

Centre Meets FY26 Fiscal Deficit Target

FY27 off to gloomy start with gap touching 21.4% of annual target in April

Our Bureau

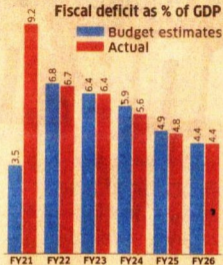
New Delhi: The Central government contained its FY26 fiscal deficit at the budgeted target of 4.4% of gross domestic product (GDP), despite a downward revision of the economic output following a change in the GDP computation framework, through prudent expenditure, showed the official data released on Monday.

In absolute terms, the fiscal deficit last financial year stood at ₹15.19 lakh crore, against the revised estimate of ₹15.58 lakh crore. Lower-than-expected fiscal gap in FY26, in absolute terms, enabled the Centre to meet the 4.4% deficit target.

"This shows the government's commitment to fiscal discipline despite the global headwinds, such as the Iran war," a senior finance ministry official told ET.

Net tax receipts touched ₹26.23 lakh crore last fiscal, or 98.1% of the target, while

Discipline Matters



Note: FY21 deficit spiked mainly due to the pandemic; FY26 target met despite drop in GDP from BE level under the new series

Source: Budget documents

non-tax revenue touched ₹6.79 lakh crore, exceeding the goal of ₹6.68 lakh crore.

Total government expenditure touched ₹49.05 lakh crore, or 98.8% of the FY26 target.

Capital and revenue spending remai-

ned 97.6% and 99.1% of the respective targets.

The government's fiscal position began the current financial year on a sombre note in April, with the fiscal gap touching 21.4% of the annual target, against 11.9% a year before.

This is driven by a drop in both tax and non-tax revenues while revenue and capital expenditures saw a jump.

A ₹60,000-crore expenditure cut last fiscal from the revised estimate more than offset the marginal miss on the receipts front.

The inflows on account of savings deposits and certificates and PPF (public provident fund) exceeded the revised estimate by over ₹1 lakh crore.

This, said ICRA chief economist Aditi Nayar, led to an increase in the cash balance of the Centre. "This is expected to provide some cushion to the government's fiscal position in FY2027, and prevent any fiscal slippage from translating into an equivalent increase in market borrowings," she said.

Meanwhile, gross direct tax collections in FY26 were lower than budgeted, primarily due to slippage in income tax collections, said Rajani Sinha, chief economist at CareEdge.