



**REVIEW OF TRENDS IN  
RECEIPTS AND EXPENDITURE  
IN RELATION TO THE  
BUDGET ESTIMATES 2020-2021**

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**REVIEW OF TRENDS IN RECEIPTS AND EXPENDITURE IN RELATION TO THE BUDGET ESTIMATES 2020-2021**

The Tamil Nadu Fiscal Responsibility Act, 2003 (Act No.16 of 2003) has been enacted by the Tamil Nadu Legislative Assembly in the year 2003. According to Section 6(2) of this Act, 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.

The Hon'ble Deputy Chief Minister has reviewed the trends in receipts and expenditure for the period of six months from April to September 2020 in relation to the Budget Estimates 2020-2021 on 21<sup>st</sup>

December 2020. 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 are estimated at Rs.2,19,375 crore in Budget Estimates 2020-2021, which include Grants-in-Aid and Share in Central Taxes

from the Government of India. The Total Revenue Receipts of the State Government upto the month of September 2020 are Rs.67,400 crore. This constitutes 30.72 percent of the budgeted revenue in the Budget Estimates 2020-2021. This represents a negative growth rate of 19.00 percent over the revenue receipts of the corresponding period in 2019-2020. 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 2020-2021**

Revenue Receipts	Accounts 2019-20	Budget Estimates 2020-2021	Accounts up to September 2019	Collections up to September 2020	Growth rate in 2020-2021 over 2019-2020 (up to Sept.)	% of Budget Estimates 2020-2021
	(Rs. in Crore)				%	
State's Own Tax Revenue	1,07,462	1,33,530	52,428	38,426	-26.71	28.78
State's Own Non-Tax Revenue	12,888	15,899	5,260	3,281	-37.62	20.64
Share in Central Taxes	26,392	32,849	12,520	9,720	-22.36	29.59
Grants-in-Aid	27,783	37,097	12,998	15,973	22.89	43.06
<b>Total</b>	<b>1,74,525</b>	<b>2,19,375</b>	<b>83,206</b>	<b>67,400</b>	<b>-19.00</b>	<b>30.72</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. upto the month of September 2020 is Rs.38,426 crore. This constitutes 28.78 percent of that estimated in the Budget Estimates 2020-2021. It shows a negative growth rate of 26.71 percent over the receipts in the corresponding period of the previous year 2019-2020.

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

State Taxes	Accounts 2019-2020	Budget Estimates 2020-2021	Accounts up to September 2019	Collections up to September 2020	Growth rate in 2020-2021 over 2019-2020 (up to Sept.)	% of Budget Estimates 2020-2021
	(Rs. in Crore)				%	
Commercial Taxes	82,882	1,02,236	40,165	30,053	-25.18	29.40
State Excise	7,206	8,134	3,451	3,190	-7.56	39.22
Stamps and Registration Fees	10,856	14,435	5,393	3,586	-33.51	24.84
Taxes on Vehicles	5,675	6,898	2,829	1,495	-47.15	21.67
Others	843	1,827	590	102	-82.71	5.58
<b>Total</b>	<b>1,07,462</b>	<b>1,33,530</b>	<b>52,428</b>	<b>38,426</b>	<b>-26.71</b>	<b>28.78</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 compensation is paid from GST Compensation Cess Fund formulated by levying cess on certain luxury items and demerit goods. The compensation received is part of the Grant-in-Aid from the Central Government. The collections under Major components of State Taxes upto the month of September 2020 showed a negative growth rate of 26.71 percent over the collection for the corresponding period of the previous year. There is negative growth in collections under all major State's Own Tax Revenue due to imposition of nationwide lockdown on the wake of COVID-19 pandemic. It is

expected to be on the positive side in the rest of the fiscal year as the Government has taken fiscal stimulus measures to revive the State economy. As a result of the proactive steps taken by the State Government, the arrears pertaining to IGST for the year 2017-2018 amounting to Rs.4,321 crore has been received from Central Government.

The Government, in addition has taken all efforts to improve tax collection by modifying the structure of VAT for petrol and diesel by combining ad-valorem and specific rates and upward revision of Excise duty rates on IMFL so as to make

up for the shortfall in revenue collection due to the impact of COVID-19 pandemic.

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

The collection upto the month of September 2020 is Rs.3,281 crore as against the Budget Estimates 2020-2021 of Rs.15,899 crore. This has shown a negative growth rate of 37.62 percent against the receipts during the corresponding period of the previous year and constitutes 20.64 percent of Budget Estimates 2020-2021. It is expected that there would be shortfall in the revenue collection projected in the Budget Estimates 2020-21 due to lockdown of all

economic activities owing to COVID-19 pandemic.

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

Consequent to the 15th Finance Commission recommendations, the inter-se share of Tamil Nadu has been increased from 4.023% to 4.189% in the general divisible tax pool. The estimate made in 2020-21 (BE) is Rs.32,849 crore as against Rs.26,392 crore received in 2019-20 towards State's share in Central taxes, resulting in a likely marginal increase of Rs.6,457 crore in 2020-21 to the State exchequer due to the 15<sup>th</sup> Finance Commission's recommendations. However, upto the month of September 2020 only a

sum of Rs.9,720 crore has been received and the consequences due to Covid-19 pandemic is likely to curtail the receipt under the State's Share in Central Taxes in 2020-21 to a great extent.

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

As against the estimated receipts of Rs.37,097 crore under Grants-in-Aid from the Government of India including the Centrally Sponsored Schemes for 2020-2021, the total Grants-in-Aid received from the Government of India till the month of September 2020 is Rs.15,973 crore. This is about 43.06 percent of the estimated receipts for 2020-2021. The total

Grants-in-Aid received from the Government of India during the corresponding period of the previous year was Rs.12,998 crore. There is a healthy growth of 22.89 percent this year due to timely release of Grants for on-going schemes.

The Central Government from 2014-2015 has rationalized and revised the sharing pattern of certain Centrally Sponsored Schemes, which implies that the State Government has to contribute more as its share from own resources. Persistent efforts are being made for getting the release of arrears of Grants-in-

Aid relating to previous years and for receipts of the current financial year from the Government of India, particularly with respect to the arrears in GST compensation, Sarva Shiksha Abhiyan, Rashtriya and Madhyamik Shiksha Abhiyan. But, due to shortage of GST compensation cess collection in this financial year, the Central Government releases a portion of GST Compensation as loan instead of grant.

As the non receipt of the Government of India's grants will put the State's finances under severe strain, the departments are being constantly instructed to follow up with

the Government of India to ensure the timely release of Grants-in-aid so that the Budget Estimates are achieved and if possible, even exceeded.

## **REVIEW OF EXPENDITURE**

### **(a) Revenue Expenditure**

The estimated total revenue expenditure for the financial year 2020-2021 is Rs.2,40,993 crore. The total revenue expenditure incurred till the month of September 2020 is Rs.90,991 crore and it constitutes 37.76 percent of that estimated in the Budget Estimates. The revenue expenditure incurred during the corresponding period



of the previous year was Rs.96,014 crore which was 45.63 percent of 2019-2020 accounts. The revenue expenditure for the first six months of 2020-2021 has shown a negative growth of 5.23 percent over the expenditure incurred during the corresponding period of the previous year.

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

Revenue Expenditure	Accounts 2019-2020	Budget Estimate 2020-2021	Accounts up to September 2019	Expenditure up to September 2020	Growth rate in 2020-2021 over 2019-2020 (up to Sept.)	% of Budget Estimate 2020-2021
	(Rs.in Crore)				(%)	
Salaries (Including Grants-in-Aid for Education)	57,829	64,209	30,567	31,608	3.41	49.23
Pensions & Retirement Benefits	27,403	32,009	15,864	13,982	-11.86	43.68
Non-wage operation & Maintenance	10,996	13,531	3,425	4,709	37.49	34.80
Subsidies and Transfers	81,241	94,100	33,387	26,991	-19.16	28.68
Interest Payments	32,940	37,120	12,758	13,695	7.34	36.89
Others	25	24	13	6	-53.85	25
<b>Total</b>	<b>2,10,434</b>	<b>2,40,993</b>	<b>96,014</b>	<b>90,991</b>	<b>-5.23</b>	<b>37.76</b>

### **(b) Capital Expenditure**

An amount of Rs.36,368 crore has been allocated towards Capital Expenditure for 2020-2021. Out of which, a sum of Rs.7,435 crore has been incurred

till the month of September 2020 and it constitutes 20.44 percent of that estimated in the Budget Estimates. The Capital expenditure incurred during the corresponding period of the previous year was Rs.9,211 crore. The Capital expenditure for the first six months of 2020-2021 has shown a negative growth of 19.28 percent over the expenditure incurred during the corresponding period of the previous year. In respect of Capital Expenditure, orders have been issued to implement various capital works and projects are being implemented expeditiously. Therefore, the pace of implementation of capital works will pick

up in the ensuing months and the allocated funds will be utilized appropriately.

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

The State Government amended the Tamil Nadu Fiscal Responsibility Act, 2003 in the month of July, 2020 by extending the time for eliminating Revenue Deficit by 2021-2022. Subsequently, due to the drastic reduction in the State's revenue collection and increase in expenditure owing to the outbreak of COVID-19 pandemic, the Central Government provided additional borrowing upto 2 per cent of GSDP with tied and untied portion

to State Government. To avail the additional borrowing, the Government of India mandated the State to amend the State's Fiscal Responsibility and Budget Management Act. Therefore, the State Government amended the Tamil Nadu Fiscal Responsibility Act, 2003 in the month of September, 2020. As per the amended Act, the State Government shall maintain Fiscal Deficit at not more than 3 percent to Gross State Domestic Product by 2021-2022. In the previous years the State Government has maintained the Fiscal deficit well within the stipulated norm of 3 per cent to Gross State Domestic Product as per the Tamil Nadu Fiscal

Responsibility Act, 2003. As the State resorts to the additional borrowing to meet out the revenue shortfall and increased expenditure instigated by COVID-19 pandemic, the fiscal deficit projected for the financial year 2020-21 exceeds the Budget Estimates 2020-21.

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>Budget Estimate 2020-2021</b>	<b>Till the month of September 2020</b>
	<b>(Rs. in crore)</b>	
Total Revenue Receipts (TRR)	2,19,375	67,400
Revenue Expenditure	2,40,993	90,991
Revenue Surplus (+)/Deficit (-)	-21,618	-23,591
Total Capital Expenditure (including Loans and Advances Net)	37,728	7,614
Total Expenditure	2,78,721	98,605
Fiscal Deficit	-59,346	-31,205
Gross State Domestic Product	2,09,19,26	2,09,19,26
	<b>(%)</b>	
Revenue Surplus (+)/Deficit (-) over TRR (%) (Target)	—	—
Revenue Surplus (+)/Deficit (-) over TRR (%) (Actual)	-9.85	-35.00
% of Fiscal Deficit to Gross State Domestic Product (Target)	<3.00	—
% of Fiscal Deficit to Gross State Domestic Product (Actual)	2.84	1.49

## **REVIEW OF FISCAL INDICATORS**

The trend in receipts in the first six months drastically deviates from the Budget Estimates 2020-2021 due to the adverse impact of COVID-19 pandemic. Whereas, the decline in expenditure is only marginal despite of the earnest efforts taken by the Government to down size the expenditure by increasing the superannuation age of Government servants from 58 years to 59 years, withdrawing leave encashment and freezing the rate of DA from January, 2020 to July, 2021 for Government staff and minimizing non development expenditures. This is due to enhanced Government expenditure on



health and social sectors so as to provide adequate infrastructure facilities for the treatment & pandemic control activities and to provide livelihood support to the poor and vulnerables.

There is significant reduction in State Own Tax Revenue collections from Commercial Taxes, Stamps and Registration and Motor Vehicle Taxes in the first quarter of this financial year due to lockdown imposed from 24<sup>th</sup> March 2020 owing to the outbreak of COVID-19 pandemic. Moreover, the Central Government has effected cut in the earmarked share of Central Taxes to Tamil Nadu due to lesser realization of Union Taxes and Duties in 2020-2021. This

has further widened the gap between revenue and expenditure. Therefore, the revenue deficit up to the month of September 2020 is Rs.23,591 crore against the Budget Estimate of Rs.21,618 crore and it is likely to increase further in the second half of this financial year.

In spite of these constraints on the fiscal position, the State Government has been successfully implementing various welfare and development schemes. In a year where there is a worldwide slowdown in growth rate, fiscal tightening by cutting back on expenditure sharply could have a further adverse impact on the growth

prospects of the economy. Hence the Government will make carefully calibrated decisions with due attention to ensuring that growth enhancing expenditure is not reduced. Therefore the time limit to achieve Revenue Deficit and Fiscal Deficit targets envisaged in the Tamil Nadu Fiscal Responsibility Act, 2003 has been extended to 2021-2022

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 Budget Estimates 2020-2021 is intended to present the actual status of State's Finances in the Medium Term Fiscal Plan.

**O.PANNEERSELVAM**  
**Deputy Chief Minister**

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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)
2003-04 Accounts	-20.28	-1565.24	-6.60	4.01	5591.16	3.19
2004-05 Accounts	-17.28	-703.34	-2.47	3.76	5569.76	2.54
2005-06 Accounts	-14.28	1951.33	5.75	3.51	2250.61	0.87
2006-07 Accounts	-11.28	2648.26	6.47	3.26	3956.00	1.27
2007-08 Accounts	-8.28	4545.49	9.57	3.01	3685.59	1.05
2008-09 Accounts	< -5.00	1452.25	2.64	<3.00	8547.76	2.13
2009-10 Accounts	**	-3531.22	-6.32	<4.00	11807.26	2.46
2010-11 Accounts	< -5.00	-2728.69	-3.89	<4.00	16646.62	2.85
2011-12 Accounts	0 / surplus	1364.10	1.60	<3.00	17274.08	2.30
2012-13 Accounts	0 / surplus	1760.27	1.78	<3.00	16518.99	1.93

Details	REVENUE SURPLUS / DEFICIT			FISCAL DEFICIT		
	OVER TRR % (Target)	(Rs. in Crore)	OVER TRR % (Actual)	% to GSDP (Target)	(Rs. in Crore)	% to GSDP (Actual)
2013-14 Accounts	< 5.00	-1788.24	-1.66	<3.00	20583.49	2.12
2014-15 Accounts	**	-6407.56	-5.23	<3.00	27162.44	2.49
2015-16 Accounts	**	-11985.35	-9.29	<3.00	32627.56	2.69
2016-17 Accounts	**	-12964.13	-9.24	<3.00	56171.35	4.20
2017-18 Accounts	**	-21593.88	-14.76	<3.00	39839.51	2.76
2018-19 Accounts	< 5.00	-23459.45	-13.50	<3.00	47334.90	2.97
2019-20 Accounts	**	-35908.82	-20.57	<3.00	60178.64	3.24
2020-2021 Budget Estimates	**	-21617.64	-9.85	<3.00	59346.39	2.84

\*\* Target not fixed.

GSDP – Gross State Domestic Product

TRR – Total Revenue Receipts