

## **REVIEW OF TRENDS IN RECEIPTS AND EXPENDITURE IN RELATION TO THE BUDGET ESTIMATES 2016-2017**

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 Minister for Finance and Personnel & Administrative Reforms has reviewed the trends in receipts and expenditure for the period of six months from April to September 2016 in relation to the Revised Budget Estimates 2016-2017 on

24<sup>th</sup> November 2016. The outcome of this review is placed before the Legislative Assembly.

### **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 for the year 2016-2017 is estimated as Rs.1,48,175 crore in Revised Budget

Estimates, which includes 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 2016 is Rs.64,769 crore. It constitutes 43.71 percent of that budgeted in Revised Budget Estimate 2016-2017. This shows a growth rate of 8.37 percent over the revenue receipts of the corresponding period of 2015-2016. The following table provides a comparative picture of the Total Revenue Receipts of the State Government in relation to the estimates for 2016-2017.

**TRENDS IN REVENUE RECEIPTS OF  
GOVERNMENT OF TAMIL NADU DURING THE  
FIRST SIX MONTHS OF THE FINANCIAL YEAR  
2016-2017**

Revenue Receipts	Supplementary Accounts 2015-2016	Revised Budget Estimates 2016-2017	Supp_Acc up to September 2015	Collections up to September 2016	Growth rate in 2016-2017 over 2015-2016 (up to Sept.)	% of achievement Over R.B.E. 2016-2017
	(Rs. in Crore)				%	
State's Own Tax Revenue	80,495	90,692	38,277	41,279	7.84	45.52
State's Own Non-Tax Revenue	8,918	9,724	2,966	3,517	18.58	36.17
Share in Central Taxes	20,335	23,018	9,064	9,865	8.84	42.86
Grants-in-Aid	19,260	24,741	9,461	10,108	6.83	40.86
<b>Total Receipts</b>	<b>1,29,008</b>	<b>1,48,175</b>	<b>59,768</b>	<b>64,769</b>	<b>8.37</b>	<b>43.71</b>

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

The total State's Own Tax Revenue (SOTR) receipts upto the month of September 2016 (first six months) is Rs. 41,279 crore. This constitutes 45.52 percent of that estimated in the Revised Budget Estimates 2016-2017. It shows a growth rate of 7.84 percent over the receipts in the corresponding period of the previous year 2015-2016.

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

State Taxes	Supplementary Accounts 2015-2016	Revised Budget Estimates 2016-2017	Supp_Acc up to Sept 2015	Collections up to Sept 2016	Growth rate in 2016-2017 over 2015-2016 (up to Sept.)	% of achievement Over R.B.E. 2016-2017
	(Rs. in Crore)				%	
Commercial Taxes	60,111	67,630	28,759	31,194	8.47	46.13
State Excise	5,836	6,636	2,712	3,061	12.87	46.13
Stamps and Registration Fees	8,722	9,858	4,443	4,374	-1.62	44.34
Taxes on Vehicles	4,233	4,794	2,145	2,473	15.29	51.60
Others	1,593	1,774	218	177	-19.27	9.92
<b>Total</b>	<b>80,495</b>	<b>90,692</b>	<b>38,277</b>	<b>41,279</b>	<b>7.84</b>	<b>45.52</b>

The collections under the major components of the State taxes upto the month of September 2016 show a growth rate of 7.84 percent over the collection for the corresponding period of the previous

year. Negative growth has been witnessed under Stamps and Registration Fees. Under Commercial Taxes, the revenue realization is not as expected as the economy continues to remain stagnant. Further, the realization of sales tax from petroleum products have not picked up as estimated. The reduced growth rate of Commercial Taxes is reflected in the slow growth of State's Own Tax Revenue (SOTR).

Revenue collections from Stamps and Registration fees in the first half year have registered a negative growth when compared with that of the last year, and have impacted the State's financial resources significantly. As the Registration of unapproved plots are stayed, there is a negative impact on

Revenue Collections from Stamps and Registration Fees.

To overcome this, the Government is taking all efforts to improve tax collection by focusing on the collection under Commercial Tax arrears and 47A cases under Stamps and Registration. With such measures, the Government hopes to reduce the shortfall between projected revenue collection in Revised Budget Estimates 2016-2017 and actual collection.

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

The collection upto the month of September 2016 is Rs.3,517 crore as against the Revised Budget Estimates 2016-2017 of Rs.9,724 crore. Though it shows a growth

rate of 18.58 percent over the receipts in the corresponding period of the previous year, it constitutes only 36.17 percent of Revised Budget Estimates 2016-2017. It is expected that the revenue projected in Revised Budget Estimates 2016-2017 would be achieved as there is a possibility of increased interest receipts and income from Non-Ferrous Mining and Metallurgical Industries in the ensuing months.

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

Consequent to the 14<sup>th</sup> Finance Commission recommendations, the inter-se share of Tamil Nadu was reduced from 4.969% to 4.023% in the general divisible tax pool, i.e., 19.04% fall in the devolution of taxes to the State. As per the

Supplementary Accounts 2015-2016, Share in Central Taxes received by Tamil Nadu in 2015-2016 is Rs.20,354 crore. But, if the inter-se share had not been reduced for Tamil Nadu, the State would have received about Rs.25,153 crore, i.e., about Rs.4,799 crore more than the actual receipts in 2015-2016.

Based on the recommendations of the 14<sup>th</sup> Finance Commission, the Government of India has fixed a total amount of Rs.23,018 crore as the share of Central Taxes to Tamil Nadu for the year 2016-2017. During this financial year, this share is being released by the Government of India on a monthly basis, and adjustment is being done on a quarterly basis. The receipts till the

month of September 2016 is Rs.9,865 crore, which was about 8.84 percent more than the receipts during the corresponding period of the previous year of Rs.9,064 crore. This constitutes about 42.86 percent of that estimated in Revised Budget Estimates 2016-2017.

However, it is expected that the Government of India will be releasing the balance amount in the remaining months of the current financial year, so that the revenue receipts projected in Revised Budget Estimates 2016-2017 would be achieved.

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

As against the estimated receipts of Rs.24,741 crore under Grants-in-Aid from the Government of India including the Restructured Centrally Sponsored Schemes for 2016-2017, the total Grants-in-Aid received from the Government of India till the month of September 2016 is Rs.10,108 crore. This is only about 40.86 percent of the estimated receipts for 2016-2017. The total Grants-in-Aid received from the Government of India during the corresponding period of the previous year was Rs.9,461 crore.

The Central Government has rationalized and revised the sharing pattern of certain

Centrally Sponsored Schemes, which implies that the State Government has to contribute more share from its resources. Persistent efforts are being made for getting the release of arrears for previous years and for receipts of current financial year from the Government of India, particularly the reimbursement of Post-Matric Scholarship, funds under Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan, and arrears of the 13<sup>th</sup> Finance Commission grants. As the non receipt of Government of India grants would put State finances under severe strain, the departments were instructed to follow up with Government of India for the timely release of Grants-in-aid.

## **REVIEW OF EXPENDITURE**

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

The estimated total revenue expenditure for the financial year 2016-2017 is Rs.1,64,030 crore. The total revenue expenditure incurred till the month of September 2016 is Rs.78,573 crore and it constitutes 47.90 percent of that estimated in the Revised Budget Estimates. The revenue expenditure incurred during the corresponding period of the previous year was Rs.66,057 crore only. The revenue expenditure for the first six months of the year 2016-2017 has increased by 18.95 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	Supplementary Accounts 2015-2016	Revised Budget Estimates 2016-2017	Supp_Acc up to September 2015	Expenditure up to September 2016	Growth rate in 2016-2017 over 2015-2016 (up to Sept.)	% of achievement over R.B.E. 2016-2017
	(Rs. in Crore)				%	
<b>Salaries (including Grants-in-Aid for Education)</b>	38,980	45,542	20,362	23,235	14.11	51.02
<b>Pensions &amp; Retirement Benefits</b>	16,888	18,868	9,462	10,127	7.03	53.67
<b>Non-wage operation &amp; Maintenance</b>	9,728	10,185	3,645	3,309	-9.22	32.49
<b>Subsidies and Transfers</b>	57,211	68,211	25,145	33,473	33.12	49.07
<b>Interest Payments</b>	18,174	21,216	7,437	8,428	13.33	39.72
<b>Others</b>	12	8	6	1	-83.33	12.50
<b>Total</b>	<b>1,40,993</b>	<b>1,64,030</b>	<b>66,057</b>	<b>78,573</b>	<b>18.95</b>	<b>47.90</b>

**(b) Capital Expenditure**

An amount of Rs.22,369 crore has been allocated towards Capital Expenditure for 2016-2017. Out of which, a sum of Rs.4,733 crore has been spent till the month of September 2016. This constitutes about 21.16 percent of the total allocation for Capital Expenditure in the financial year 2016-17. In respect of Capital Expenditure, orders have been issued to implement various capital works and instructed to implement the projects expeditiously. Therefore, the phase of implementation of capital works will be expedited in the ensuing months and the allocated funds will be utilized.

**(c) Annual Plan Outlay 2016-2017**

The performance against the Annual Plan Outlay of Rs.60,610 crore for the year 2016-2017 was reviewed. The Plan expenditure for the first six months of the current financial year is Rs.18,735 crore. It is 30.91 percent of the approved annual plan outlay for the year 2016-2017. As necessary instructions have been given to the Departments to expedite the implementation of plan schemes, the annual plan target will be achieved.

**FISCAL INDICATORS OVER THE YEARS**

The State Government amended the Tamil Nadu Fiscal Responsibility Act, 2003 in the month of September 2016. As per the

amended Act, the State Government shall eliminate Revenue Deficit by 2019-2020. The State Government has been maintaining the Fiscal Deficit well within the stipulated norm of 3 percent to Gross State Domestic Product as per the Tamil Nadu Fiscal Responsibility Act, 2003 and for the year 2015-2016, the Fiscal Deficit to GSDP has been maintained at 2.69 percent.

The year wise position of fiscal indicators, since the enactment of Tamil Nadu Fiscal Responsibility Act, 2003 is furnished in Annexure - I.

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 Estimates 2016-2017</b>	<b>Till the month of September 2016</b>
	(Rs. in crore)	
Total Revenue Receipts (TRR)	1,48,175	64,769
Revenue Expenditure	1,64,030	78,573
Revenue Surplus (+) / Deficit (-)	-15,855	-13,804
Total Capital Expenditure (including Loans and Advances Net)	24,679	5,166
Total Expenditure	1,88,709	83,739
Fiscal Deficit	40,534	18,970
Gross State Domestic Product	13,69,494	---
	(%)	
Revenue Surplus (+) / Deficit (-) over TRR (%) (Target)	0/ Surplus	<-5.00
Revenue Surplus (+) / Deficit (-) over TRR (%) (Actual)	-10.70	-21.31
% of Fiscal Deficit to Gross State Domestic Product (Target)	<3.00	<3.00
% of Fiscal Deficit to Gross State Domestic Product (Actual)	2.96	---

The Revenue Deficit up to the month of September 2016 is Rs.13,804 crore. Efforts are being taken to control revenue deficit by bridging the revenue-expenditure gap by controlling expenditure and stepping up tax collections.

### **REVIEW OF FISCAL INDICATORS**

The trends in receipts and expenditure in the first six months are generally in line with the Revised Budget Estimates for 2016-2017, except few shortfalls explained in the previous paragraphs.

The economic slowdown continues to impact the growth of State's Own Tax Revenue (SOTR). The reduced growth rate of Commercial Taxes due to slowdown of

economy and slow growth in the taxes on petroleum products has pulled down the Tax Receipts. Hence, efforts are being stepped up for the collection of arrears. The revenue collection from Stamps and Registration fees has registered a negative growth when compared with the last year, and has impacted the State's financial resources. To compensate this, the Government is stepping up its efforts to realise more revenue by expediting the collection on impounded documents.

The significant reduction in share in Central Taxes for Tamil Nadu as per the 14<sup>th</sup> Finance Commission Recommendations has strained the finances of the State. Moreover, the reduced share of the

Government of India in Centrally Sponsored Schemes has put the State under further financial stress as additional expenditure has to be incurred for these schemes from the State's own resources. The situation is further aggravated by the delay in release of previous year's arrears and current year receipts by the Government of India, in respect of reimbursement of Post-Matric Scholarships, arrears of 13<sup>th</sup> Finance Commission grants, etc. Hence, steps are being taken to get the pending amounts due to the State from Government of India.

In spite of these constraints on the financial position, the State Government continues to fulfill its committed expenditure and has been implementing various welfare

and development schemes proactively in the current financial year also. Though it has impacted the Revenue Account of the State, efforts are being taken to minimize the revenue deficit by stringent austerity measures and controlling avoidable expenditure and by enhancing the revenue receipts. It is therefore expected that the State will adhere to the Revised Budget Estimates to a large extent.

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

2016-2017 is intended to present the State's Finances and the efforts taken by the State Government to bridge the revenue-expenditure gap in the Medium Term Fiscal Plan.

**O. PANNEERSELVAM**  
Chief Minister

**Annexure – I**  
**YEARWISE POSITION OF FISCAL INDICATORS**

Details	REVENUE SURPLUS / DEFICIT			FISCAL DEFICIT		
	OVER TRR % (Target)	(Rs. in Crore)	OVER TRR % (Actuals)	% to GSDP (Target)	(Rs.in Crore)	% to GSDP (Actuals)
<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	2.75
<b>2005-06 Accounts</b>	-14.28	1951.33	5.75	3.51	2250.61	0.96
<b>2006-07 Accounts</b>	-11.28	2648.26	6.47	3.26	3956.00	1.43
<b>2007-08 Accounts</b>	-8.28	4545.49	9.57	3.01	3685.59	1.21
<b>2008-09 Accounts</b>	< -5.00	1452.25	2.64	<3.00	8547.76	2.52
<b>2009-10 Accounts</b>	**	-3531.22	-6.32	<4.00	11807.26	2.54
<b>2010-11 Accounts</b>	< -5.00	-2728.69	-3.89	<4.00	16646.62	3.21
<b>2011-12 Accounts</b>	0 / surplus	1364.10	1.60	<3.00	17274.08	2.97
<b>2012-13 Accounts</b>	0 / surplus	1760.27	1.78	<3.00	16518.99	2.39
<b>2013-14 Accounts</b>	0 / surplus	-1788.24	-1.66	<3.00	20583.49	2.55
<b>2014-15 Accounts</b>	0 / surplus	-6407.56	-5.23	<3.00	27162.44	2.49
<b>2015-16 Sup-Accts</b>	<-5.00	-11985.35	-9.29	<3.00	32627.56	2.69
<b>R.B.E 2016-17</b>	<-5.00	-15854.46	-10.70	<3.00	40533.84	2.96
GSDP – Gross State Domestic Product TRR– Total Revenue Receipts						

