



**REVIEW OF TRENDS IN  
RECEIPTS AND EXPENDITURE  
IN RELATION TO THE  
REVISED BUDGET ESTIMATES 2021-2022**

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January, 2022  
Margazhi, Thiruvalluvar Aandu 2052

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The Tamil Nadu Fiscal Responsibility Act, 2003 (Act No.16 of 2003) was enacted by the Tamil Nadu Legislative Assembly. Section 6(2) of this Act states that the Minister-in-charge of the Department of Finance shall review every half year, the trends in receipts and expenditure in relation to the Budget Estimates and the remedial measures to be taken to achieve the budget targets, and place the outcome of such reviews before the Legislative Assembly.

Section 6(3) of the Act states that while placing the outcome of such review before the Legislative Assembly, the Minister shall make a statement explaining:

- a) Any deviation in meeting the obligations cast on the State Government under this Act;
- b) Whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and
- c) The remedial measures the State Government proposes to take.

In consonance with these sections of the Act, the Hon'ble Minister for Finance and Human Resources Management has reviewed the trends in receipts and expenditure for

the period of six months from April to September 2021 in relation to the Revised Budget Estimates for 2021-22 on 6th December 2021. The outcome of this review is placed before the Legislative Assembly.

### **REVIEW OF REVENUE RECEIPTS**

The Total Revenue Receipts of the Government include the following:

- a) State's Own Tax Revenue
- b) State's Own Non-Tax Revenue
- c) Tamil Nadu's Share in Central Taxes
- d) Grants-in-Aid from the Government of India

The Total Revenue Receipts were estimated at Rs.2,02,495 crore in the

Revised Budget Estimates 2021-22, which include Grants-in-Aid and Share in Central Taxes from the Government of India. The Total Revenue Receipts of the State Government till the month of September 2021 are Rs.85,210 crore. This constitutes 42.08 percent of the budgeted revenue in the Revised Budget Estimates 2021-2022. This represents a growth rate of 26.42 percent over the revenue receipts of the corresponding period in 2020-2021. The following table provides a comparative picture of the Total Revenue Receipts of the State Government.

**TRENDS IN REVENUE RECEIPTS OF  
GOVERNMENT OF TAMIL NADU DURING  
THE FIRST SIX MONTHS OF THE  
FINANCIAL YEAR 2021-2022**

| Revenue Receipts            | Accounts 2020-2021 | Revised Budget Estimates 2021-2022 | Accounts up to September 2020 | Collections up to September 2021 | Growth rate in 2021-2022 over 2020-2021 (up to Sept.) | % of Revised Budget Estimates 2021-2022 |
|-----------------------------|--------------------|------------------------------------|-------------------------------|----------------------------------|---|---|
|                             | (Rs. in Crore)     |                                    |                               |                                  | %   |   |
| State's Own Tax Revenue     | 1,06,153           | 1,26,644                           | 38,426                        | 52,908                           | 37.69   | 41.78                                   |
| State's Own Non-Tax Revenue | 10,422             | 14,139                             | 3,281                         | 3,974                            | 21.12   | 28.11                                   |
| Share in Central Taxes      | 24,924             | 27,148                             | 9,720                         | 10,611                           | 9.17  | 39.09                                   |
| Grants-in-Aid               | 32,577             | 34,564                             | 15,973                        | 17,717                           | 10.92   | 51.26                                   |
| <b>Total</b>                | <b>1,74,076</b>    | <b>2,02,495</b>                    | <b>67,400</b>                 | <b>85,210</b>                    | <b>26.42</b>  | <b>42.08</b>                            |

**a) State's Own Tax Revenue:**

The total State's Own Tax Revenue (SOTR) receipts in the first six months of this financial year i.e. up to the month of September 2021 is Rs.52,908 crore. This constitutes 41.78 percent of that estimated in the Revised Budget Estimates 2021-2022. It shows a growth rate of 37.69 percent over the receipts in the corresponding period of the previous year 2020-2021.

The summary of the trends in State's Own Tax Revenue during the first six months is given below:

| State Taxes                        | Accounts<br>2020-2021 | Revised Budget<br>Estimates<br>2021-2022 | Accounts up to<br>September 2020 | Collections up to<br>September 2021 | Growth rate in<br>2021-2022 over 2020-2021<br>(up to Sept.) | % of<br>RBE 2021-2022 |
|------------------------------------|-----------------------|--|----------------------------------|-------------------------------------|---|-----------------------|
|                                    | (Rs. in Crore)        |  |                                  |                                     | %   |                       |
| Commercial<br>Taxes                | 81,393                | 96,109                                   | 30,053                           | 40,508                              | 34.79%  | 42.15%                |
| State<br>Excise                    | 7,822                 | 8,770                                    | 3,190                            | 3,496                               | 9.59%   | 39.86%                |
| Stamps and<br>Registration<br>Fees | 11,675                | 13,253                                   | 3,586                            | 6,237                               | 73.93%  | 47.06%                |
| Taxes on<br>Vehicles               | 4,561                 | 6,582                                    | 1,496                            | 2,530                               | 69.12%  | 38.44%                |
| Others                             | 702                   | 1,930                                    | 101                              | 137                                 | 35.64%  | 7.10%                 |
| <b>Total</b>                       | <b>1,06,153</b>       | <b>1,26,644</b>                          | <b>38,426</b>                    | <b>52,908</b>                       | <b>37.69%</b>   | <b>41.78%</b>         |

The Goods and Services Tax has been implemented from 1<sup>st</sup> July 2017, and the State is assured of compensation from the Government of India to the extent of the

protected revenue as per norms of GST. The revenue collection under major components of State taxes up to September 2021 showed a growth over the corresponding period of last year. The trend is expected to continue for the rest of the fiscal year.

The Government will take efforts to improve tax collection as well as avenues for Additional Resource Mobilization to achieve the targets set in the Revised Budget Estimates of 2021-2022.

**b) State's Own Non-Tax Revenue:**

The collection up to the month of September 2021 is Rs.3,974 crore as against the Revised Budget Estimates 2021-2022 of Rs.14,139 crore. This has shown a growth

rate of 21.12 percent against the receipts during the corresponding period of the previous year and constitutes 28.11 percent of Revised Budget Estimates 2021-2022. Based on the present trend in receipt, it is expected that there may be a shortfall under State's Own Non-Tax Revenue Receipts due to the lockdown imposed on the wake of second wave of COVID pandemic and its adverse impact on revenue collection.

However, the Government is taking steps to further improve revenue collection in the remaining part of the financial year through efficient collection of fees and charges.

**c) State's Share in Central Taxes:**

Consequent to the 15th Finance Commission recommendations, the inter-se

share of Tamil Nadu has marginally decreased from 4.189% of the general divisible tax pool in 2020-2021 to 4.079% in 2021-2022. The estimate made in Revised Budget Estimate 2021-2022 is Rs.27,148 crore as against Rs.24,924 crore received in 2020-2021 towards State's share in Central taxes. A marginal increase of Rs.2,224 crore over 2020-2021 is likely to be received to the State exchequer in 2021-2022 due to improvement in tax collection consequent to post-pandemic improvement in economic activity. A sum of Rs.10,611 crore has been received up to the month of September 2021 which constitutes 39.09% in RBE 2021-22.

**d) Grants-in-Aid from the Government of India:**

As against the estimated receipts of Rs.34,564 crore under Grants-in-Aid from the Government of India including the Centrally Sponsored Schemes for 2021-2022, the total Grants-in-Aid received from the Government of India till the month of September 2021 is Rs.17,717 crore. This is about 51.26 percent of the estimated receipts for 2021-2022. The total Grants-in-Aid received from the Government of India during the corresponding period of the previous year was Rs.15,973 crore.

The Union Government from 2014-2015 has revised the sharing pattern of certain Centrally Sponsored Schemes,

which requires the State Government to contribute more as its share from own resources. Apart from this additional burden, the State also suffers due to delay in reimbursement and release of central grants. Persistent efforts are being made for getting the arrears and the current year dues of Grants-in-Aid from Government of India. As a result, the Government of India has released Rs.5,224 crore of previous years pending arrears under GST compensation in 2021-22. The Hon'ble Minister for Finance and Human Resources Management attended a pre-Budget meeting in New Delhi on 30th December 2021, and placed the issues listed above, as well as several other requests, before the Hon'ble Union Finance Minister, Union Finance Secretary & other senior officials.

**REVIEW OF EXPENDITURE****(a) Revenue Expenditure**

The estimated total revenue expenditure for the financial year 2021-2022 (Revised Budget Estimate) is Rs.2,61,188 crore. The total revenue expenditure incurred till the month of September 2021 is Rs.94,628 crore and it constitutes 36.23 percent of that estimated in the Revised Budget Estimates. The revenue expenditure incurred during the corresponding period of the previous year was Rs.90,991 crore. The revenue expenditure for the first six months of 2021-2022 has shown a growth of 4 percent over the expenditure incurred during the

corresponding period of the previous year. This increase is due to higher expenditure on pandemic control and preventive measures, cash assistance provided during lock down period along with Government's committed expenditure on on-going schemes including assistance given for food subsidy, transport sector and power sector. The Government is taking prudent measures to curtail non-developmental expenditure to maintain the fiscal stability.

The summary of trends in Revenue Expenditure during the first six months of the current financial year is as follows:

| <b>Revenue<br/>Expenditure</b>                                      | <b>Accounts<br/>2020-21</b> | <b>Revised Budget<br/>Estimate<br/>2021-2022</b> | <b>Accounts up to<br/>September 2020</b> | <b>Expenditure up to<br/>September 2021</b> | <b>Growth rate in 2021-<br/>2022 over 2020-2021<br/>(up to Sept.)</b> | <b>% of Revised<br/>Budget Estimate<br/>2021-2022</b> |
|---|-----------------------------|--|--|---|---|---|
|   | <b>(Rs. in Crore)</b>       |  |  |   | <b>%</b>  |   |
| <b>Salaries<br/>(Including<br/>Grants-in-Aid<br/>for Education)</b> | 57,373                      | 63,919   | 31,608                                   | 32,856                                      | 3.95%   | 51.40%  |
| <b>Pensions &amp;<br/>Retirement<br/>Benefits</b>                   | 24,212                      | 25,066   | 13,982                                   | 13,094                                      | -6.35%  | 52.24%  |
| <b>Non-wage<br/>operation &amp;<br/>Maintenance</b>                 | 10,645                      | 14,619   | 4,709                                    | 3,046                                       | -35.32%   | 20.84%  |
| <b>Subsidies<br/>and Transfers</b>                                  | 1,07,005                    | 1,14,633   | 26,991                                   | 43,730                                      | 62.02%  | 38.15%  |
| <b>Interest<br/>Payments</b>  | 37,147                      | 42,927   | 13,695                                   | 1,897                                       | -86.15%   | 4.42%   |
| <b>Others</b>   | 20                          | 24   | 6  | 5   | -16.67%   | 20.83%  |
| <b>Total</b>  | <b>2,36,402</b>             | <b>2,61,188</b>                                  | <b>90,991</b>                            | <b>94,628</b>                               | 4.00%   | 36.23%  |

**(b) Capital Expenditure**

An amount of Rs.42,181 crore has been allocated towards Capital Expenditure for 2021-2022. Till September 2021, sum of Rs.11,402 crore has been incurred and it constitutes 27.03 percent of that estimated in the Revised Budget Estimates. The Capital expenditure incurred during the corresponding period of the previous year was Rs.7,435 crore. The Capital expenditure for the first six months of 2021-2022 has shown a growth of 53.36 percent over the expenditure incurred during the corresponding period of the previous year. The Government closely monitors the pace of implementation of capital works for its

employment generation potential and to avail the capex linked additional borrowing space of 0.50 percent of GSDP.

### **FISCAL INDICATORS OVER THE YEARS**

The 15th Finance Commission had recommended for a normal borrowing ceiling of 4 percent of GSDP for the year 2021-2022 and incentive based extra borrowing space of 0.50 percent for power sector reforms. Subsequently, out of the 4 percent of normal borrowing ceiling, Union Government has earmarked 0.50 percent as capital expenditure linked borrowing ceiling. Based on the recommendations of the 15th Finance Commission, the State Government

amended the Tamil Nadu Fiscal Responsibility Act, 2003. As per the amended Act, the State Government shall eliminate Revenue Deficit and maintain Fiscal Deficit within 3 percent of Gross State Domestic Product by 2023-2024.

The Revenue Deficit up to the month of September 2021 is Rs.9,418 crore. Efforts are being taken to bring revenue deficit within estimates by bridging the revenue-expenditure gap through control of expenditure and stepping up of revenue collections.

The Government is committed to maintain the fiscal deficit within the

prescribed limit by taking proactive steps like bringing back the Government funds kept outside the treasury system, curtailing non-development expenditure, and adopting cost saving measures.

The year wise position of the fiscal indicators, since the enactment of Tamil Nadu Fiscal Responsibility Act, 2003 is furnished in the Annexure. The fiscal indicators for the first six months of the current financial year are as follows:

### **Fiscal Indicators in the current year**

| <b>Fiscal Indicators</b>                                       | <b>Revised Budget Estimate 2021-2022</b> | <b>Till the month of September 2021</b> |
|--|--|---|
|  | <b>(Rs. in crore)</b>                    |   |
| Total Revenue Receipts (TRR)                                   | 2,02,495                                 | 85,210                                  |
| Revenue Expenditure  | 2,61,188                                 | 94,628                                  |
| Revenue Surplus (+)/Deficit (-)                                | -58,693                                  | -9,418                                  |
| Total Capital Expenditure (including Loans and Advances Net)   | 41,932                                   | 12,851                                  |
| Total Expenditure  | 3,03,120                                 | 1,07,479                                |
| Fiscal Deficit   | -92,529                                  | -22,270                                 |
| Gross State Domestic Product                                   | 21,36,351                                | 21,36,351                               |
|  | <b>(%)</b>                               |   |
| Revenue Surplus (+)/Deficit (-) over TRR (%) (Target)          | ---                                      | ---                                     |
| Revenue Surplus (+)/Deficit (-) over TRR (%) (Actual)          | -28.98                                   | -11.05                                  |
| % of Fiscal Deficit to Gross State Domestic Product (Target)   | ----                                     | ----                                    |
| % of Fiscal Deficit to Gross State Domestic Product (Budgeted) | 4.33                                     | 1.04                                    |

**REVIEW OF FISCAL INDICATORS**

The trend in receipts in the first six months deviates from the RBE 2021-2022 due to the adverse impact of COVID-19 pandemic on tax collections, reduction in petrol price undertaken as a countervailing measure to price rise and to maintain the demand in the economy. The trend in the revenue expenditure is in line with the RBE 2021-2022 due to controlling committed expenditure (for example through deferring DA increases to Government Employees to January 1, 2022) and strictly controlling non-development revenue expenditure. On the other hand, capital expenditure is being accelerated to facilitate employment

generation, and to meet the investment target for additional borrowing.

The collection in the State's Own Tax Revenue from Commercial Taxes, State Excise Duty and Motor Vehicle Taxes is impacted due to the lock down imposed in the first quarter of the financial year. A corresponding stagnation was recorded in the collection of Non-Tax Revenues.

The total borrowing ceiling for the States in 2021-22 is fixed at 4.5 percent of GSDP inclusive of the Capex linked borrowing space of 0.50 percent, and incentive based extra borrowing space of 0.50 percent for power sector reforms.

The Government strives to stay within the Fiscal Deficit target and manage the Debt to GSDP ratio within the prescribed limits through revenue augmentation and effective fiscal consolidation.

A Medium-Term Fiscal Plan (MTFP) is being presented by the Government along with the Budget on the management of the State's Finances with regard to the Tamil Nadu Fiscal Responsibility Act, 2003 (as amended).

This review of trends in Receipts and Expenditure in relation to the Revised Budget Estimates 2021-2022 is intended to present the actual status of State's Finances and the

efforts being taken by the State Government to bridge the revenue-expenditure gap, if any, in the Medium-Term Fiscal Plan.

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**Annexure****YEAR WISE POSITION OF FISCAL INDICATORS**

| Details                 | REVENUE SURPLUS / DEFICIT |                |                     | FISCAL DEFICIT     |                |                    |
|-------------------------|---------------------------|----------------|---------------------|--------------------|----------------|--------------------|
|                         | OVER TRR % (Target)       | (Rs. in Crore) | OVER TRR % (Actual) | % to GSDP (Target) | (Rs. in Crore) | % to GSDP (Actual) |
| <b>2003-04 Accounts</b> | -20.28                    | -1565.24       | -6.60               | 4.01               | 5591.16        | 3.19               |
| <b>2004-05 Accounts</b> | -17.28                    | -703.34        | -2.47               | 3.76               | 5569.76        | 2.54               |
| <b>2005-06 Accounts</b> | -14.28                    | 1951.33        | 5.75                | 3.51               | 2250.61        | 0.87               |
| <b>2006-07 Accounts</b> | -11.28                    | 2648.26        | 6.47                | 3.26               | 3956.00        | 1.27               |
| <b>2007-08 Accounts</b> | -8.28                     | 4545.49        | 9.57                | 3.01               | 3685.59        | 1.05               |
| <b>2008-09 Accounts</b> | < -5.00                   | 1452.25        | 2.64                | <3.00              | 8547.76        | 2.13               |
| <b>2009-10 Accounts</b> | **                        | -3531.22       | -6.32               | <4.00              | 11807.26       | 2.46               |
| <b>2010-11 Accounts</b> | < -5.00                   | -2728.69       | -3.89               | <4.00              | 16646.62       | 2.85               |
| <b>2011-12 Accounts</b> | 0 / surplus               | 1364.10        | 1.60                | <3.00              | 17274.08       | 2.30               |
| <b>2012-13 Accounts</b> | 0 / surplus               | 1760.27        | 1.78                | <3.00              | 16518.99       | 1.93               |
| <b>2013-14</b>          | < -5.00                   | -1788.24       | -1.66               | <3.00              | 20583.49       | 2.12               |

| Details                     | REVENUE SURPLUS / DEFICIT |                |                        | FISCAL DEFICIT        |                |                       |
|-----------------------------|---------------------------|----------------|------------------------|-----------------------|----------------|-----------------------|
|                             | OVER TRR %<br>(Target)    | (Rs. in Crore) | OVER TRR %<br>(Actual) | % to GSDP<br>(Target) | (Rs. in Crore) | % to GSDP<br>(Actual) |
| <b>Accounts</b>             |                           |                |                        |                       |                |                       |
| <b>2014-15<br/>Accounts</b> | **                        | -6407.56       | -5.23                  | <3.00                 | 27162.44       | 2.49                  |
| <b>2015-16<br/>Accounts</b> | **                        | -11985.35      | -9.29                  | <3.00                 | 32627.56       | 2.69                  |
| <b>2016-17<br/>Accounts</b> | **                        | -12964.13      | -9.24                  | <3.00                 | 56171.35       | 4.20                  |
| <b>2017-18<br/>Accounts</b> | **                        | -21593.88      | -14.76                 | <3.00                 | 39839.51       | 2.76                  |
| <b>2018-19<br/>Accounts</b> | < -5.00                   | -23459.45      | -13.50                 | <3.00                 | 47334.90       | 2.97                  |
| <b>2019-20<br/>Accounts</b> | **                        | -35908.82      | -20.57                 | <3.00                 | 60178.64       | 3.24                  |
| <b>2020-21<br/>Accounts</b> | **                        | -62325.88      | -35.80                 | **                    | 87742.11       | 4.51                  |
| <b>RBE<br/>2021-22</b>      | **                        | -58692.68      | -28.98                 | **                    | 92529.43       | 4.33                  |

\*\* Target not fixed.

GSDP – Gross State Domestic Product

TRR – Total Revenue Receipts

