



# Centre's fiscal deficit narrowed in April-May; fiscal account slipped into surplus in May due to RBI dividend

July 6, 2024





# Fiscal surplus in May due to RBI dividend

- The centre's fiscal account slipped into surplus of Rs.1.6tn in May as RBI's surplus transfer to the government of Rs.2.1tn in FY24 was accounted for in the centre's books during the month. During April-May, fiscal deficit narrowed to Rs.506bn (3% of FY25BE) from Rs.2.1tn (12% of FY24RE) in the corresponding period a year ago.
- As a result of the RBI dividend, both revenue and primary accounts posted surplus for the month of May and also on a cumulative fiscal year-to-date basis.
- In April-May, total receipts were higher (19% of FY25BE) than the corresponding period a year ago (15% of FY24RE). However, total expenditure was slightly lower (13% of FY25BE), compared to (14% of FY24RE) a year ago, and in fact, fell year-on-year during April-May.
- The decline in expenditure was on the capital account, perhaps reflecting the pause in government spending around the time of general elections. Revenue expenditure, while higher year-on-year during April-May, amounted to similar level as last year at around 13% of budget estimates.
- Receipts were buoyed by revenue collection, particularly the non-tax component due to RBI dividend. Both direct and indirect tax collections were also strong, while non-debt capital receipts were muted.

	(Rs. bn)	Percent change		FYTD (Rs. bn)		FYTD - %YY		FY25BE		FY24RE		FY24RE	
	May-24	%YY	%MM	May-24	May-23	May-24	May-23	Rs. bn	(% of BE)	Rs. bn	(% of RE)	Current run rate	Required run rate
<b>Revenue receipts</b>	3,585	48	69	5,708	4,127	38	16	30,013	19	26,997	15	2,854	2,431
Gross tax revenue	2,046	14	(20)	4,596	3,970	16	(2)	38,308	12	34,372	12	2,298	3,371
Net tax revenue	1,340	13	(28)	3,190	2,780	15	(10)	26,016	12	23,239	12	1,595	2,283
Direct taxes	947	45	(32)	2,339	1,870	25	(5)	21,988	11	19,450	10	1,170	1,965
Indirect taxes	1,096	(3)	(5)	2,251	2,094	7	2	16,225	14	14,839	14	1,126	1,397
Taxes on UT	3	16	5	6	6	5	41	94	6	83	7	3	9
Transfer to NDRF	7	35	433	8	6	34	(16)	94	9	88	7	4	9
Assignment to states	699	18	0	1,398	1,183	18	24	12,198	11	11,045	11	699	1,080
<b>Non-tax revenues</b>	2,244	81	722	2,517	1,347	87	173	3,997	63	3,758	36	1,259	148
<b>Non-debt capital receipts</b>	10	(55)	0	21	30	(30)	(88)	790	3	560	5	10	77
Recovery of loans	10	(56)	0	21	29	(29)	204	290	7	260	11	10	27
Disinvestment	0.0			0	1	(92)	(100)	500	0	300	0	0	50
<b>Total receipts</b>	3,595	47	69	5,728	4,157	38	9	30,803	19	27,557	15	2,864	2,507
<b>Total expenditure</b>	2,000	(38)	(53)	6,235	6,260	(0.4)	7	47,658	13	44,905	14	3,117	4,142
Revenue expenditure	1,556	(33)	(52)	4,798	4,582	5	(4)	36,547	13	35,402	13	2,399	3,175
Capital expenditure	444	(50)	(55)	1,436	1,678	(14)	57	11,111	13	9,502	18	718	967
<b>Fiscal deficit</b>	(1,595)	(308)	(176)	506	2,103	(76)	3	16,855	3	17,348	12	253	1,635
<b>Primary deficit</b>	(1,551)	(1,211)	(289)	(732)	996	(173)	1	4,951	(15)	6,793	15	(366)	568
<b>Revenue deficit</b>	(2,029)	1,871	(1,799)	(909)	455	(300)	(63)	6,534	(14)	8,405	5	(455)	744
FD/GDP (%)								5.1		5.8			



# RBI dividend, income and GST tax collections added to revenues

- During April-May, revenue receipts of Rs.5.7tn amounted to 19% of FY25BE, compared to receipts that accounted for 15% of FY24RE in the corresponding period a year ago. Receipts were higher this year due to continued buoyancy in tax collections and RBI dividend that contributed to the non-tax numbers.
- RBI's surplus transfer of Rs.2.1tn for FY24 was higher than Rs.874bn in FY23, so that dividend receipts in April-May were already above the government's target for full fiscal year FY25BE.
- Both gross and net tax revenues amounted to around 12% of budget estimates, similar to last year's levels. Income tax collections drove the strength in direct taxes, while GST continued to lift indirect tax collections. In April-May, collections from corporate taxes and excise duties fell year-on-year.
- Devolution to states was higher year-on-year in April-May but similar to last year's level at around 11% of budget estimates for the fiscal year.

	Rs. bn	Percent change		FYTD (Rs. bn)		FYTD - %YY		FY25BE		FY24RE		FY24BE	
	May-24	%YY	%MM	May-24	May-23	May-24	May-23	Rs. bn	(% of BE)	Rs. bn	(% of RE)	Current run rate	Required run rate
<b>Revenue receipts</b>	<b>3,585</b>	<b>48</b>	<b>69</b>	<b>5,708</b>	<b>4,127</b>	<b>38</b>	<b>16</b>	<b>30,013</b>	<b>19</b>	<b>26,997</b>	<b>15</b>	<b>2,854</b>	<b>2,431</b>
<b>Net tax revenue</b>	<b>1,340</b>	<b>13</b>	<b>(28)</b>	<b>3,190</b>	<b>2,780</b>	<b>15</b>	<b>(10)</b>	<b>26,016</b>	<b>12</b>	<b>23,239</b>	<b>12</b>	<b>1,595</b>	<b>2,283</b>
<b>Direct taxes</b>	<b>947</b>	<b>45</b>	<b>(32)</b>	<b>2,339</b>	<b>1,870</b>	<b>25</b>	<b>(5)</b>	<b>21,988</b>	<b>11</b>	<b>19,450</b>	<b>10</b>	<b>1,170</b>	<b>1,965</b>
Corporation tax	91	(49)	(75)	453	565	(20)	(28)	10,428	4	9,227	6	227	998
Income tax	813	80	(18)	1,803	1,273	42	13	11,560	16	10,223	12	901	976
Other taxes	43	92	5	83	31	165	(42)						
<b>Indirect taxes</b>	<b>1,096</b>	<b>(3)</b>	<b>(5)</b>	<b>2,251</b>	<b>2,094</b>	<b>7</b>	<b>2</b>	<b>16,225</b>	<b>14</b>	<b>14,839</b>	<b>14</b>	<b>1,126</b>	<b>1,397</b>
Customs duty	141	(8)	1	281	271	4	10	2,313	12	2,187	12	140	203
Excise duty	242	(2)	34,539	243	258	(6)	(16)	3,235	8	3,081	8	122	299
Service tax	0	(90)	(110)	(1)	2	(136)	45	1	(87)	5	49	(0)	0
<b>GST</b>	<b>712</b>	<b>(2)</b>	<b>(30)</b>	<b>1,728</b>	<b>1,563</b>	<b>11</b>	<b>4</b>	<b>10,677</b>	<b>16</b>	<b>9,566</b>	<b>16</b>	<b>864</b>	<b>895</b>
CGST	677	12	(26)	1,588	1,416	12	24	9,177	17	8,116	17	794	759
IGST	(82)	(966)	211	(109)	(84)							(54)	11
Compensation cess	118	5	(10)	248	231	7	12	1,500	17	1,450	16	124	125
Taxes on UT	3	16	5	6	6	5	41	94	6	83	7	3	9
<b>Gross tax revenue</b>	<b>2,046</b>	<b>14</b>	<b>(20)</b>	<b>4,596</b>	<b>3,970</b>	<b>16</b>	<b>(2)</b>	<b>38,308</b>	<b>12</b>	<b>34,372</b>	<b>12</b>	<b>2,298</b>	<b>3,371</b>
Transfer to NDRF	7	35	433	8	6	34	(16)	94	9	88	7	4	9
Assignment to states	699	18	0	1,398	1,183	18	24	12,198	11	11,045	11	699	1,080
<b>Non-tax revenues</b>	<b>2,244</b>	<b>81</b>	<b>722</b>	<b>2,517</b>	<b>1,347</b>	<b>87</b>	<b>173</b>	<b>3,997</b>	<b>63</b>	<b>3,758</b>	<b>36</b>	<b>1,259</b>	<b>148</b>
Interest receipts	79	69	124	79	55	44	106	331	24	318	17	40	25
Dividends and Profits	2,158	147	5,833	2,158	876	146	185	1,500	144	1,544	57	1,079	(66)
Non-Tax Revenue of U.T.s	5	(34)	98	5	9	(51)	117	29	16	25	37	2	2
External grant	0.1	(26)		0.1	0	(46)	(48)	10	1	14	2	0	1
Other Non-Tax Revenue	275	(11)	38	275	406	(32)	164	2,126	13	1,856	22	137	185



# Decline in expenditure due to fall in capex; revenue spending up

- The year-on-year decline in total expenditure during April-May was driven by decline in capital expenditure. Though revenue expenditure amounted to around 13% of budget estimates for the full fiscal year, similar to the corresponding period last year, it was marked by an increase in year-on-year spending. This is in contrast to the trend during April-May FY24 when capital expenditure had increased and revenue spending had declined.
- The decline in capex could be largely attributable to the pause in government spending around the time of general elections. Within capital expenditure, loans to states for capex and defence spending were in line with last year's pace, while capex spending by railways fell, though it already accounted for 20% of budget estimates.
- Within revenue expenditure, interest payments and subsidies were on track with last year's levels, in terms of share in budget estimates. However, there was a shift in trend in case of transfer to states and spending on rural development. Transfer to states fell year-on-year, while spending on rural development rose.

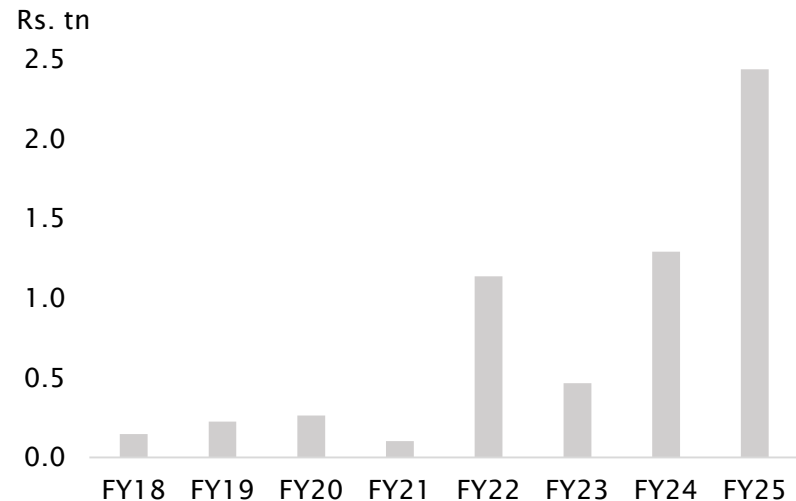
	(Rs. bn)			FYTD (Rs. bn)		FYTD - %YY		FY25BE		FY24RE		FY24BE	
	May-24	%YY	%MM	May-24	May-23	May-24	May-23	Rs. bn	(% of BE)	Rs. bn	(% of RE)	Current run rate	Required run rate
<b>Revenue receipts</b>	3,585	48	69	5,708	4,127	38	16	30,013	19	26,997	15	2,854	2,431
<b>Non-debt capital receipts</b>	10	(55)	0	21	30	(30)	(88)	790	3	560	5	10	77
Recovery of loans	10	(56)	0	21	29	(29)	204	290	7	260	11	10	27
Disinvestment	0			0	1			500		300	0	0	50
<b>Total receipts</b>	3,595	47	69	5,728	4,157	38	9	30,803	19	27,557	15	2,864	2,507
<b>Total expenditure</b>	2,000	(38)	(53)	6,235	6,260	(0.4)	7	47,658	13	44,905	14	3,117	4,142
<b>Revenue expenditure</b>	1,556	(33)	(52)	4,798	4,582	5	(4)	36,547	13	35,402	13	2,399	3,175
Interest payments	(45)	(107)	(103)	1,238	1,107	12	5	11,904	10	10,554	10	619	1,067
Subsidies	353	17	82	547	553	(1)	54	4,097	13	4,405	13	273	355
Transfer to states	35	(85)	(55)	112	291	(61)	76	1,324	8	1,404	21	56	121
Rural development	167	(11)	26	300	190	58	62	1,776	17	1,711	11	150	148
Others	1,046	7	(33)	2,601	2,441	7	(21)	17,446	15	17,328	14	1,301	1,484
<b>Capital expenditure</b>	444	(50)	(55)	1,436	1,678	(14)	57	11,111	13	9,502	18	718	967
Defence	55	15	140	78	60	29	(64)	1,822	4	1,678	4	39	174
Railways	196	(12)	(34)	495	551	(10)	68	2,520	20	2,400	23	247	203
Roads and highways	20	(88)	(96)	579	574	1	42	2,722	21	2,645	22	290	214
Loan to states for capex	73	65	802	81	50	63	421	1,300	6	1,056	5	41	122
Others	100	(76)	(3)	203	443	(54)	174	17,446	1	17,328	3	102	1,724
<b>Fiscal deficit</b>	(1,595)	(308)	(176)	506	2,103	(76)	3	16,855	3	17,348	12	253	1,635
<b>Primary deficit</b>	(1,551)	(1,211)	(289)	(732)	996	(173)	1	4,951	(15)	6,793	15	(366)	568
<b>Revenue deficit</b>	(2,029)	1,871	(1,799)	(909)	455	(300)	(63)	6,534	(14)	8,405	5	(455)	744
<b>FD/GDP (%)</b>								5.1		5.8			
<b>PD/GDP (%)</b>								1.5		2.3			
<b>RD/GDP (%)</b>								2.0		2.8			



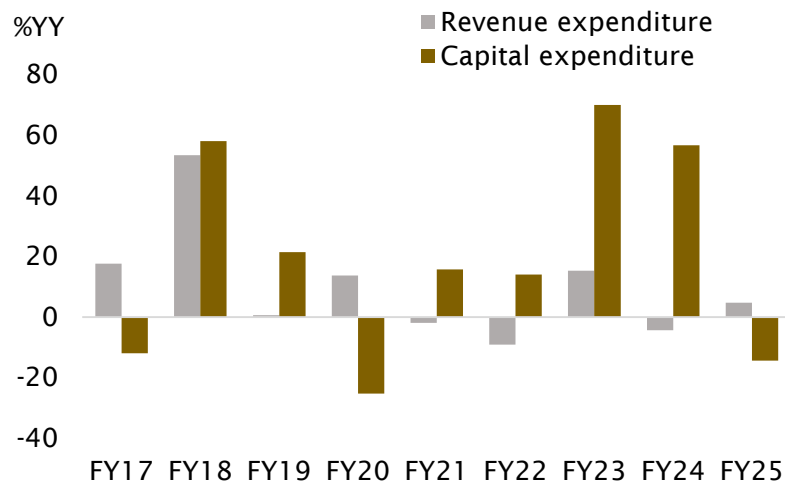
# Higher revenue spending on rural development in April-May

- The decline in capital expenditure in April-May was in line with the trend seen during the previous general elections in 2019.
- The increase in revenue expenditure continued to be driven by interest payments that constitute around one fourth share. Though the share of spending on rural development remained comparatively muted, it increased for the third consecutive year.
- Non-tax revenues net of interest receipts were buoyed by RBI dividend payout.

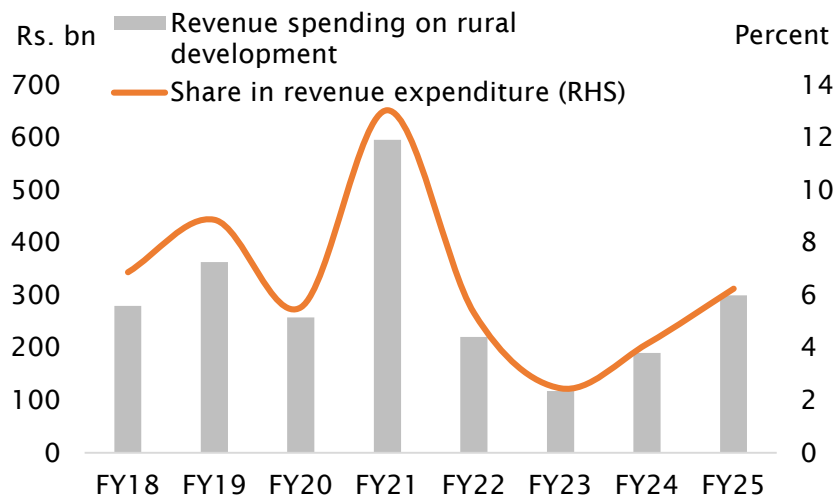
Non-tax revenues net of interest receipts (April-May)



Expenditure (April-May)



Revenue spending on rural development (April-May)







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