividend receipts from RBI and other public institutions that was accounted for in May data. However, the revenue account slipped into deficit during April-July, as the increase in revenue receipts was more than offset by the increase in revenue expenditure, even as revenue spending was lower year-on-year during this period.
- The primary account, which excludes interest costs, remained in surplus on a year-to-date basis but shifted to deficit in the month of July.

	(Rs. bn)			FYTD (Rs. bn)		FYTD - %YY		FY25BE		FY24BE		FY25BE	
	Jul-24	%YY	%MM	Jul-24	Jul-23	Jul-24	Jul-23	Rs. bn	(% of BE)	Rs. bn	(% of BE)	Current run rate	Required run rate
Revenue receipts	1,873	8	(28)	10,170	7,614	34	1	31,292	33	26,323	29	2,543	2,640
Gross tax revenue	2,534	14	(32)	10,842	8,942	21	3	38,402	28	33,609	27	2,711	3,445
Net tax revenue	1,656	11	(28)	7,152	5,826	23	(13)	25,835	28	23,306	25	1,788	2,335
Direct taxes	1,228	16	(49)	5,984	4,406	36	(2)	22,070	27	18,233	24	1,496	2,011
Indirect taxes	1,305	12	1	4,849	4,524	7	8	16,237	30	15,292	30	1,212	1,424
Taxes on UT	1	(77)	(80)	9	12	(20)	42	94	10	84	14	2	11
Transfer to NDRF	7	109	(13)	24	20	16	(5)	95	25	88	23	6	9
Assignment to states	871	19	(38)	3,666	3,095	18	54	12,472	29	10,214	30	917	1,101
Non-tax revenues	218	(9)	(23)	3,018	1,788	69	100	5,457	55	3,017	59	754	305
Non-debt capital receipts	19	(38)	(23)	64	137	(53)	(54)	780	8	840	16	16	90
Recovery of loans	19	4	(23)	64	83	(23)	48	280	23	230	36	16	27
Disinvestment	0.0	(100)		0	55	(100)	(78)	500	0	610	9	0	62
Total receipts	1,892	8	(28)	10,234	7,751	32	(1)	32,072	32	27,125	29	2,559	2,730
Total expenditure	3,304	0	(5)	13,004	13,807	(6)	23	48,205	27	45,031	31	3,251	4,400
Revenue expenditure	2,502	(14)	(19)	10,391	10,636	(2)	16	37,094	28	35,001	30	2,598	3,338
Capital expenditure	802	108	114	2,613	3,171	(18)	52	11,111	24	10,010	32	653	1,062
Fiscal deficit	1,412	(8)	66	2,769	6,056	(54)	78	16,133	17	17,868	34	692	1,670
Primary deficit	774	(21)	(240)	(509)	3,057	(117)	437	4,504	(11)	7,068	43	(127)	627
Revenue deficit	629	(47)	26	221	3,022	(93)	86	5,802	4	8,699	35	55	698
FD/GDP (%)								4.9		5.9			



Tailwind to non-tax revenues from high dividend slowly fading

- During April-July, revenue receipts amounted to Rs.10.2tn or 33% of FY25BE, up from 29% of BE during April-July FY24. This marked an increase of 34%YY, compared to 1% a year ago.
- Revenue receipts rose on account of higher net tax revenue at 28% of FY25BE, up from 25% of FY24BE in April-July FY24. During April-July FY25, both gross tax revenues and transfer to states were at similar levels compared to the corresponding period a year ago, in terms of proportion of budget estimates. However, the increase in devolution to states was lower at 18%YY (versus 54% in April-July FY24), while growth in gross tax revenues was relatively strong at 21% (versus 3% in April-July FY24).
- During April-July FY25, non-tax revenues amounted to 55% of FY25BE, lower than 59% in the same period a year ago, as the tailwind from high dividend receipts that was accounted for in May data seems to be fading. The performance of other components of non-tax revenues such as interest receipts also seems to be lagging.

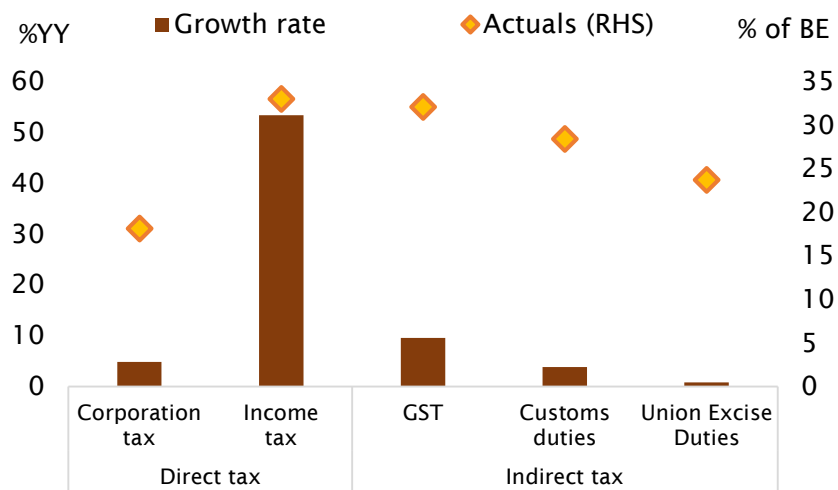
	Rs. bn	Percent change		FYTD (Rs. bn)		FYTD - %YY		FY25BE		FY24BE		FY25BE	
	Jul-24	%YY	%MM	Jul-24	Jul-23	Jul-24	Jul-23	Rs. bn	(% of BE)	Rs. bn	(% of BE)	Current run rate	Required run rate
Revenue receipts	1,873	8	(28)	10,170	7,614	34	1	31,292	33	26,323	29	2,543	2,640
Net tax revenue	1,656	11	(28)	7,152	5,826	23	(13)	25,835	28	23,306	25	1,788	2,335
Direct taxes	1,228	16	(49)	5,984	4,406	36	(2)	22,070	27	18,233	24	1,496	2,011
Corporation tax	98	(74)	(92)	1,846	1,761	5	(10)	10,200	18	9,227	19	461	1,044
Income tax	1,072	64	0	3,945	2,572	53	6	11,870	33	9,006	29	986	991
Other taxes	59	138	13	194	73	165	(31)						
Indirect taxes	1,305	12	1	4,849	4,524	7	8	16,237	30	15,292	30	1,212	1,424
Customs duty	205	29	8	675	650	4	27	2,377	28	2,331	28	169	213
Excise duty	255	4	(6)	768	762	1	(11)	3,240	24	3,390	22	192	309
Service tax	1	0	4	0	4	(97)	44	1	13	5	75	0	0
GST	846	11	2	3,405	3,108	10	10	10,619	32	9,566	32	851	902
CGST	723	8	4	3,006	2,736	10	17	9,109	33	8,116	34	752	763
IGST	(5)	(80)	(168)	(107)	(91)							(27)	13
Compensation cess	128	12	(1)	505	463	9	10	1,510	33	1,450	32	126	126
Taxes on UT	1	(77)	(80)	9	12	(20)	42	94	10	84	14	2	11
Gross tax revenue	2,534	14	(32)	10,842	8,942	21	3	38,402	28	33,609	27	2,711	3,445
Transfer to NDRF	7	109	(13)	24	20	16	(5)	95	25	88	23	6	9
Assignment to states	871	19	(38)	3,666	3,095	18	54	12,472	29	10,214	30	917	1,101
Non-tax revenues	218	(9)	(23)	3,018	1,788	69	100	5,457	55	3,017	59	754	305
Interest receipts	21	21	(44)	138	113	22	51	382	36	248	46	35	30
Dividends and Profits	45	(44)	(47)	2,288	1,039	120	146	2,891	79	910	114	572	75
Non-Tax Revenue of U.T.s	3	21	21	9	14	(32)	73	29	32	23	60	2	2
External grant	0.0	(96)		0.2	1	(70)	(56)	10	2	21	4	0	1
Other Non-Tax Revenue	149	8	(6)	582	621	(6)	60	2,144	27	1,814	34	145	195



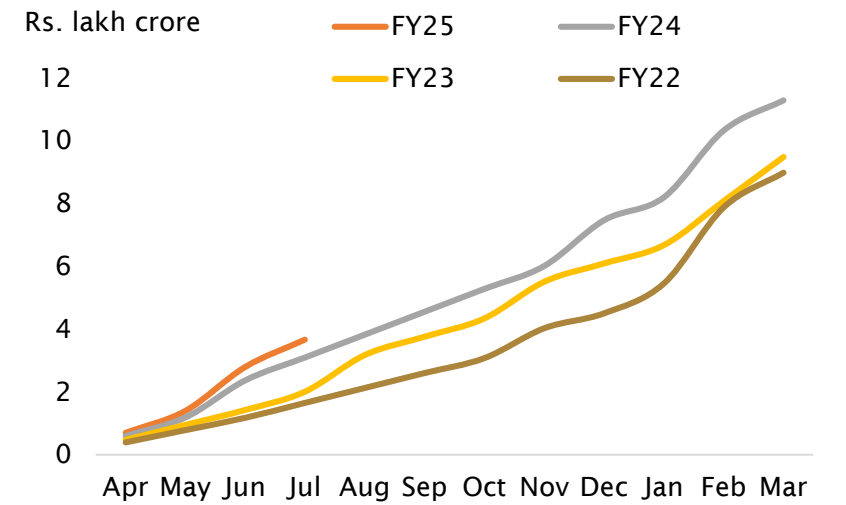
Both direct and indirect tax collections were buoyant in Apr-Jul

- During April-July, revenue receipts rose on account of higher net tax revenue at 28% of FY25BE, up from 25% of FY24BE in the corresponding period a year ago. In terms of year-on-year change, net tax revenues were up 23%YY versus 13% decline during April-July FY24. Net tax revenues were lower in this period a year ago due to higher devolution to states (up 54%YY) amid relatively muted increase in gross tax revenues (3%YY).
- During April-July FY25, direct tax collections stood at 27% of BE, higher than 24% of BE in April-July FY24. Direct tax collections grew 36%YY vis-à-vis 2% contraction in the same period a year ago. **Income tax collections were robust, up 53%YY (33% of FY25BE) versus 6% in April-July FY24 (29% of FY24BE). Corporate tax collections were up 5%YY (18% of FY25BE), compared to the decline of 10% in the same period of FY24 (19% of BE).**
- During April-July FY25, growth in indirect tax collections was stable at 7%YY versus 8% a year ago (30% of BE in both years). The **increase in GST tax collections at around 10%YY** was unchanged from the corresponding period a year ago at 10%YY 32% of BE in both years). However, the **increase in customs duty collections was lower** at 4% compared to 27% in April-July FY24 (28% of BE in both years). Excise duty collections were up 1%YY (24% of FY25BE) versus 11% decline a year ago (22% of FY24BE).

Tax collections (Apr-Jul FY25)



Devolution to States





Election-induced pause remained a drag on expenditure

- During April-July FY25, both revenue and capital expenditure contracted year-on-year, reflecting the lingering impact of slowdown in spending due to the model code of conduct ahead of the general elections.
- **Revenue spending fell 2%YY in April-July 2025 (28% of FY25BE) despite a sharper year-on-year rise in interest payments** that account for around 30% of revenue expenditure. Interest payments increased 9%YY, up from 6% in April-July FY24. However, these amounted to 28% of BE in both the fiscal years. Other major categories of revenue spending including subsidies, transfers to States, and spending on rural development remained in contraction in April-July FY25. In April-July FY24, revex had increased 16%YY that amounted to 30% of FY24BE.
- **Capital expenditure contracted 18%YY in April-July versus 52%YY growth in the same period of FY24**, accounting for 24% of FY25BE versus 32% of FY24BE. Spending slumped across key categories of defence, railways, roads and highways, and loans to States for capex. However, in the month of July on a standalone basis, there was a pick up in capital expenditure, reflected in more than 100%YY increase in spending

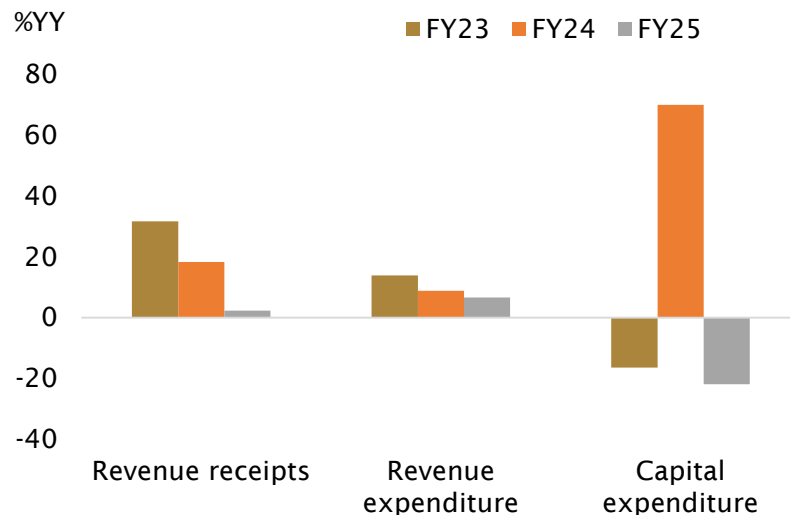
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Disinvestment	0			0	55			500		610	9	0	62
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Revenue expenditure	2,502	(14)	(19)	10,391	10,636	(2)	16	37,094	28	35,001	30	2,598	3,338
Interest payments	638	14	(54)	3,279	2,999	9	6	11,629	28	10,800	28	820	1,044
Subsidies	355	(34)	(0)	1,256	1,410	(11)	29	4,284	29	4,031	35	314	378
Transfer to states	85	(48)	15	272	514	(47)	7	1,324	21	1,655	31	68	132
Rural development	99	(17)	13	487	508	(4)	6	1,776	27	1,575	32	122	161
Others	1,325	(13)	13	5,097	5,205	(2)	21	18,081	28	16,941	31	1,274	1,623
Capital expenditure	802	108	114	2,613	3,171	(18)	52	11,111	24	10,010	32	653	1,062
Defence	110	(16)	66	255	325	(22)	(22)	1,822	14	1,714	19	64	196
Railways	187	13	9	854	952	(10)	65	2,520	34	2,400	40	214	208
Roads and highways	321	1,366	1,317	923	1,018	(9)	26	2,722	34	2,586	39	231	225
Loan to states for capex	15	(56)	(85)	199	334	(40)	980	1,500	13	1,300	26	50	163
Others	168	407	1,490	382	542	(30)	234	2,546	15	2,010	27	95	271
Fiscal deficit	1,412	(8)	66	2,769	6,056	(54)	78	16,133	17	17,868	34	692	1,670
Primary deficit	774	(21)	(240)	(509)	3,057	(117)	437	4,504	(11)	7,068	43	(127)	627
Revenue deficit	629	(47)	26	221	3,022	(93)	86	5,802	4	8,699	35	55	698
FD/GDP (%)								4.9		5.9			
PD/GDP (%)								1.4		2.4			
RD/GDP (%)								1.8		2.9			



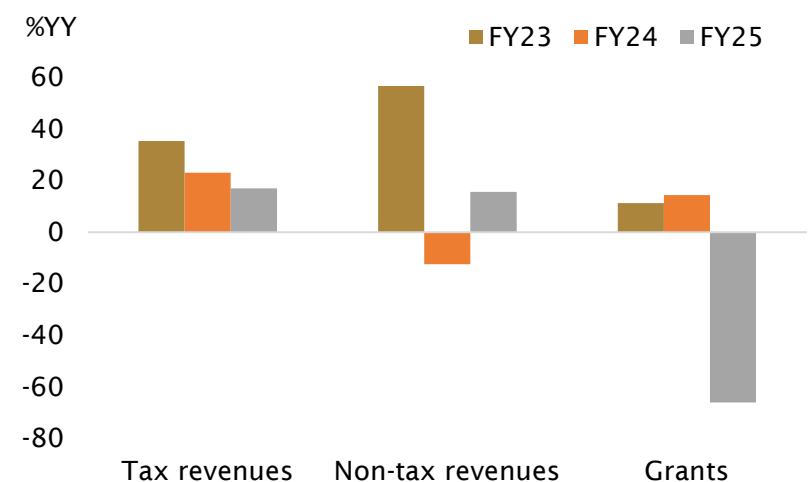
States' capex fell in Apr-Jun; grants from the Centre declined

- Data for 20 states till the month of June shows that **capital expenditure fell 22%YY during April-June FY25 compared to around 70% increase in the same period of FY24**. The year-on-year growth in revenue spending eased but remained positive at 6.7% versus 8.9% in April-June FY24.
- The moderation in growth of revenue receipts was sharp at 2.3%YY from 18.4% in the same period a year ago. Tax revenues increased at a slower pace amid deceleration in growth of states' goods and services tax (SGST) and excise duties, even as sales tax/VAT improved over a year ago. The growth in non-tax revenues following contraction in April-June FY24 was supported by low base effect. The **slump in grants from the Centre was sharp at 66%YY compared to double-digit growth in the corresponding period of the previous two fiscal years**.
- **Gross transfers to states are slated to increase as per FY25BE** due to higher tax devolution, special assistance for capital spending and transfers under centrally sponsored schemes. However, finance commission grants are budgeted to decrease, owing to lower post devolution revenue deficit grants. The provision of ₹1.5 lakh crore long-term interest-free loans for FY25 is expected to assist states in boosting their capital expenditure.

Growth in receipts in expenditure of 20 states (Apr-Jun)



Components of states' revenue receipts (Apr-Jun)





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