

EXPERTS SEE FY26 TARGET STILL ACHIEVABLE

Centre’s Fiscal Deficit Until July Widens to 29.9% of FY26 Target

Front-loaded capital spending, weak net tax collections widen fiscal deficit to ₹4.68 lakh cr

Our Bureau

New Delhi: The Central government’s fiscal deficit till July in this financial year widened to 29.9% of the annual target against 17.2% a year before, thanks to a front-loading of expenditure amid a contraction in the net tax mop-up, showed the official data released on Friday.

Expenditure, especially on capital projects, had faltered in the initial months of the previous fiscal owing to the usual administrative slowdown around the general election.

Between April and July this year, revenue spending increased 17.1% to ₹12.17 lakh crore. Capital expenditure surged 32.8% to ₹3.47 lakh crore, as the government kept betting on its high multiplier effect to spur economic growth.

In absolute terms, the fiscal gap stood at ₹4.68 lakh crore until July, against ₹2.77 lakh crore a year before, the data showed.

Despite the elevated spending so far, the Centre’s target of containing its deficit at 4.4% of gross domestic product in 2025-26 would be realised as the pace of spending could moderate in the coming months to remain within the budgetary target, experts said.

Net tax revenue moderated 7.5% from a year before to ₹6.62 lakh crore till July, although non-tax revenue jumped 33.7% to ₹4.04 lakh crore in the wake of a record ₹2.69 lakh crore dividend transfer by the central bank. Over-

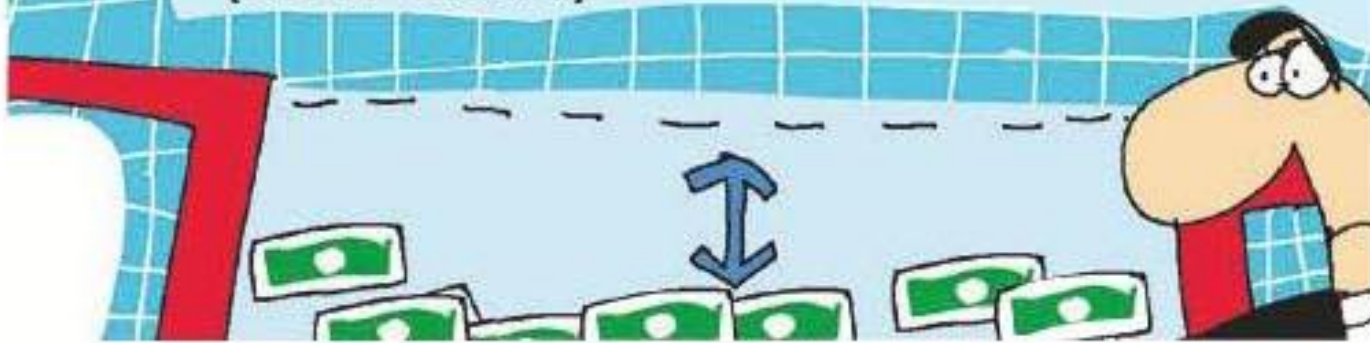
The state of the finances

Figures, as % of annual target

	Apr-Jul, FY25	Apr-Jul, FY26
Fiscal deficit	17.2	29.9
Total spending	27.0	30.9
Capex	23.5	30.9
Revenue spending	28.0	30.8
Net tax revenue	27.7	23.3
Non-tax revenue	55.3	69.2
Total receipts*	31.9	31.3

*(non-debt)

Source: CGA



rall receipts were up 7% in the first four months of the fiscal.

“A contraction in the personal income tax collections in July, owing to the extension of the deadline to file taxes and an adverse base, pulled down the performance of gross tax revenues in the month, even as devolution to states maintained a robust pace, further compressing the performance of net tax revenues,” said ICRA chief economist Aditi Nayar.

In July alone, the Centre saw a fiscal deficit of ₹1.88 lakh crore, against ₹1.41 lakh crore a year earlier.

Net tax collection fell 26.6% last month to ₹1.21 lakh crore and overall receipts fell 18.7% to ₹1.54 lakh crore.

ICRA has estimated that the Centre still has fiscal space of ₹50,000 crore in 2025-26, which could be used to push up capex beyond the budgetary target, provide support to exporters or absorb shortfall in direct or indirect taxes.

However, the proposed GST changes can potentially weigh on this fiscal leeway, if mop-ups are hit, according to the credit rating agency.