

Centre’s fiscal deficit on track to meet or even mildly overachieve FY25RE

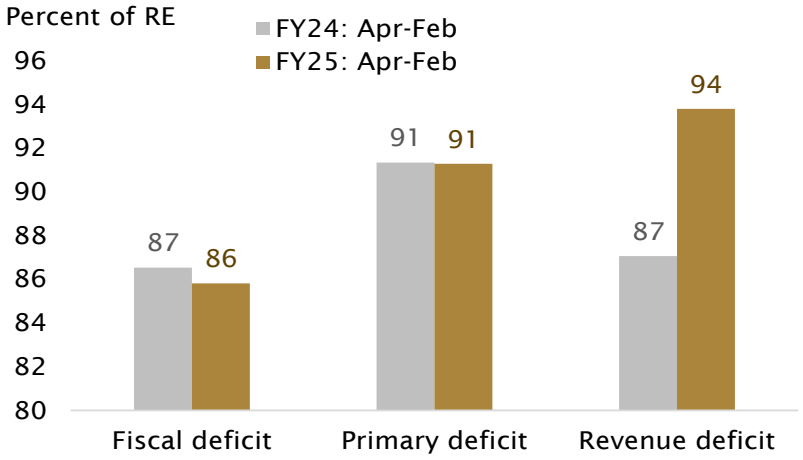
April 1, 2025

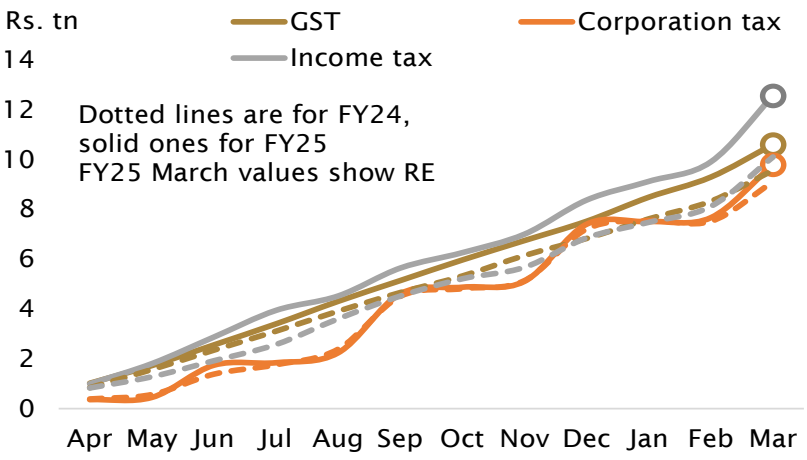
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Key takeaways

- The Centre's accounts are on track to meet or even slightly overachieve the revised fiscal deficit target for FY25 at 4.8% of GDP (FY25BE was at 4.9%). Data for the Centre till February shows that all key measures of deficit – fiscal, primary and revenue – remained below the levels in corresponding period of FY24, reflecting the ongoing consolidation efforts.
- However, the impact of national and state assembly elections held in FY25 did reflect on revenue spending that increased at a faster pace year-on-year but was offset by slower pick-up in capital expenditure. There is a high probability that the Centre undershoots its capital spending target for the year, which would partly help to keep the overall expenditure in check. As a result, despite year-on-year decline in revenue spending and also as a share of total expenditure, the measures of quality of spending are somewhat mixed for FY25.
- The headline numbers for both tax and non-tax revenues remained healthy, but there were deviations in trends within sub-categories, including within direct and indirect tax collections. Within direct taxes, income tax revenues have been robust and within indirect taxes, GST collections remained buoyant. Together, these are expected to offset the weakness in corporate tax revenues that has been persistent this fiscal year. The RBI's bumper dividend lifted the share of non-tax revenues in total receipts, partly compensating for the fact that the government is likely to miss its disinvestment target this year as well.
- Data for 21 States till January showed similar trends for revenue and capital spending. But all measures of deficit remained lower year-on-year, indicating that the States are on track to attain their targets for FY25.

Apr-Feb FY25 revenue deficit steeper than FYTD-FY24; income tax, GST to lift revenues amid weak corporate collection





Centre's fiscal deficit on track to meet or mildly overachieve FY25RE

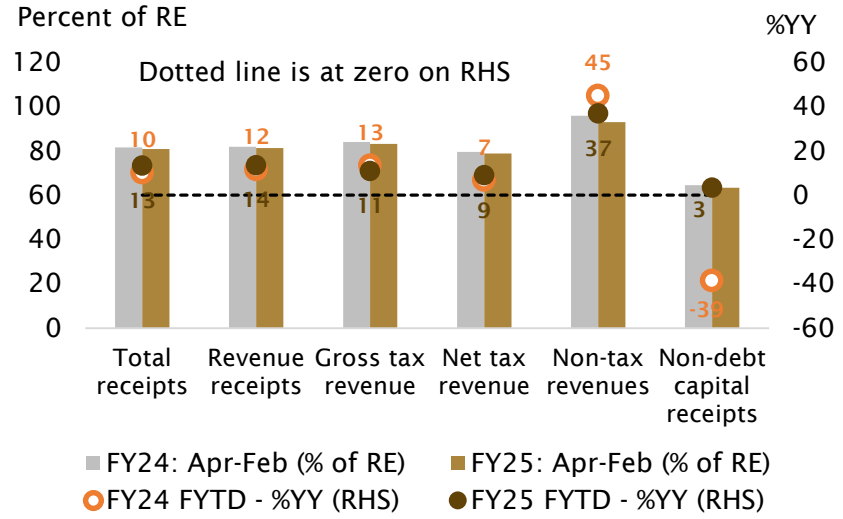
- In fiscal year-to-date (FYTD) terms, the central government's all three key measures of deficit – fiscal, primary, and revenue – narrowed from levels in the corresponding period of FY24, reflecting the ongoing consolidation efforts. The fiscal deficit narrowed to Rs.13.5tn in Apr-Feb FY25 from Rs.15.0tn in Apr-Feb FY24. In both years, the fiscal year-to-date (FYTD) deficit amounted to ~86-87% of revised estimates (RE). In fact, to meet FY25RE, fiscal deficit will need to rise to Rs.2.2tn in March, from the current run rate of Rs.1.2tn for 11 months until February, indicating possibility of undershooting the full year target.
- Revenue deficit stands out for a few reasons. Despite narrowing to Rs.5.7tn in Apr-Feb FY25 from Rs.7.3tn in FYTD-FY24, revenue deficit amounted to 94% of FY25RE versus 87% of FY24RE and needs to moderate in March from the current run rate of more than Rs.500bn in the 11 months of FY25 so far.
- Primary deficit has eased to Rs.3.9tn in FYTD-FY25 from Rs.6.2tn in the same period of FY24, amounting to 91% of RE in both years. The current and required run rates also suggest that the central government is on track to meet the primary deficit target for FY25.

	(Rs. bn)	FYTD (Rs. bn)		FYTD - %YY		FY25RE		FY24RE		FY25RE	
	Feb-25	Feb-25	Feb-24	Feb-25	Feb-24	Rs. bn	(% of RE)	Rs. bn	(% of RE)	Current run rate	Required run rate
Revenue receipts	**1,378**	**25,090**	**22,098**	**14**	**12**	**30,880**	**81**	**26,997**	**82**	**2,281**	**5,790**
Gross tax revenue	**2,199**	**32,042**	**28,899**	**11**	**13**	**38,535**	**83**	**34,372**	**84**	**2,913**	**6,492**
Net tax revenue	**1,121**	**20,156**	**18,495**	**9**	**7**	**25,570**	**79**	**23,239**	**80**	**1,832**	**5,413**
Direct taxes	**999**	**18,147**	**16,019**	**13**	**22**	**22,420**	**81**	**19,495**	**82**	**1,650**	**4,273**
Indirect taxes	**1,197**	**13,857**	**12,836**	**8**	**5**	**16,070**	**86**	**14,839**	**87**	**1,260**	**2,213**
Taxes on UT	3	39	43	(11)	29	95	41	83	52	4	56
Transfer to NDRF	14	81	70	16	(1)	96	84	88	79	7	16
Assignment to states	1,064	11,805	10,334	14	28	12,869	92	11,045	94	1,073	**1,064**
Non-tax revenues	**257**	**4,933**	**3,603**	**37**	**45**	**5,310**	**93**	**3,758**	**96**	**448**	**377**
Non-debt capital receipts	**81**	**374**	**361**	**3**	**(39)**	**590**	**63**	**560**	**65**	**34**	**216**
Recovery of loans	15	217	235	(8)	16	260	83	260	90	20	43
Disinvestment	67	157	127	24	(67)	330	48	300	42	14	173
Total receipts	**1,459**	**25,463**	**22,459**	**13**	**10**	**31,470**	**81**	**27,557**	**82**	**2,315**	**6,006**
Total expenditure	**3,232**	**38,932**	**37,473**	**4**	**7**	**47,165**	**83**	**44,905**	**83**	**3,539**	**8,233**
Revenue expenditure	**2,687**	**30,813**	**29,417**	**5**	**1**	**36,981**	**83**	**35,402**	**83**	**2,801**	**6,168**
Capital expenditure	**545**	**8,119**	**8,056**	**1**	**36**	**10,184**	**80**	**9,502**	**85**	**738**	**2,065**
Fiscal deficit	**1,773**	**13,469**	**15,014**	**(10)**	**3**	**15,695**	**86**	**17,348**	**87**	**1,224**	**2,227**
Primary deficit	**999**	**3,940**	**6,206**	**(37)**	**(5)**	**4,316**	**91**	**6,793**	**91**	**358**	**376**
Revenue deficit	**1,309**	**5,723**	**7,319**	**(22)**	**(21)**	**6,101**	**94**	**8,405**	**87**	**520**	**378**
FD/GDP (%)						4.8		5.8			

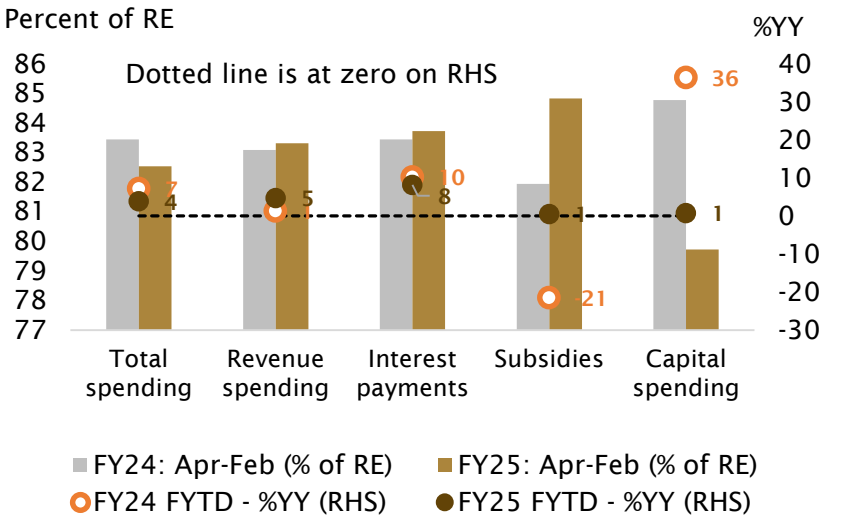
Capex, disinvestment receipts likely to miss FY25RE targets

- Total receipts at the Centre amounted to Rs.25.5tn in Apr-Feb FY25, up 13%YY. In terms of share in RE, receipts amounted to 81% in FYTD FY25, almost in line with 82% in FYTD FY25.
  - The trend in total receipts mirrored the movements in revenue receipts that comprise 98% of total receipts.
  - Non-debt capital receipts stood at Rs.374bn in Apr-Feb FY25, up 3%YY and accounted for 63% of FY25RE vs 65% of RE in Apr-Feb FY24. Disinvestments continue to lag and are likely to miss target again this year.
- The Centre's total expenditure stood at Rs.38.9tn in FYTD FY25, up 4%YY, amounting to similar levels seen in Apr-Feb FY24 in terms of share in RE, albeit fractionally lower at 82.5% of FY25RE vs 83.4% of RE in Apr-Feb FY24.
  - Capital expenditure was at Rs.8.1tn, up 1%YY in Apr-Feb FY25 versus 36% growth in Apr-Feb FY24. In terms of share in RE, capital spending was at 80%, lower than 85% in Apr-Feb FY24. To meet RE, capex needs to surge by Rs.2.1tn in March versus the run rate of Rs.738bn in Apr-Feb FY25.
  - The Centre's revenue expenditure stood at Rs.30.8tn in FYTD FY25, up 5%YY versus 1% increase in FYTD FY24. In terms of share in RE, revenue spending was mildly higher at 83.3% versus 83.1% in Apr-Feb FY24.
    - Despite the mild 0.6%YY increase in subsidies to Rs.3.6tn, the trend reversed from 21% decline in the same period of FY24. In Apr-Feb FY25, these amounted to 85% of RE versus 82% in Apr-Feb FY24.
    - Interest payments stood at Rs.9.5tn, up 8%YY compared to 10% increase in FYTD FY24. This amounted to 84% of RE versus 83% in FY24 FYTD.

Central government receipts (FYTD Apr-Feb FY25)

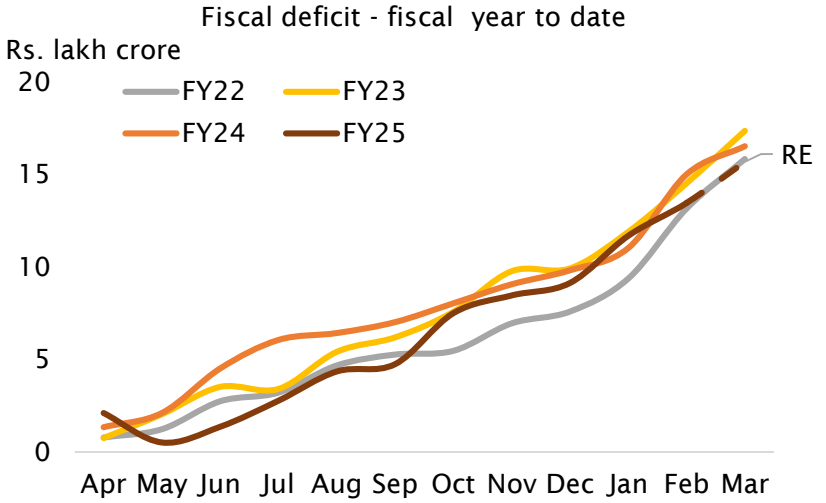


Central government expenditure (FYTD Apr-Feb FY25)

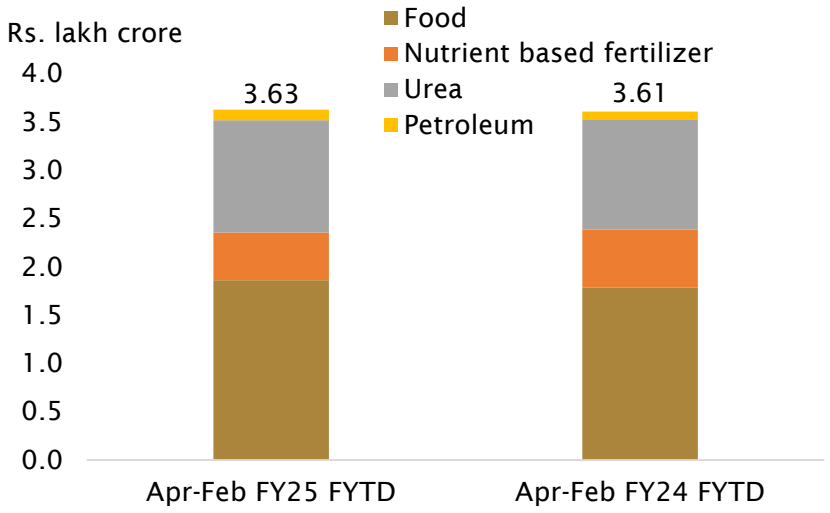


Higher food, petroleum subsidy offset decline in fertilizer subsidy

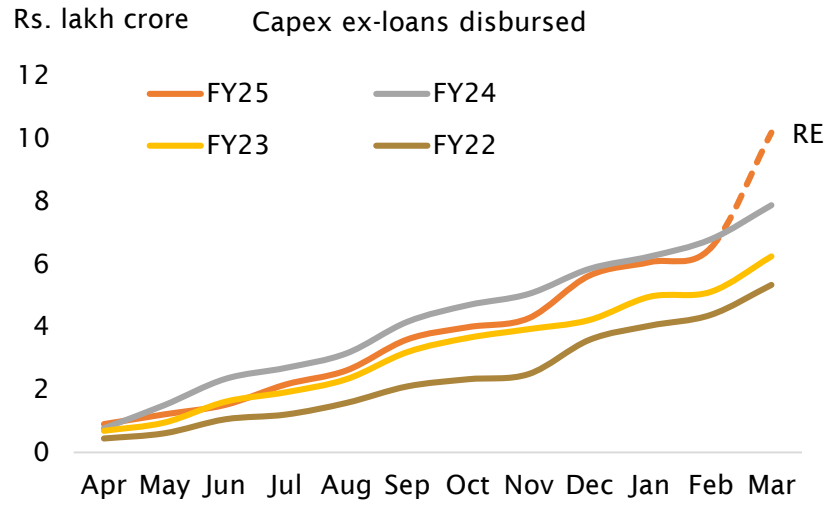
Fiscal deficit on track to meet or overachieve FY25RE



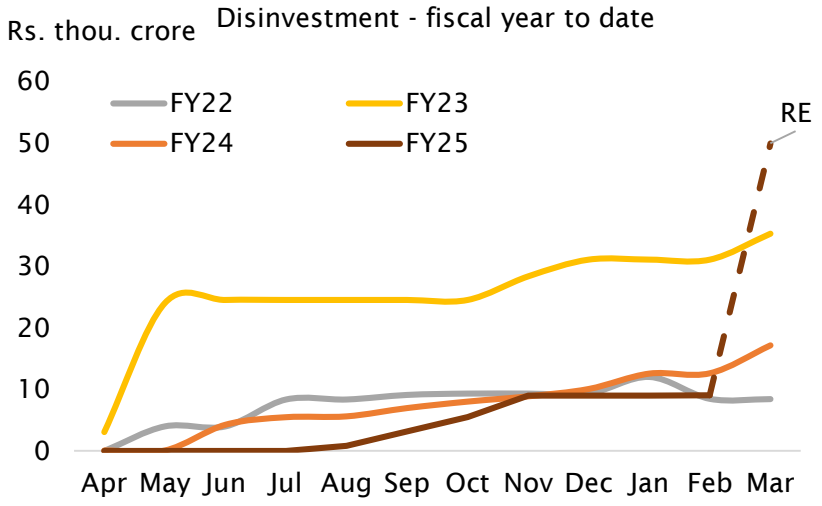
Food subsidy up 4%YY, petrol 37%; fertilizer down 5%



Capital outlay remains below FYTD FY24 levels



Government likely to miss disinvestment target again



Headline tax and non-tax revenue receipts remain healthy

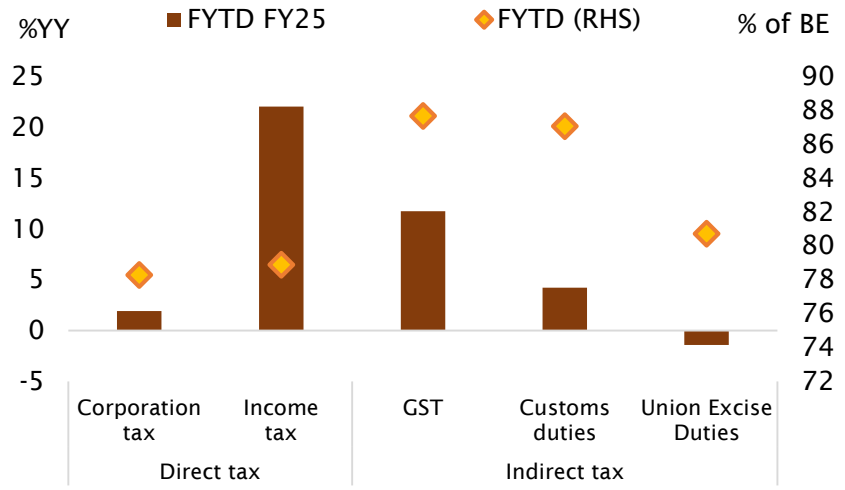
- In Apr-Feb FY25, revenue receipts amounted to Rs.25.1tn, up 14%YY and accounted for 81% of FY25RE, mildly below 82% of RE in Apr-Feb FY24. Gross tax revenues, devolution to States and therefore, net tax revenues, exhibited similar trends, up year-on-year but a tad below the same period of FY24 in terms of share in RE.
- The year-on-year growth in gross tax revenues eased and in fact, halved in case of devolution to States, resulting in higher pace of growth in net tax revenues at 9%YY vis-à-vis 7% increase in Apr-Feb FY24. Net tax revenues amounted to Rs.20.2tn (79% of FY25RE) versus Rs.18.5tn (80% of RE in FYTD FY24).
- Non-tax revenues stood at Rs.4.9tn, up 37%YY but a slowdown vis-à-vis 45% growth in Apr-Feb FY24. These amounted to 93% of FY25RE vs 96% of RE in FYTD FY24.
- As a result of the bumper RBI dividend this year, share of non-tax revenues (ex-interest receipts) in total revenue receipts rose to 18% in Apr-Feb FY25, the highest in the post-pandemic period in FYTD terms.

	Rs. bn	FYTD (Rs. bn)		FYTD - %YY		FY25RE		FY24RE		FY25RE	
	Feb-25	Feb-25	Feb-24	Feb-25	Feb-24	Rs. bn	(% of RE)	Rs. bn	(% of RE)	Current run rate	Required run rate
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Direct taxes	**999**	**18,147**	**16,019**	**13**	**22**	**22,420**	**81**	**19,495**	**82**	**1,650**	**4,273**
Corporation tax	158	7,672	7,527	2	17	9,800	78	9,227	82	697	2,128
Income tax	787	9,915	8,124	22	26	12,570	79	10,223	79	901	2,655
Other taxes	53	560	368	52	29	50		45	818	51	(510)
Indirect taxes	**1,197**	**13,857**	**12,836**	**8**	**5**	**16,070**	**86**	**14,839**	**87**	**1,260**	**2,213**
Customs duty	144	2,046	1,964	4	4	2,350	87	2,187	90	186	304
Excise duty	243	2,502	2,538	(1)	(6)	3,100	81	3,081	82	227	598
Service tax	0.0	0.1	5	(98)	55	1	9	5	93	0.01	0.9
GST	**810**	**9,309**	**8,330**	**12**	**8**	**10,619**	**88**	**9,566**	**87**	**846**	**1,310**
CGST	776	8,301	7,475	11	14	9,085	91	8,116	92	755	783
IGST	(100)	(376)	(433)	(13)						(34)	376
Compensation cess	134	1,383	1,287	7	11	1,534	90	1,450	89	126	151
Taxes on UT	3	39	43	(11)	29	95	41	83	52	4	56
Gross tax revenue	**2,199**	**32,042**	**28,899**	**11**	**13**	**38,535**	**83**	**34,372**	**84**	**2,913**	**6,492**
Transfer to NDRF	14	81	70	16	(1)	96	84	88	79	7	16
Assignment to states	1,064	11,805	10,334	14	28	12,869	92	11,045	94	1,073	1,064
Non-tax revenues	**257**	**4,933**	**3,603**	**37**	**45**	**5,310**	**93**	**3,758**	**96**	**448**	**377**
Interest receipts	30	352	340	3	47	340	103	318	107	32	(12)
Dividends and Profits	142	3,001	1,571	91	87	2,893	104	1,544	102	273	(108)
Non-Tax Revenue of U.T.s	1	29	31	(6)	40	31	94	25	122	3	2
External grant	(0.0)	7	7	(10)	(22)	12	56	14	51	1	5
Other Non-Tax Revenue	83	1,545	1,654	(7)	20	2,034	76	1,856	89	140	489

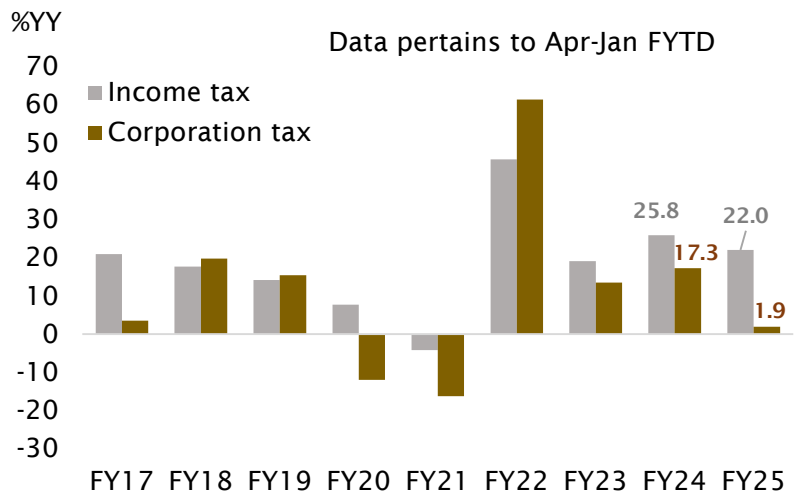
Deviating trends within categories of tax and non-tax revenues

- Though the headline numbers were healthy for both tax and non-tax revenues, there were deviations in trends within sub-categories, including within direct and indirect tax collections. In Apr-Feb FY25, direct tax revenues stood at Rs.18.1tn, up 13%YY but slower than 22% growth in FYTD FY24. These amounted to 81% of FY25RE, compared to 82% of RE in FYTD FY24. Indirect tax revenues were Rs.13.9tn, up 8%YY, higher than 5% growth in Apr-Feb FY24. These totaled 86% of FY25RE, compared to 87% of RE in FYTD FY24.
- Within direct taxes, income tax revenues have been robust and within indirect taxes, GST collections remain buoyant. Together, these are expected to offset the weakness in corporate tax revenues this year.
  - In Apr-Feb FY25, corporate tax revenues stood at Rs.7.7tn, up 2%YY versus 17% growth in Apr-Feb FY24. These amounted to 78% of FY25RE versus 82% of RE in FYTD FY24. Income tax revenues were strong at Rs.9.9tn, up 22%YY, slower than 26% growth in Apr-Feb FY24 but amounted to the same level as FYTD FY24 in terms of share in RE at 79%.
  - Within indirect taxes, GST revenues amounted to Rs.9.3tn, up 12%YY from 8% growth in Apr-Feb FY24 and accounted for 88% of FY25RE versus 87% of RE in FYTD FY24. However, customs and excise duty collections remain lower compared to FYTD FY24 in terms of share in RE.
  - Within non-tax revenues, 1) interest receipts, 2) dividends and profits were already above FY25RE but were lagging previous year's levels for other sub-categories, either or both in nominal terms and share in RE.

Tax collections (fiscal year-to-date Apr-Feb)

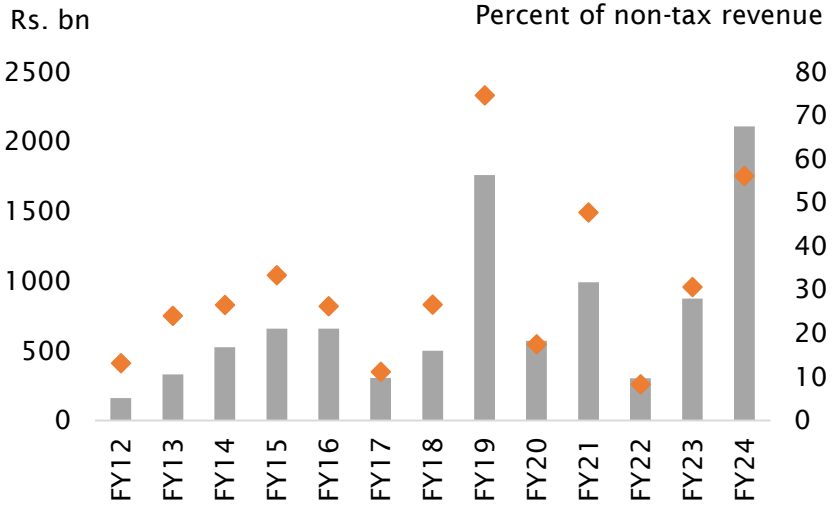


Tax collections (fiscal year-to-date, Apr-Feb)

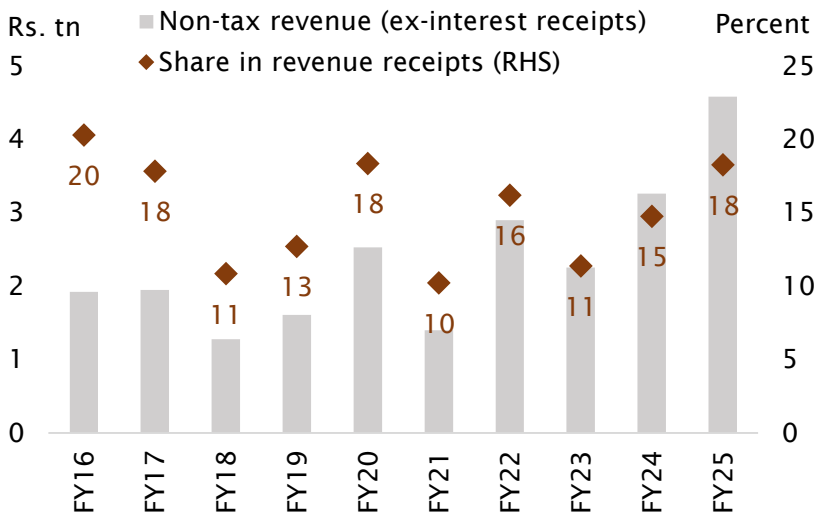


RBI dividend lifted non-tax revenue; income tax, GST raised tax proceeds

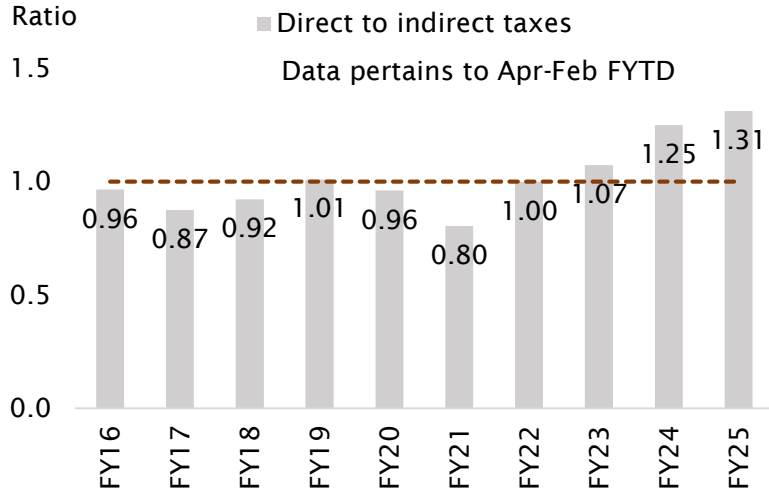
RBI dividend buoyed non-tax revenues in FY25



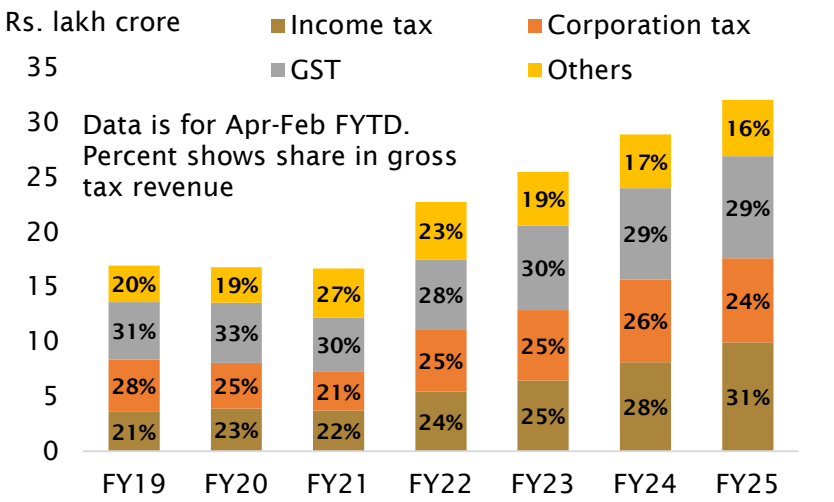
Non-tax revenues (Apr-Feb), cumulative FTYD



Tax revenues (Apr-Feb), cumulative FTYD



Tax revenues by type (Apr-Feb), cumulative FTYD



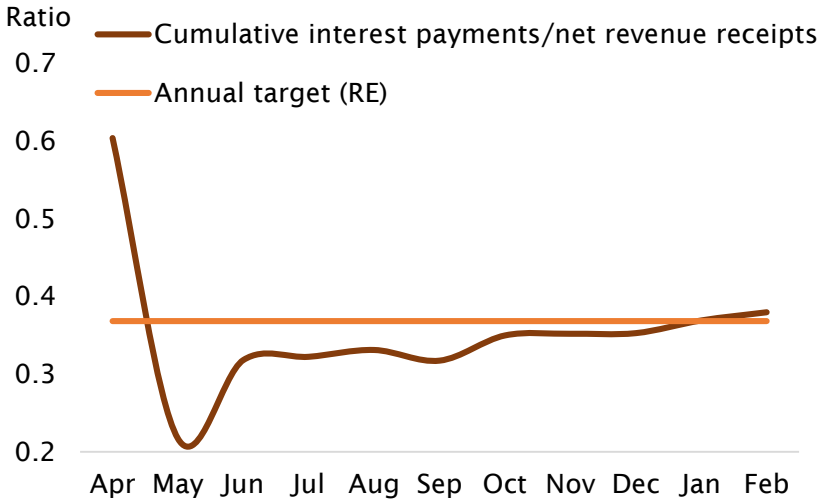
Capital spending at 80% of FY25RE vs 85% of RE in FYTD FY24

- Notes on headline expenditure items (both revenue and capital) are on slide 4.
- Within revenue expenditure, interest payments are expected to account for 31% share, up from 30% in FY24RE. In Apr-Feb FY25, interest payments, subsidies, spending on rural development were already above levels in FYTD FY24 in terms of share in RE. However, transfers to States were lower not only in terms of share in RE but also year-on-year. These trends were corroborated by data for various departments. For instance, higher food subsidy was reflected in higher revenue expenditure by Department of Food and Public Distribution.
- Lower capital expenditure in terms of share in RE was reflected in major categories of defence and roads. But the major bulk of slowdown was seen in capital spending by the Department of Telecommunications and the amount kept aside for infrastructure spending under the Department of Economic Affairs. There was an uptick in capital expenditure by Ministry of Housing and Urban Affairs.

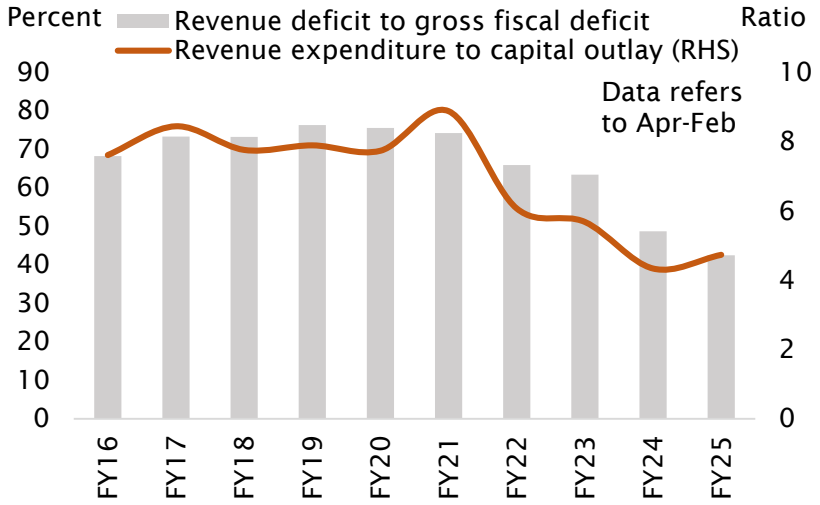
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Interest payments	774	9,528	8,808	8	10	11,379	84	10,554	83	866	1,851
Subsidies	253	3,630	3,610	1	(21)	4,279	85	4,405	82	330	649
Transfer to states	98	1,012	1,322	(23)	(6)	1,271	80	1,404	94	92	259
Rural development	108	1,344	1,236	9	(12)	1,739	77	1,711	72	122	395
Others	1,454	15,298	14,441	6	6	18,312	84	17,328	83	1,391	3,014
Capital expenditure	**545**	**8,119**	**8,056**	**1**	**36**	**10,184**	**80**	**9,502**	**85**	**738**	**2,065**
Defence	142	1,233	1,261	(2)	21	1,705	72	1,678	75	112	472
Railways	197	2,293	2,190	5	49	2,520	91	2,400	91	208	227
Roads and highways	45	2,413	2,381	1	22	2,725	89	2,645	90	219	312
Loan to states for capex	82	1,320	1,065	24	86	1,250	106	1,056	101	120	(70)
Others	79	860	1,159	(26)		1,985	43	1,724	67	78	1,124
Fiscal deficit	**1,773**	**13,469**	**15,014**	**(10)**	**3**	**15,695**	**86**	**17,348**	**87**	**1,224**	**2,227**
Primary deficit	**999**	**3,940**	**6,206**	**(37)**	**(5)**	**4,316**	**91**	**6,793**	**91**	**358**	**376**
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FD/GDP (%)						**4.8**		**5.8**			
PD/GDP (%)						1.3		2.3			
RD/GDP (%)						1.9		2.8			

Mixed signals from measures of expenditure quality

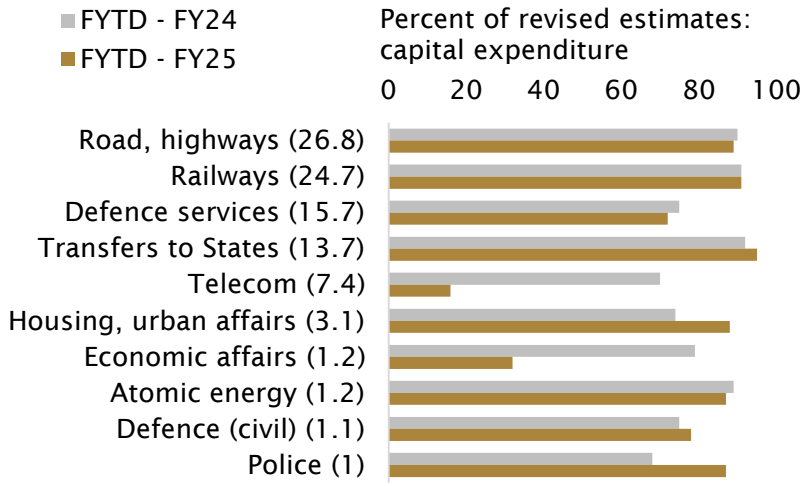
Debt service ratio largely in line with FY25RE

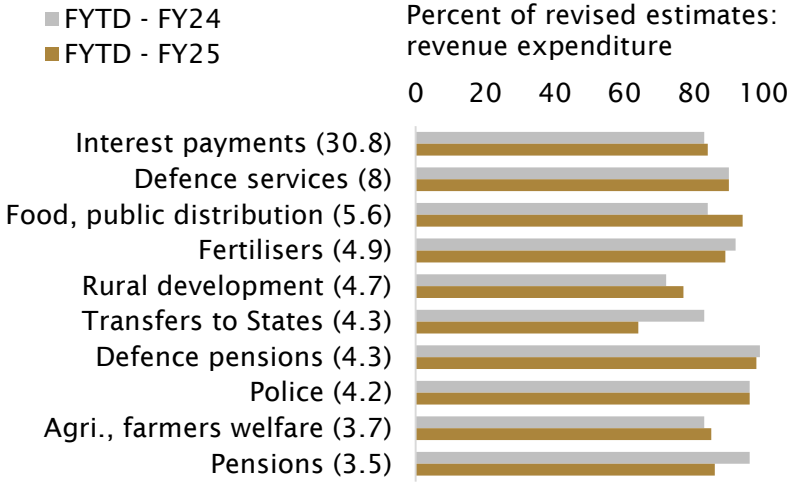


Mixed signals from measures of expenditure quality



Low capex in telecom but expansion in housing; higher food, lower fertilizer subsidy reflected in department revex

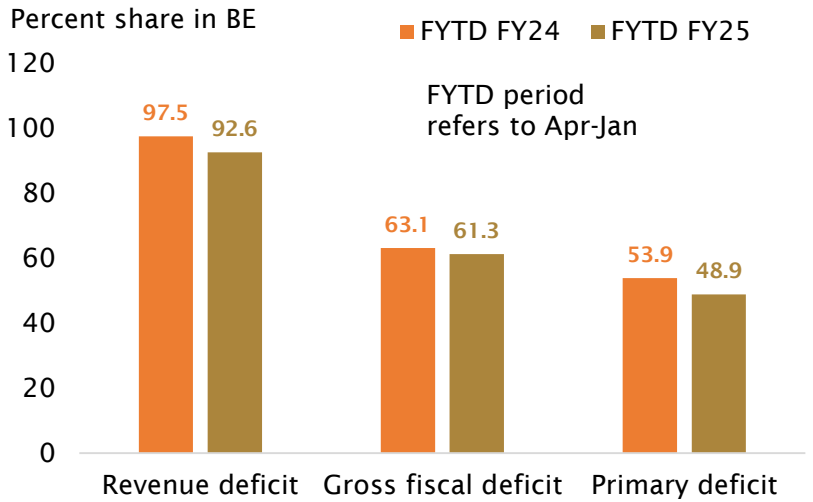




Fall in capex offset faster growth in revenue spending for States

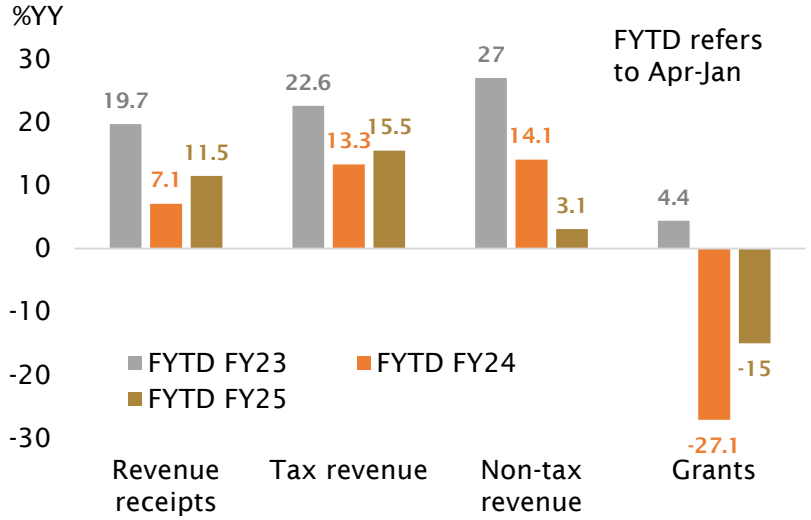
- Analysis from the RBI's 'state of the economy' article in its latest monthly bulletin published in March 2025 shows that in Apr-Jan FY25, 21 states' gross fiscal deficit amounted to 61.3%% of BE, lower than 63.1% in the previous year, as per provisional data.
- Despite decline in grants and slowdown in growth of non-tax revenues, tax revenues rose at a stronger year-to-year pace and lifted revenue receipts growth.
- On the expenditure side, revenue spending rose at a faster pace year-on-year, but capex remained in contraction, enabling slower growth in total spending.
- Higher growth in revenue receipts and lesser rate of increase in spending enabled fiscal deficit to print lower than in Apr-Jan FY24. Both primary and revenue deficits were also below the share in BE the same period of FY24.

Improvement in deficit measures vis-à-vis FYTD FY24

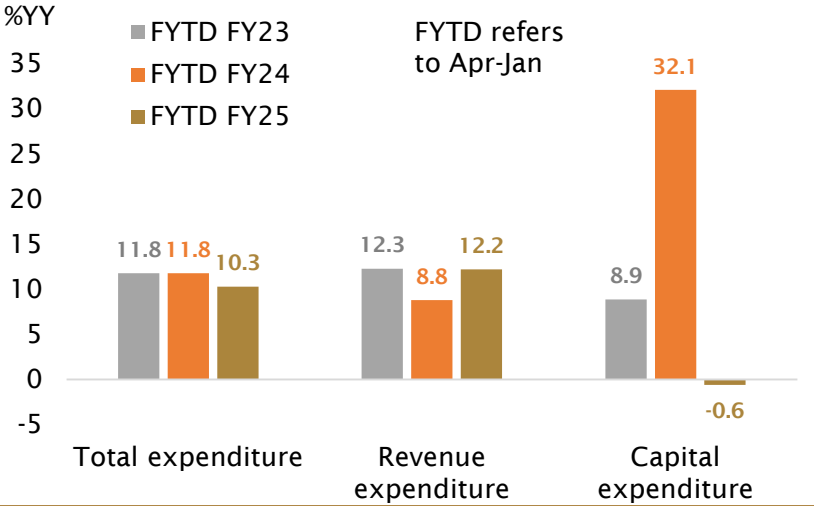


Note: Data for 21 States.
Source: RBI Bulletin, March 2025

Tax revenues buoyed receipts growth in FYTD FY25



States' capex stayed in year-on-year contraction till Jan



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