

Centre’s fiscal deficit at 38% of FY26BE in Apr-Aug vs 27% of BE in FYTD FY25 due to higher capex, fall in net tax revenues

October 10, 2025

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Data Highlights

Deficit

- The Central government's fiscal deficit totaled Rs.6.0tn in Apr-Aug FY26, higher than Rs.4.4tn in the same period of FY25. In terms of share in BE, the deficit amounted to 38% of FY26BE, higher than 27% of FY25BE in Apr-Aug FY25.
- Primary and revenue deficits were also steeper than in Apr-Aug FY25, amounting to 24% of FY26BE and 38%, respectively, compared to 8% and 25% of BE in the same period of FY25.

Receipts

- Total receipts at the Centre amounted to Rs.12.8tn in Apr-Aug FY26, up 5%YY. Though the pace of increase was slower than 18% growth in Apr-Aug FY25, in terms of share in BE, total receipts amounted to ~37-38% in both the years during Apr-Aug.
- The trend in total receipts was in line with the changes in revenue receipts, which account for almost 98% of total receipts. But within revenue receipts, direct taxes remained in year-on-year contraction due to decline in income tax revenues, reflecting the relief announced in the Union Budget for FY26. There was moderation in year-on-year growth of indirect tax revenues, though in terms of share in BE, the pace was stable at around 37-39%..
- The tax devolution to States increased year-on-year but was largely in line with last year's trends in terms of share in BE at 37%. Accordingly, though gross tax revenue was slightly up year-on-year, net tax revenue to the Centre stayed in contraction.
- In case of non-debt capital receipts, disinvestment needs to catch up to meet BE.

Expenditure

- The Centre's total expenditure stood at Rs.18.8tn in Apr-Aug FY26, up 14%YY compared to 1% decline in FYTD FY25. In terms of share in BE, this amounted to 37% of FY26BE vis-à-vis 34% of FY25BE in the same period of FY25.
- Though revenue expenditure increased at a faster rate than in FYTD-FY25, in terms of share in BE, the spending was stable at around 36-37%. However, capital spending accelerated, up 43%YY compared to 19% decline in FYTD-FY25 and amounted to 38% of FY26BE versus 27% of FY25BE in the same period of FY25.
- Within revenue spending, interest payments were up 32%YY, compared to 9% increase in Apr-Aug FY25 and amounted to 41% of FY26BE versus 34% of FY25BE in the same period of FY25. Subsidies stayed in contraction and at a steeper rate than in FYTD-FY25.

Outlook and Policy Implication

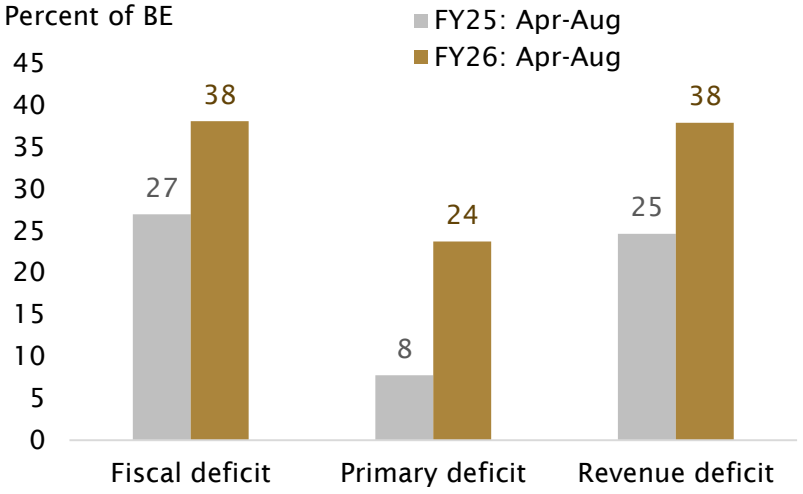
- **Outlook:** There is room for each of the three metrics of deficit – primary, revenue, and fiscal – to increase at higher rates in the remaining months of FY26 and still meet the targets for FY26BE. However, revenue receipts, particularly tax collections, need to grow at quicker pace in the remaining months of FY26 than in the Apr-Aug period to meet the budget estimates. While indirect tax revenues need to grow at a faster clip than in FYTD-FY26, the pace of direct tax collections needs to almost double the rate in the remaining months of FY26 to meet BE. These trends need to be monitored in the backdrop of income tax relief announced in the Union Budget for FY26 and the more recently announced rationalization of GST rates. In case of expenditure, there is scope for both revenue and capital spending to grow by higher rates in the remainder of FY26 and still remain within BE.

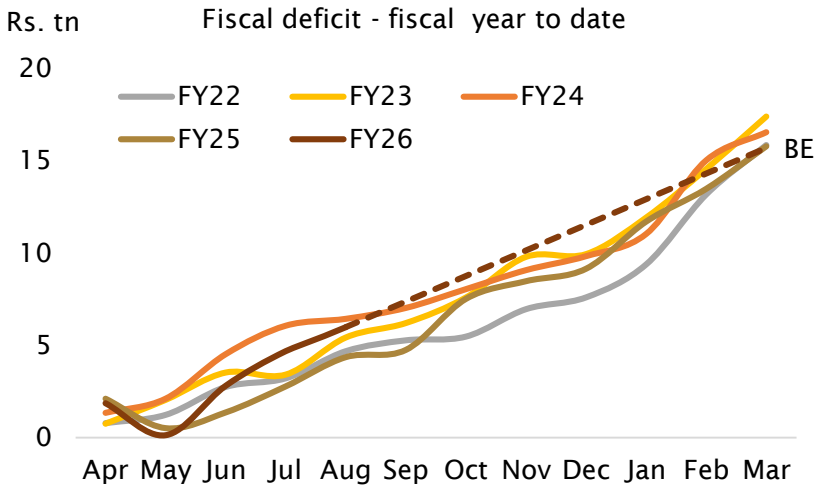
- **Policy Implication:** The monthly fiscal accounts so far suggest that the government is on track to meet the deficit targets set out in the Union Budget for FY26. Also, the government recently released its borrowing plan for H2-FY26, which indicated slightly lower borrowing for FY26 (Rs.14.72tn) than what was penciled in the Budget (Rs.14.82tn). But there are risks to watch out for, particularly the income and GST tax rate cuts that could keep revenues muted. The government is reportedly planning a fiscal package for exporters to alleviate the impact from tariff-related woes but there has been no official announcement so far. Even if some relief is announced, the impact on fiscal accounts is expected to be limited, as media reports indicate that the government could use some portion of export support schemes earmarked in the Union Budget for FY26 to offer relief to the trade sector.

In Apr-Aug FY26, fiscal deficit higher at 38.1% of FY26 BE vis-à-vis 27.0% of FY25BE in FYTD-FY25

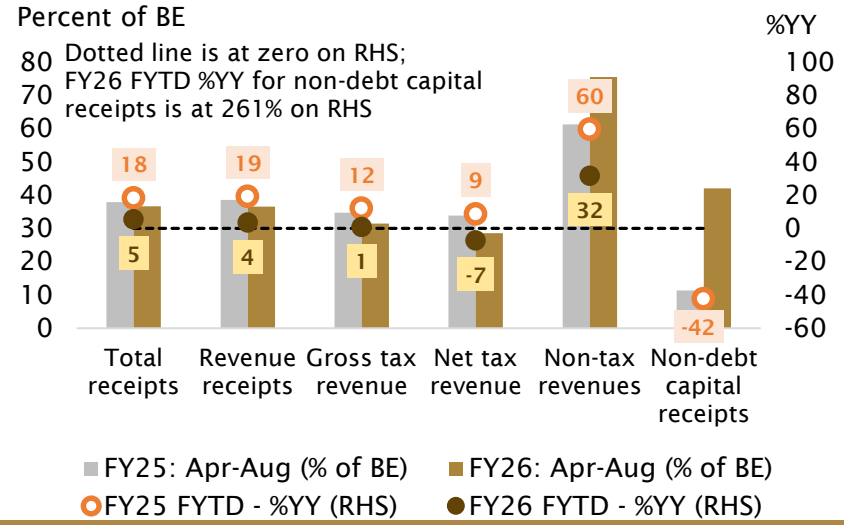
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Fiscal deficit higher vis-à-vis FYTD-FY25, as spending accelerated in Apr-Aug FY26, while receipts growth moderated

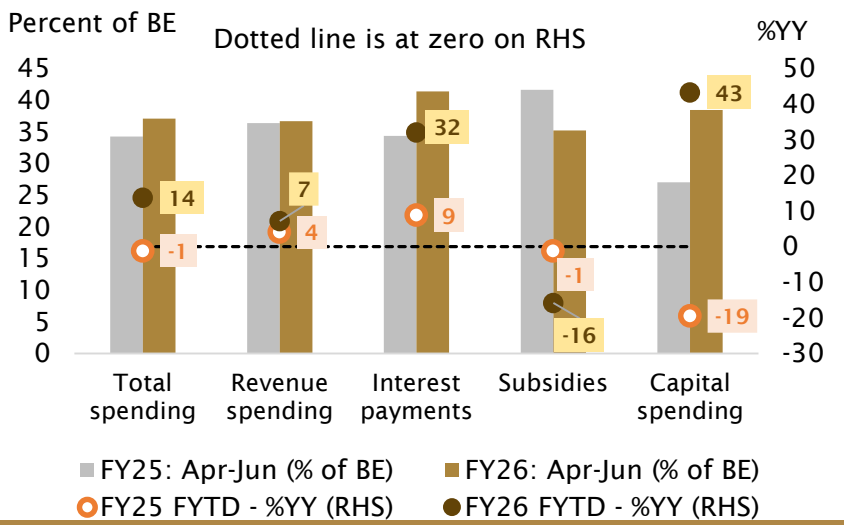




Central government receipts (FYTD Apr-Aug)



Central government expenditure (FYTD Apr-Aug)



Both direct and indirect tax revenues need to grow at faster rates in the remainder of FY26 to meet BE

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Within direct tax revenues, income tax collections are lagging and within indirect tax, GST revenues need to catch up. Non-tax revenues on track to meet FY26BE, mainly due to higher dividend receipts.

	Rs. bn	FYTD (Rs. bn)		FYTD - %YY		FY26BE		FY25BE		FY26BE	
	Aug-25	Aug-25	Aug-24	Aug-25	Aug-24	Rs. bn	(% of BE)	Rs. bn	(% of BE)	Current run rate	Required run rate
Revenue receipts	**1,853**	**12,507**	**12,083**	**4**	**19**	**34,204**	**37**	**31,292**	**39**	**2,501**	**3,100**
Net tax revenue	**1,486**	**8,104**	**8,738**	**(7)**	**9**	**28,374**	**29**	**25,835**	**34**	**1,621**	**2,896**
Direct taxes	**1,213**	**6,949**	**7,018**	**(1)**	**15**	**25,250**	**28**	**22,120**	**32**	**1,390**	**2,614**
Corporation tax	307	2,293	2,246	2	(6)	10,820	21	10,200	22	459	1,218
Income tax	857	4,410	4,523	(2)	26	14,380	31	11,870	38	882	1,424
Other taxes	49	246	249	(1)	85	50		50	498	49	(28)
Indirect taxes	**1,294**	**6,476**	**6,296**	**3**	**10**	**17,401**	**37**	**16,237**	**39**	**1,295**	**1,561**
Customs duty	225	831	943	(12)	13	2,400	35	2,377	40	166	224
Excise duty	280	1,119	1,040	8	4	3,220	35	3,240	32	224	300
Service tax	(1)	(2)	0	(853)	(93)	1	(241)	1	32	(0.5)	0.5
GST	**790**	**4,528**	**4,312**	**5**	**10**	**11,780**	**38**	**10,619**	**41**	**906**	**1,036**
CGST	789	3,905	3,712	5.2	10	10,109	39	9,109	41	781	886
IGST	(115)	4	(24)	(115)						1	(1)
Compensation cess	117	620	625	(1)	8	1,671	37	1,510	41	124	150
Taxes on UT	4	15	13	16	(13)	101	15	94	14	3	12
Gross tax revenue	**2,511**	**13,440**	**13,327**	**1**	**12**	**42,702**	**31**	**38,402**	**35**	**2,688**	**4,180**
Transfer to NDRF	9	34	32	8	15	104	33	95	33	7	10
Assignment to states	1,016	5,301	4,557	16	19	14,224	37	12,472	37	1,060	1,275
Non-tax revenues	**367**	**4,403**	**3,345**	**32**	**60**	**5,830**	**76**	**5,457**	**61**	**881**	**204**
Interest receipts	30	148	175	(16)	20	477	31	382	46	30	47
Dividends and Profits	151	3,088	2,397	29	125	3,250	95	2,891	83	618	23
Non-Tax Revenue of U.T.s	2	8	11	(30)	(28)	34	24	29	39	2	4
External grant	0.7	1	0.3	380	(79)	12	10	10	2	0.2	2
Other Non-Tax Revenue	184	1,159	761	52	(12)	2,057	56	2,144	35	232	128

Capital spending up year-on-year versus decline in FYTD-FY25; revenue expenditure largely in line with last year's trends

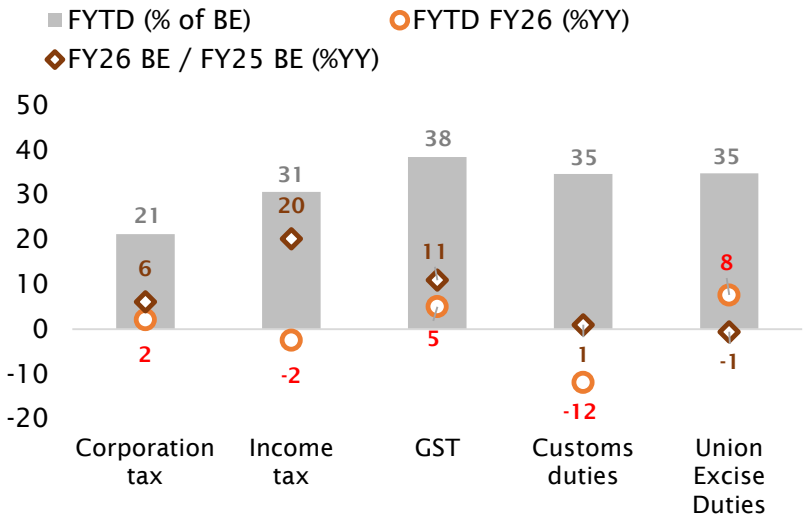
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Revenue deficit higher than in FYTD-FY25 amid increased year-on-year spending growth and slower receipts growth. Capital spending buoyed by defence and loans to States for capex.

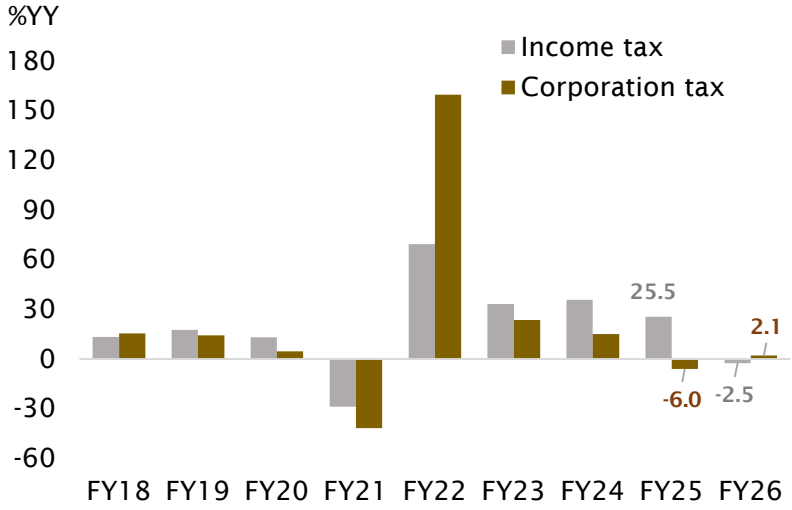
	(Rs. bn)	FYTD (Rs. bn)		FYTD - %YY		FY26BE		FY25BE		FY26BE	
	Aug-25	Aug-25	Aug-24	Aug-25	Aug-24	Rs. bn	(% of BE)	Rs. bn	(% of BE)	Current run rate	Required run rate
Revenue receipts	**1,853**	**12,507**	**12,083**	**4**	**19**	**34,204**	**37**	**31,292**	**39**	**2,501**	**3,100**
Non-debt capital receipts	**22**	**320**	**89**	**261**	**(42)**	**760**	**42**	**780**	**11**	**64**	**63**
Recovery of loans	14	86	80	6	(18)	290	29	280	29	17	29
Misc. capital receipts	8	234	8			470	50	500	2	47	34
Total receipts	**1,875**	**12,827**	**12,172**	**5**	**18**	**34,964**	**37**	**32,072**	**38**	**2,565**	**3,162**
Total expenditure	**3,172**	**18,809**	**16,524**	**14**	**(1)**	**50,653**	**37**	**48,205**	**34**	**3,762**	**4,549**
Revenue expenditure	**2,326**	**14,493**	**13,514**	**7**	**4**	**39,443**	**37**	**37,094**	**36**	**2,899**	**3,564**
Interest payments	820	5,287	4,002	32	9	12,763	41	11,629	34	1,057	1,068
Subsidies	368	1,504	1,786	(16)	(1)	4,262	35	4,284	42	301	394
Transfer to states	42	311	415	(25)	(32)	1,328	23	1,324	31	62	145
Rural development	56	683	651	5	0	1,878	36	1,776	37	137	171
Others	1,040	6,708	6,660	1	7	19,212	35	18,081	37	1,342	1,786
Capital expenditure	**847**	**4,316**	**3,010**	**43**	**(19)**	**11,211**	**38**	**11,111**	**27**	**863**	**985**
Defence	105	531	346	54	(28)	1,924	28	1,822	19	106	199
Railways	189	1,116	1,028	9	(9)	2,520	44	2,520	41	223	201
Roads and highways	384	1,171	1,057	11	(4)	2,722	43	2,722	39	234	222
Loan to states for capex	112	515	289	78	(30)	1,500	34	1,500	19	103	141
Others	57	982	290	238		2,545	39	2,546	11	196	223
Fiscal deficit	**1,297**	**5,982**	**4,352**	**37**	**(32)**	**15,689**	**38**	**16,133**	**27**	**1,196**	**1,387**
Primary deficit	**478**	**695**	**350**	**98**	**(87)**	**2,926**	**24**	**4,504**	**8**	**139**	**319**
Revenue deficit	**473**	**1,985**	**1,431**	**39**	**(50)**	**5,238**	**38**	**5,802**	**25**	**397**	**465**
FD/GDP (%)						**4.4**		**4.9**			
PD/GDP (%)						0.8		1.4			
RD/GDP (%)						1.5		1.8			

Though income tax revenues are down year-on-year, direct tax revenues continue to exceed indirect tax collections

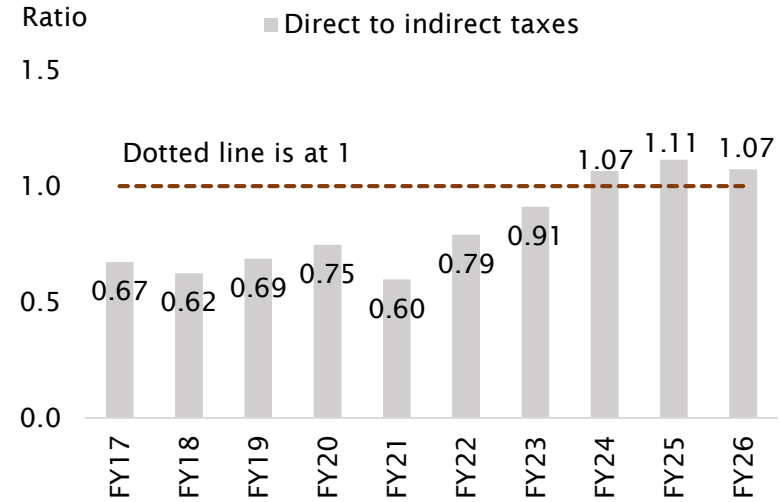
Tax collections (FYTD is fiscal year-to-date Apr-Aug)



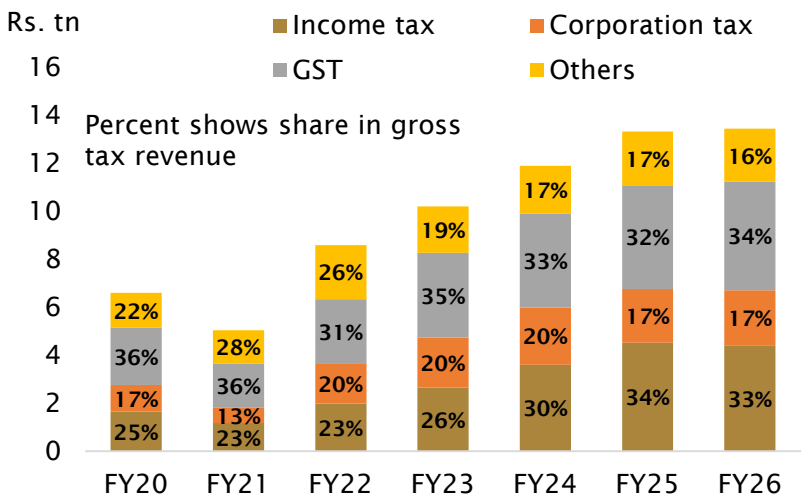
Tax collections (Apr-Aug), cumulative FTYD



Tax revenues (Apr-Aug), cumulative FTYD

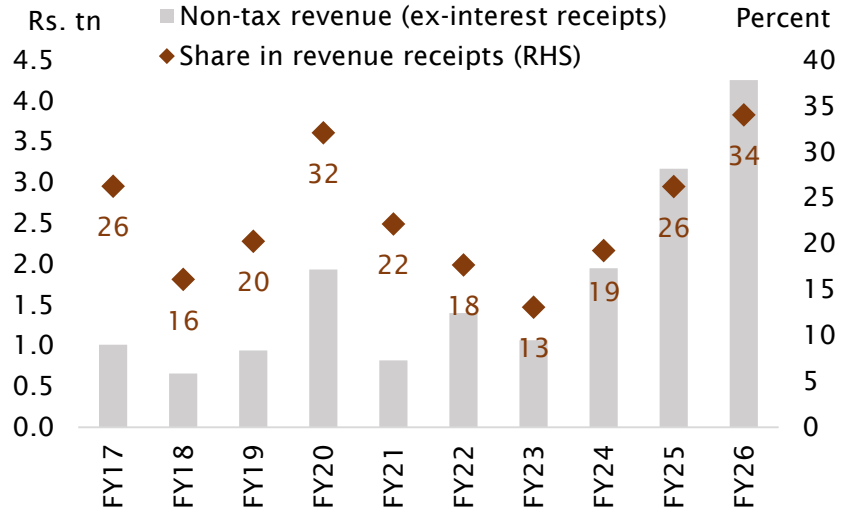


Tax revenues by type (Apr-Aug), cumulative FTYD

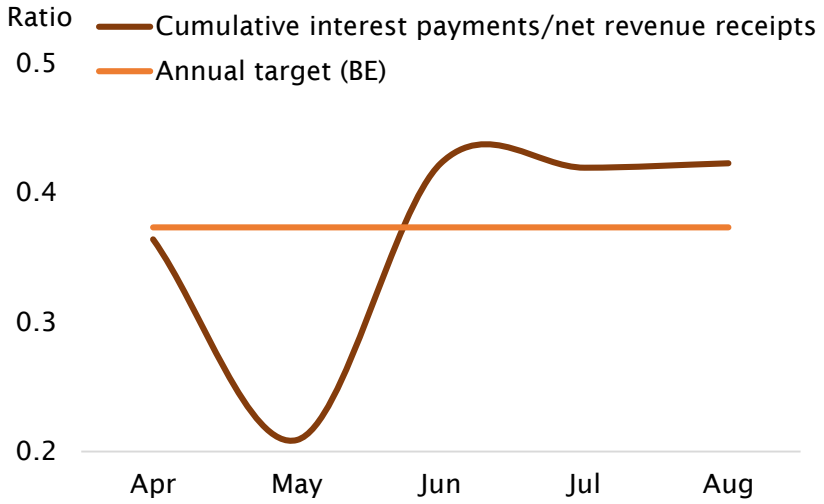


Debt servicing on track despite slower growth in revenue receipts; disinvestments need to accelerate to meet BE

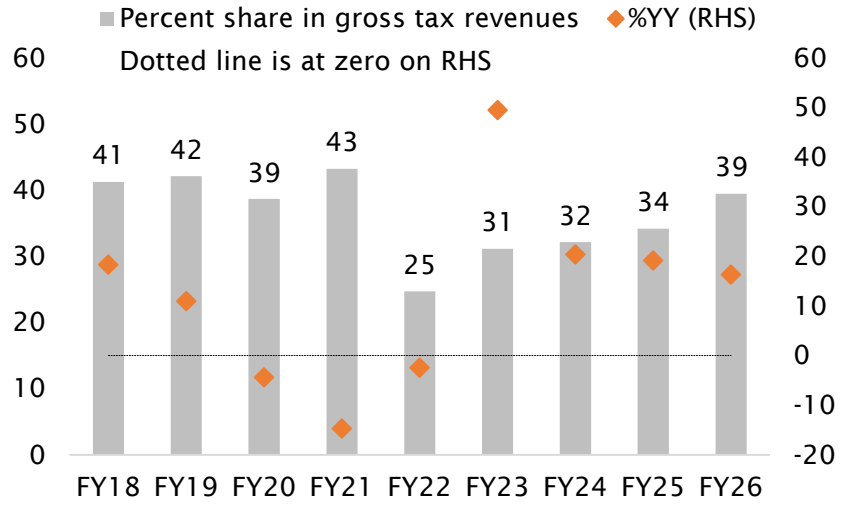
Non-tax revenues (Apr-Aug), cumulative FTYD



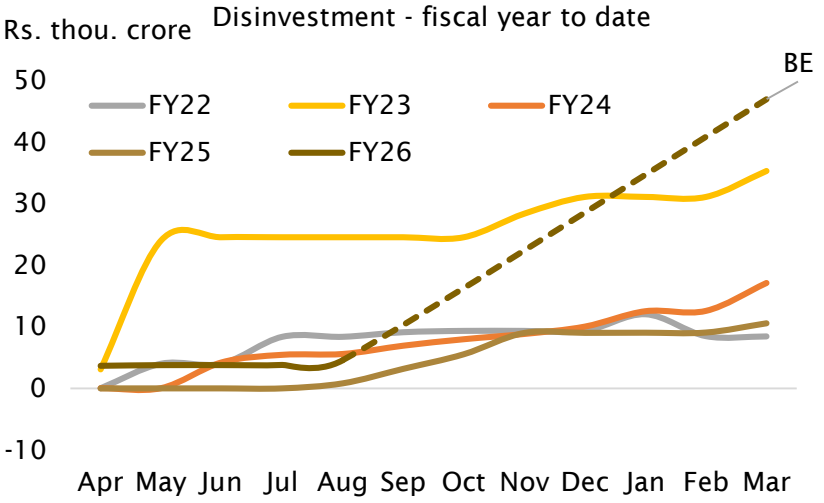
Debt service ratio largely in line with FY26BE so far



Tax devolution to States (Apr-Aug), cumulative FTYD

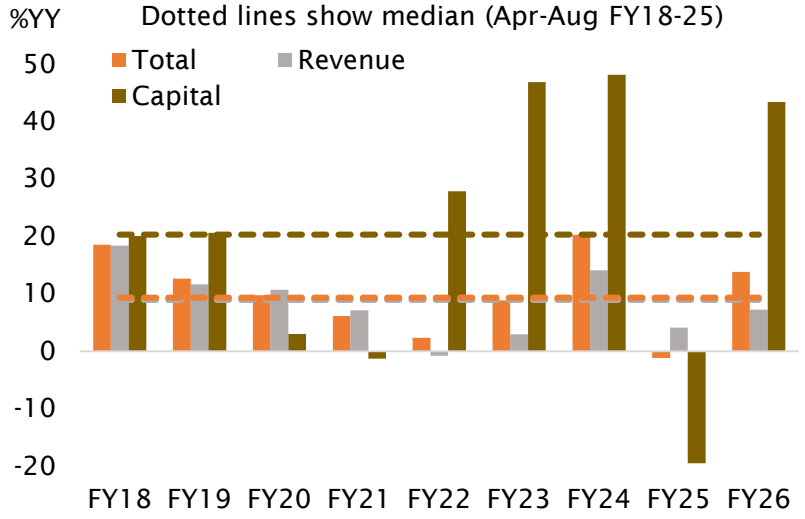


Disinvestment at 10% of FY26BE in Apr-Aug

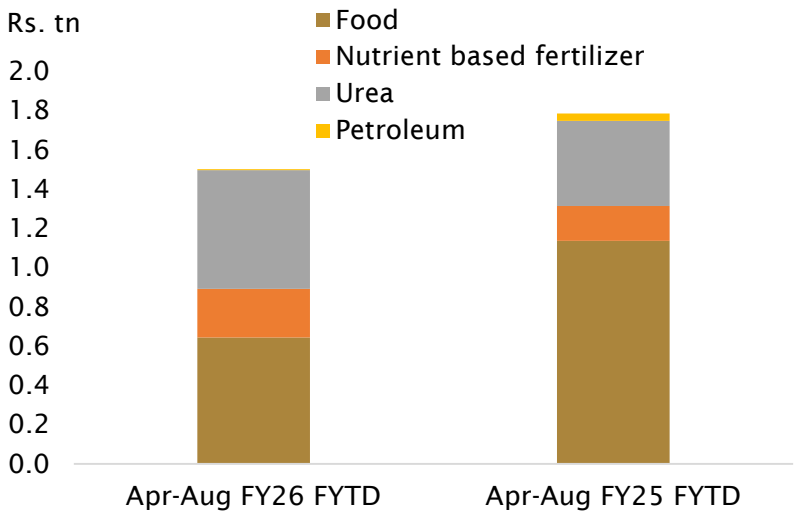


Though capex has increased at faster rate than revenue spend, signals from measures of expenditure quality are mixed

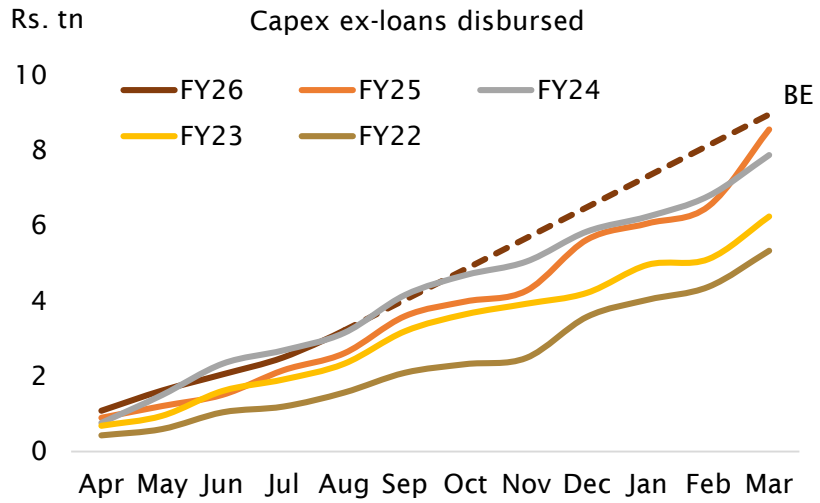
Healthy pace of capex growth vis-à-vis decline last year



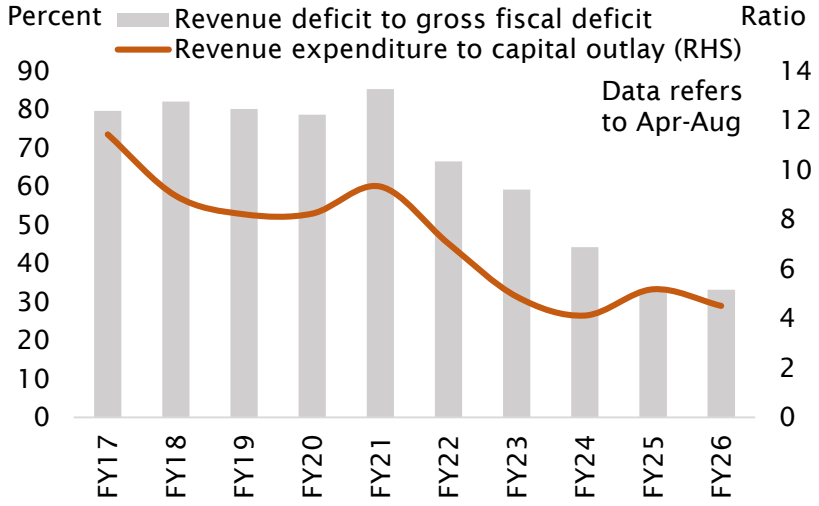
Total subsidies down 16%YY in FYTD-FY26



Capital outlay at 36% of FY26BE vs 28% in FYTD-FY25

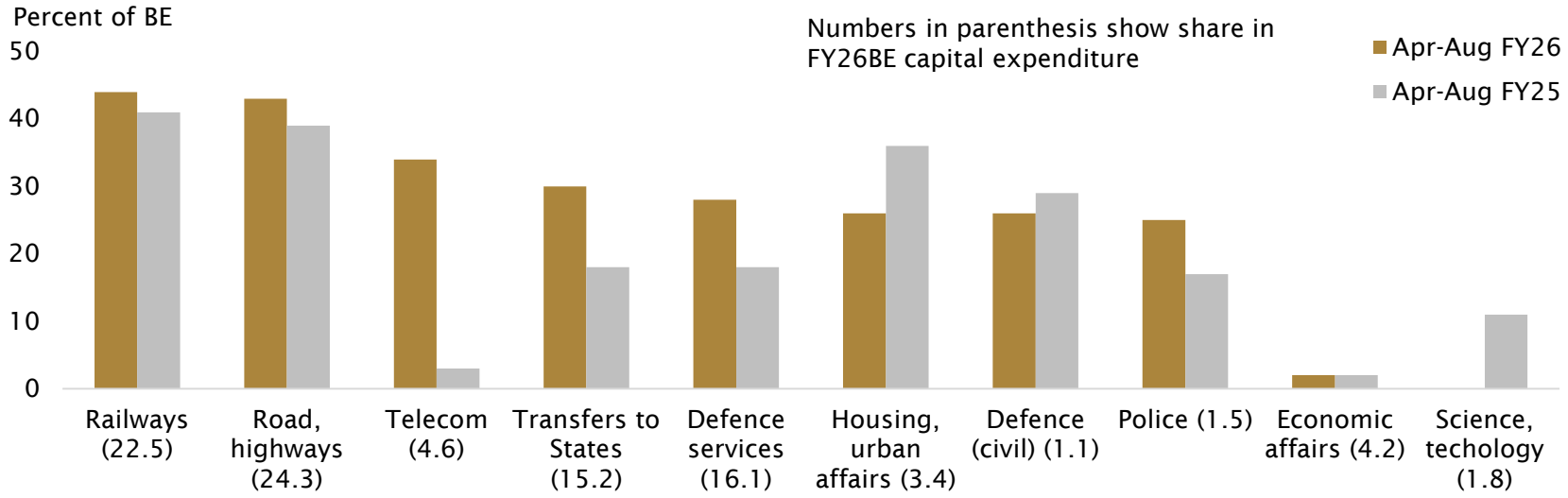


Mixed signals from measures of expenditure quality

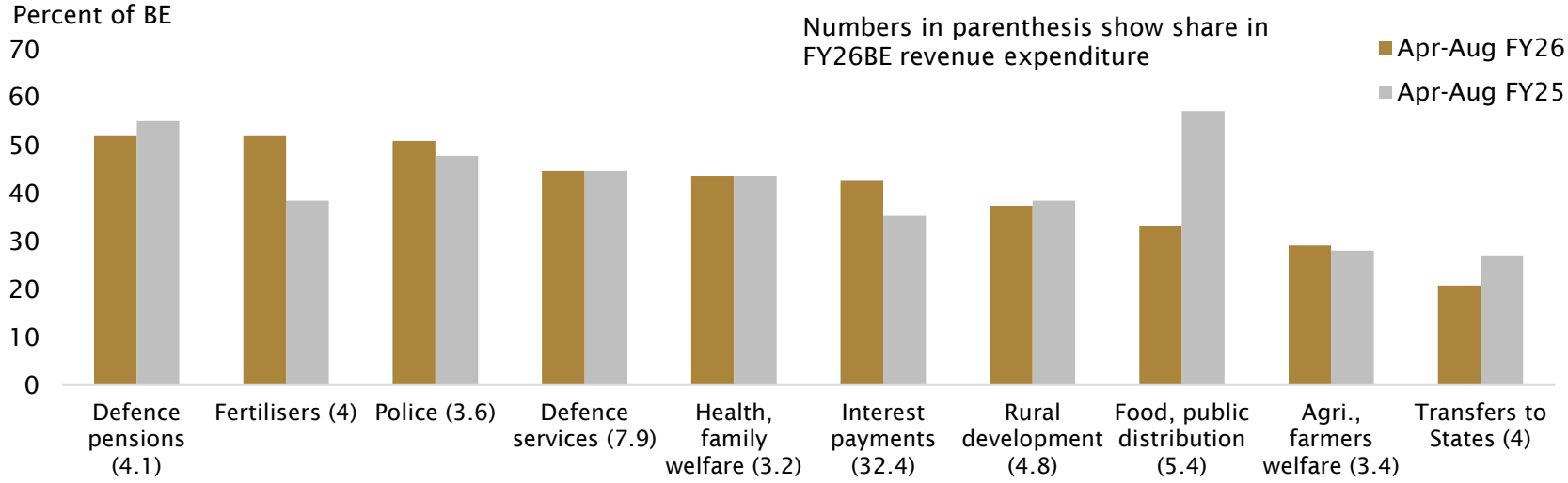


Railways, roads topped the pace of capex in FYTD-FY26; defence pensions and fertilizers in case of revenue spending

Capex on telecom has rebounded relative to FYTD-FY25, while pace of capital spending on housing has moderated



Higher fertilizer, lower food subsidy in FYTD-FY26 reflected in revenue spending of respective departments



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