सत्यमेव जयते

GOVERNMENT OF INDIA

Statements of Fiscal Policy as required under the Fiscal Responsibility and Budget Management Act, 2003

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MINISTRY OF FINANCE
BUDGET DIVISION

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PREFACE

The Fiscal Responsibility and Budget Management Act, 2003, was enacted with a view to provide a legislative framework for reduction of deficit and thereby debt of the Central Government to a sustainable level over a medium term so as to ensure inter-generational equity in fiscal management and long term macro-economic stability. The Fiscal Responsibility and Budget Management Act, 2003, and the Fiscal Responsibility and Budget Management Rules, 2004, made under Section 8 of the Act have come into force with effect from 5th July 2004.

The FRBM framework mandated Central Government to limit the Fiscal Deficit upto three per cent of Gross Domestic Product by 31st March, 2021. It further provides that, the Central Government shall endeavour to limit the General Government Debt to 60 per cent of GDP and the Central Government Debt to 40 per cent of GDP, by 31st March, 2025.

As on date, the Fiscal Deficit is the only operational target for fiscal consolidation. In RE 2023-24, the Government had revised its Fiscal Deficit target lower to 5.8 per cent.

Further, in line with the commitment made in the Budget Speech for FY 2021-22, the Government is pursuing a broad path of fiscal consolidation to attain a level of Fiscal Deficit lower than 4.5 per cent of GDP by FY 2025-26.

This document contains the Macroeconomic Framework Statement and Medium-term Fiscal Policy cum Fiscal Policy Strategy Statement. The Statements provide an assessment of the growth prospects of the economy and strategies of the government for the ongoing financial year relating to taxation, expenditure, market borrowings and other liabilities. A Statement of deviation explaining the reasons for deviation from the fiscal targets mentioned in Section 4 and compliance obligations under Section 7(3)(b) of the FRBM Act, 2003 on the Central Government, has also been included. The FRBM policy statements are hereby laid before both the Houses of the Parliament.

1. MACRO-ECONOMIC FRAMEWORK STATEMENT

MACRO-ECONOMIC FRAMEWORK STATEMENT 2024-25

Global Economy

1. After back-to-back black swan events causing marked uncertainty and volatility, the global economy appeared to have stabilised in 2023. While uncertainties stemming from adverse geopolitical developments remain, supply chain rigidities have eased and inflationary pressures are expected to moderate in 2024. The two risks hovering at the beginning of 2023 — consumer price inflation and fears of a recession — have receded. The policy rates in major economies, after remaining at all-time high levels in 2023, are expected to see a cut in 2024. The World Economy, as per the July 2024 World Economic Outlook (WEO) of the International Monetary Fund (IMF), achieved a growth of 3.3 per cent in 2023 compared to 3.5 per cent in 2022 and, is projected to grow at 3.2 per cent in 2024.

Indian Economy

2. As per the provisional estimates of national income for FY 2023-24 published by the National Statistical Office, India's real and nominal GDP growth has been pegged at 8.2 per cent and 9.6 per cent, respectively, in FY 2023-24.

3. Private consumption expenditure has registered a growth of 4.0 per cent in FY 2023-24, driven by resilient urban demand conditions and recovery in rural demand. Investment has remained strong, as reflected in the growth of Gross Fixed Capital Formation, which increased by 9.0 per cent in real terms in FY 2023-24.

4. In spite of global challenges, merchandise trade deficit narrowed in FY 2023-24, primarily due to falling international commodity prices. A narrowing merchandise trade deficit, coupled with rising net service receipts, has kept the current account deficit low.

5. Agricultural gross value added grew by 1.4 per cent in FY 2023-24. As per the 3rd advance estimates released by the Ministry of Agriculture and Farmers Welfare, production of food grains is estimated at 328.8 million tonnes in FY 2023-24.

6. The industry sector has registered a growth of 9.5 percent in FY 2023-24, led by robust manufacturing and construction activity. The services sector growth of 7.6 per cent, in the same period, was driven mostly by financial, real estate and professional services.

7. The growth momentum is corroborated by the high-frequency indicators such as passenger vehicle sales, housing sales, domestic air passenger traffic, digital payments, Index of Industrial Production, and non-food credit offtake. Further, strong growth in economic activity is also evident in buoyant GST collections in FY 2023-24 which set a new milestone with total gross GST collection of ₹20.18 lakh crore, reflecting an 11.7 per cent increase over FY 2022-23. The buoyant performance of many indicators coupled with stable inflation indicators, supports the economic dynamism.

8. The Reserve Bank of India (RBI) has projected 7.2 per cent growth in India's real GDP for FY 2024-25. The Indian Meteorological Department's (IMD) forecast of an above-normal southwest monsoon is expected to boost kharif production and replenish reservoir levels. The healthy balance sheets of banks and corporations, combined with the government's continued focus on capital expenditure, high-capacity utilisation, and business optimism, are favourable for investment activity. Further, gradual reversal of global geopolitical tension may lead to higher external demand.

Inflation

9. Inflationary pressures have moderated in FY 2023-24, with average retail inflation easing to 5.4 per cent compared to 6.7 per cent in FY 2022-23. Headline

inflation stood at 5.1 per cent in June 2024, with much lower core inflation of 3.1 per cent. The overall retail inflation is within the notified tolerance band of 2 to 6 per cent of RBI.

External Sector

10. India's merchandise exports witnessed a contraction to USD 437.1 billion in FY 2023-24, mainly on account of the lower value realised for petroleum products. The value of merchandise imports also declined from USD 716 billion in FY 2022-23 to USD 677.2 billion in FY 2023-24. The combined effect of decline in merchandise imports and exports led to the narrowing of the merchandise trade deficit to USD 240.2 billion in FY 2023-24.

11. India's services exports grew by 4.9 per cent to USD 341.1 billion in FY 2023-24 whereas the services imports declined by 2 per cent to USD 178.3 billion in FY 2023-24. This led to net surplus in India's service trade of USD 162.8 billion in FY 2023-24. The services trade surplus coupled with a decline in the merchandise trade deficit, resulted in an improvement in India's Current Account Deficit which narrowed to USD 23.2 billion (0.7 per cent of GDP) during FY 2023-24 from USD 67 billion (2 per cent of GDP) in FY 2022-23.

12. **Foreign Exchange Reserves**: There was an increase in India's foreign exchange reserves during FY 2023-24. Foreign exchange reserves stood at USD 646.4 billion at the end of March 2024, higher than USD 578.4 billion at the end of March 2023. The import cover of India's foreign exchange reserves increased to 10.9 months as of 8th March 2024 from 9.7 months at the end of March 2023.

13. **Exchange Rate:** The Indian rupee depreciated by 1.2 per cent against the US dollar from April 2023 to March 2024. The INR also depreciated against the Pound Sterling and Euro by 3.4 per cent and 0.4 per cent, while it appreciated against the Japanese Yen by 10.7 per cent during the same period.

Developments in Capital Markets

14. Amid buoyant economic performance and a favourable investment climate, primary markets remained robust during FY 2023-24. Fund mobilisation through equity, debt, and hybrid modes increased by 24.9 per cent, 12.1 per cent and 513.6 per cent, respectively, in FY 2023-24.

15. The Indian stock market has seen a remarkable surge over the years and India became fifth in the world by market capitalisation in FY 2023-24. India's market capitalisation to GDP ratio has improved significantly to 124 per cent in FY 2023-24, compared to 77 per cent in FY 2018-19.

Monetary and liquidity conditions

16. Monetary and credit conditions evolved in line with the monetary policy stance during the year, supporting domestic economic activity. The Monetary Policy Committee (MPC) maintained status quo on the policy repo rate at 6.5 per cent in FY 2023-24. It focused on withdrawing accommodation to ensure that inflation gradually aligns with the target while supporting growth.

17. Gross non-performing assets (GNPA) ratio of Scheduled Commercial Banks (SCBs) continued its downward trend, reaching 2.8 per cent of the gross advances at the end of March 2024 from its peak of 11.2 per cent in FY 2017-18. The improvement in SCBs' asset quality has been broad-based. As SCBs bolstered their capital base by capitalising reserves from higher profits and raising fresh capital, their capital-to-risk-weighted assets ratio (CRAR) became 16.8 per cent in March 2024, well above the regulatory minimum.

Central Government Finances

18. The Union Government's commitment towards fiscal consolidation is underlined by the achievement of the budgeted fiscal deficit targets over the past years. Continuing on the path of fiscal consolidation witnessed in the post-pandemic years, the fiscal deficit of the Union Government declined to 5.6 per cent of GDP as per

Provisional Actuals (PA) published by the Controller General of Accounts (CGA), while the revenue deficit declined to 2.6 per cent of GDP in FY 2023-24.

19. Revenue receipts have shown continued buoyancy in the past years, driven by robust growth in tax collection. As per the PA of 2023-24, the gross tax revenue and tax-net to Centre increased by 13.4 per cent and 10.9 per cent, respectively. The total expenditure of the Union Government registered a growth of 5.9 per cent in FY 2023-24 (PA). While the Union Government, in the past years prioritised capital expenditure to sustain and enhance the growth, the fiscal policy also assisted in achieving the longer-term objective of ensuring strong macro-economic fundamentals.

Growth Outlook

20. The upward revision of growth forecast for India by major international organisations, including IMF, World Bank, and Organisation for Economic Cooperation and Development, underscores the country's macroeconomic strength and strong growth prospects. As per the projections of WEO database of IMF, India is likely to become the third-largest economy in 2027 (in USD at market exchange rate).

21. A promising outlook for the agricultural sector is emerging with above normal southwest monsoon forecast. Strong corporate and bank balance sheets are expected to bolster the economic landscape, while the Government's continuous focus on capital expenditure augurs well for sustained growth. The Government's focus on infrastructure and logistics improvements is focussed at crowding-in private investment. Short-term growth prospects, thus, appear bright. The Reserve Bank of India has projected a growth of 7.2 per cent for India in FY 2024-25.

22. Nonetheless, continuance of global uncertainties present a downside risk to India's short-term growth prospects. Any worsening of geopolitical tensions is likely to impact global economic stability, including for India, due to the impact on global trade and capital flows.

23. As regards India's medium-term prospects, the country's digital infrastructure has witnessed remarkable growth in the last few years, cutting across sectors. The digital revolution is poised to propel expansion of economic activities, including the modes of service delivery over the coming decade. Further, the fortification of the Start-Up ecosystem, coupled with initiatives like the Production Linked Incentives, will bolster manufacturing output and opportunities. This combined with focus on inflation targeting, alignment of monetary policy to the requirement of price stability, and orderly growth is expected to contribute to steady growth in business, enterprise and consumer confidence.

Macroeconomic Framework Statement (Economic Performance at a Glance)

S.No.	Item	Absolute value April-March 2022-23	Absolute value April-March 2023-24	Percentage change April-March 2022-23	Percentage change April-March 2023-24
Real Sector					
1	**GDP at Market Prices (₹ Crore)**[@]				
(a)	at current price	26949646	29535667	14.2	9.6
(b)	At 2011-12 prices	16071429	17381722	7.0	8.2
2	Index of Industrial Production	138.5	146.7	5.2	5.9
3	Wholesale Price Index (2011-12=100)	152.5	151.5	9.4	-0.7
4	Consumer Price Index: Combined (2012=100)	174.7	184.1	6.7	5.4
5	Money Supply (M3) (₹ thousand crore) [$]	22,343.8	24,831.4	9	11.1
6	**Imports at current prices** *				
(a)	In Crore	5749801	5592877	25.7	-2.7
(b)	In USD Million	715969	675430	16.8	-5.7
7	**Exports at current prices** *				
(a)	In Crore	3621550	3619292	15.1	-0.1
(b)	In USD Million	451070	437113	6.9	-3.1
8	Trade Balance (USD Million) *	-264899	-238317	38.7	-10.0
9	**Foreign Exchange Assets** *				
(a)	In Crore	4754265	5391256	3.4	13.4
(b)	In USD Million	578449	646419	-4.8	11.8
10	Current Account Balance (USD Billion)	-67	-23.2	-	-
Government Finances (₹ crore) ##					
1	Revenue Receipts	2383206	2728412	9.8	14.5
2	Gross tax revenue	3054192	3464792	12.7	13.4
3	Tax Revenue (net to Centre)	2097786	2326524	16.2	10.9
4	Non-Tax Revenue	285421	401888	-21.8	40.8
5	Capital Receipts of which	1809951	1714130	11.5	-5.3
6	Recovery of loans	26161	27338	5.8	4.5
7	Other Receipts	46035	33122	214.5	-28.1
8	Borrowings and other liabilities	1737755	1653670	9.7	-4.8
9	Total Expenditure	4193157	4442542	10.5	5.9
10	Revenue Expenditure	3453132	3494036	7.9	1.2
11	Capital Expenditure	740025	948506	24.8	28.2
12	Revenue Deficit	1069926	765624	3.8	-28.4
13	Fiscal Deficit	1737755	1653670	9.7	-4.8
14	Primary Deficit	809238	589799	3.9	-27.1

@: GDP for FY 2022-23 is the First Revised Estimate, and FY 2023-24 is a Provisional Estimate
**: On a Customs basis.*
$: Outstanding as of 22 March 2024, and percentage change year-on-year.
##: 1. April-March figures for 2023-24 are Provisional Estimates as reported by the Controller General of Accounts.
2. 2022-23 are Actuals from Interim Budget 2024-25

MEDIUM TERM FISCAL POLICY CUM FISCAL POLICY STRATEGY STATEMENT

1. The global economy is expected to be resilient and grow at a rate of 3.2 percent in 2024 and 3.3 per cent in 2025 (IMFs World Economic Outlook for July, 2024). Real GDP growth for India for FY 2023-24 was pegged at 8.2 percent (Provisional Estimates). For FY 2024-25, the RBI has projected the Indian Economy to grow at 7.2 percent with some downside risks associated with ongoing geo-political conflicts.

2. In the aforesaid context, the Union Budget for FY 2024-25 aims at further reinvigorating the growth through continued emphasis on capital expenditure and strengthening the social safety net for the poor and vulnerable, with prudence in fiscal management. The major fiscal indicators of the Central Government with respect to the Revised Estimates (RE) of FY 2023-24 and the Budget Estimates (BE) of FY 2024-25, as a per cent of GDP, are summarized in the table below.

Fiscal Indicators - Rolling Targets as a Percentage of GDP

	Revised Estimates	**Budget Estimates**
	2023-24	**2024-25**
1. Fiscal Deficit	5.8	4.9
2. Revenue Deficit	2.8	1.8
3. Primary Deficit	2.3	1.4
4. Tax Revenue (Gross)	11.6	11.8
5. Non-tax Revenue	1.3	1.7
6. Central Government Debt	58.1	56.8

Notes:

1. *"GDP" is the Gross Domestic Product at Current Market Price.*
2. *Central Government Debt includes external public debt valued at current exchange rates, total outstanding liabilities on Public Account including investment in Special Securities of States under NSSF and EBR liabilities, etc.*
3. *Liabilities on account of investment in Special Securities of States, under NSSF are 1.1 per cent and 0.9 per cent of GDP in RE 2023-24 and BE 2024-25, respectively. The Central Government Debt net of these liabilities comes at 57.1 per cent and 55.9 per cent of GDP in RE 2023-24 and BE 2024-25, respectively.*

3. In the context of the Provisional Accounts for FY 2023-24 now available, the key FRBM indicators, as a percentage of GDP, are summarised below:

	Provisional Accounts
	2023-24
1. Fiscal Deficit	5.6
2. Revenue Deficit	2.6
3. Primary Deficit	2.0
4. Tax Revenue (Gross)	11.7
5. Non-tax Revenue	1.4
6. Central Government Debt	58.2

Note:
i.) The provisional actuals in this document are unaudited and are subject to change.
ii.) This is an additional information. The FRBM Act, 2003, requires presentation of Revised Estimates and Budget Estimates.

4. For reasons explained above, an active and nimble fiscal policy strategy is a pre-requisite for smooth fiscal policy operations. Therefore, rolling targets for next two years have not been provided. Instead, as announced in the Budget Speech for FY 2021-22, the Government would continue on the broad glide path of fiscal consolidation to reach a fiscal deficit to GDP level below 4.5 percent by FY 2025-26. In line with this commitment, the Fiscal Deficit is estimated at 4.9 per cent of GDP in BE 2024-25.

5. A Statement explaining the reasons thereof for deviation from the fiscal commitments / obligations mentioned in Section 4 and compliance obligations under Section 7(3)(b) of the FRBM Act, 2003, is provided at the end of this Statement.

Fiscal Outlook and Fiscal Policy Strategy for FY 2023-24

6. The total expenditure in RE 2023-24 was estimated at ₹44.90 lakh crore, slightly lower than the BE 2023-24 of ₹45.03 lakh crore. Expenditure on revenue account was estimated at ₹35.40 lakh crore in RE as against BE of ₹35.02 lakh crore. Expenditure under Capital head was estimated at ₹9.50 lakh crore in RE as against ₹10.0 lakh crore projected in BE 2023-24.

7. In addition, there are transfers such as Grant-in-Aid for capital creation, which are accounted as revenue expenditure. However, these are primarily capital in nature in their economic impact. Grants-in-Aid for Creation of Capital Assets (GiA-Capital) was estimated at ₹3.21 lakh crore in RE 2023-24. As a result, Effective Capital Expenditure (GiA-Capital plus Capital Expenditure) was estimated to be around ₹12.71 lakh crore in RE 2023-24.

8. Fiscal Deficit in RE 2023-24 was estimated at 5.8 per cent of GDP, lower than the BE of 5.9 per cent. Revenue Deficit was estimated at 2.8 per cent of GDP in RE 2023-24 as compared to 2.9 per cent in BE 2023-24.

9. Gross and net borrowings through dated securities (G-Sec) were planned at ₹15.43 lakh crore and ₹11.80 lakh crore in RE 2023-24, respectively. The Gross borrowings and Net Borrowing as per cent of GDP declined to 5.2 percent and 4.0 percent, respectively, in RE 2023-24 compared to 5.3 percent and 4.1 percent, respectively, in FY 2022-23.

10. Central Government debt, based on FRBM definition, was estimated to be at 58.1 per cent of GDP in RE 2023-24. It includes liabilities on account of investment in Special Securities of the States, under the NSSF, which were expected to be 1.1 per cent of GDP in RE 2023-24. The Central Government debt net of these liabilities was calculated at 57.1 per cent of GDP in RE 2023-24.

11. Section 4(1)(c) of the FRBM Act prescribes a ceiling of 0.5 per cent of GDP for assuming incremental guarantees in a financial year. The Guarantees given by the Union Government were about ₹3.14 lakh crore at the end of FY2022-23 or 1.2 per cent of GDP. It declined from the level of 3.3 per cent of GDP in FY 2004-05. During FY 2022-23, net accretion to the stock of guarantees was ₹60,594 crore or 0.2 per cent of GDP, which was well within the limit of 0.5 per cent set under the FRBM Act. A disclosure statement on outstanding guarantees is appended in Part B of the Receipt Budget 2024-25.

Provisional Accounts of FY 2023-24

12. Total Expenditure (Provisional) of FY 2023-24 was ₹44.43 lakh crore against the RE 2023-24 of ₹44.90 lakh crore. It was 5.9 percent higher than the total expenditure of ₹41.93 lakh crore in FY 2022-23. Total revenue expenditure (Provisional) in FY 2023-24 was ₹34.94 lakh crore against ₹34.53 lakh crore in FY 2022-23. Capital expenditure witnessed a sharp growth of 28.2 per cent in FY 2023-24 to ₹9.49 lakh crore compared to ₹7.40 lakh crore in FY 2022-23.

13. Total Revenue Receipts (Provisional) were ₹27.28 lakh crore in FY 2023-24 against ₹23.83 lakh crore in FY 2022-23, recording a growth of 14.5 per cent. Tax Revenue (Net to Centre) of FY 2023-24 was ₹23.27 lakh crore while Non-Tax Revenue was ₹4.02 lakh crore against ₹20.98 lakh crore and ₹2.85 lakh crore, respectively, in FY 2022-23.

14. Fiscal Deficit (Provisional) in FY 2023-24 was at ₹16.54 lakh crore. It was 5.6 per cent of GDP against the RE 2023-24 estimate of 5.8 per cent. Similarly, Revenue Deficit and Primary Deficit (Provisional) for FY 2023-24 also declined to 2.6 per cent and 2.0 per cent of GDP compared to 2.8 per cent and 2.3 per cent of GDP at RE stage. Thus, the Government, while ensuring improved quality of public spending, continued on the glide path of fiscal consolidation during FY 2023-24.

Fiscal Outlook for FY 2024-25

15. The Government proposes to continue with a well-calibrated and flexible fiscal policy strategy to be able to effectively respond to new emerging challenges apart from supporting the domestic economy with focussed welfare spending for the needy and public infrastructure investments. The nominal GDP in FY 2024-25 has been projected to grow by 10.5 per cent over the Provisional Estimates of FY 2023-24.

16. Fiscal Deficit in BE 2024-25 is estimated at 4.9 per cent of GDP against 5.8 per cent of GDP in RE 2023-24 and 5.1 percent of Interim Budget of 2024-25. In absolute terms, the Fiscal Deficit in BE 2024-25 is expected to be at ₹16.13 lakh crore which is lower than the Fiscal Deficit of ₹17.35 lakh crore in RE 2023-24 and ₹ 16.54 lakh crore in PA of FY 2023-24. Revenue Deficit is estimated at 1.8 per cent of GDP in BE 2024-25 against 2.8 per cent and 2.6 per cent of GDP in RE 2023-24 and PA 2023-24, respectively.

Revenue Receipts (Tax and Non-tax)

17. For BE 2024-25, Gross Tax Revenue (GTR) is projected to grow at 11.7 per cent over RE 2023-24 and 10.8 percent over PA 2023-24. GTR is estimated at ₹38.40 lakh crore (11.8 per cent of GDP). Direct and Indirect taxes are estimated to contribute 57.5 per cent and 42.5 per cent, respectively, to GTR. In BE 2024-25, after tax devolution to States, the Tax Revenue (Net to Centre) is projected at ₹25.83 lakh crore.

18. Revenue Receipts of the Union Government, comprising Tax Revenue (Net to Centre) and Non-Tax Revenue (NTR), are estimated at ₹31.29 lakh crore in BE 2024-25. NTR is projected to be at ₹5.46 lakh crore which is 45.2 per cent more than the RE 2023–24 of ₹3.76 lakh crore, mainly on account of better dividend receipts.

Non-Debt Capital Receipts

19. Non-Debt Capital Receipts (NDCR) in BE 2024-25 are estimated at ₹78,000 crore. It includes the receipts under the recovery of loans and advances (₹28,000 crore), other miscellaneous capital receipts (₹50,000 crore). Realisation of the other miscellaneous capital receipts depends on the prevailing market conditions.

Expenditure

20. In the Budget Estimates of FY 2024-25, total expenditure is pegged at ₹48.21 lakh crore. It is expected to grow by 7.3 per cent over RE 2023-24 and 8.5 percent over PA 2023-24. Within total expenditure, the capital expenditure is pegged at ₹11,11,111 crore (3.4 per cent of GDP). It includes ₹1,50,000 crore of financial assistance to the States for capital expenditure. The budgeted capital expenditure is almost 3.3 times of the capital expenditure in FY 2019-20 and 23.0 percent of total expenditure in BE 2024-25. The expenditure on revenue account has been estimated at about ₹37.09 lakh crore (11.4 per cent of GDP). It is 4.8 per cent and 6.2 percent more than the RE 2023-24 and PA 2023-24, respectively. Few significant expenditure heads under the revenue expenditure are discussed briefly in the following paragraphs.

(i) Interest Payments

21. Interest payment is estimated based on the prevailing interest rate for different securities in the market. In BE 2024-25, interest payment bill is estimated at ₹11.63 lakh crore, which at 3.6 percent of GDP and is at par with RE 2023-24 and PA 2023-24 trends.

(ii) Major Subsidies

22. Major subsidies include food, fertiliser, and petroleum subsidies, which are major components of revenue expenditure. Major subsidies, at ₹3.81 lakh crore, would constitute about 10.3 per cent of revenue expenditure in BE 2024-25. The major subsidies as percent of GDP are expected to decline from 1.4 percent in RE of 2023-24 to 1.2 percent in BE of 2024-25.

(iii) Finance Commission Grants

23. Finance Commission grants are given to the State Governments under Article 275(1) of the Constitution. In BE 2024-25, the Finance Commission grants are estimated at ₹1.32 lakh crore. Within the Finance Commission grants, the Revenue Deficit Grants to the States, Grants for Urban and Rural Local Bodies are estimated at ₹0.24 lakh crore, ₹0.26 lakh crore and ₹0.50 lakh crore, respectively, BE of FY 2024-25.

(iv) Pensions

24. Pension payments are mostly part of the four Government of India Demands for Grants viz, Defence (Pensions), Civil (Pensions), Telecommunications and Department of Health & Family Welfare. While Civil (Pensions) covers all departments, the other three demands cover pension expenses for specific Ministries/ Departments and Medical treatment of pensioners. The Central Government’s expenditure on pensions is expected to be at ₹2.43 lakh crore in BE 2024-25.

(v) Tax devolution to the States

25. Based on 15th Finance Commission (FFC) recommendations, devolution of the States' share of taxes, which was estimated at about ₹10.21 lakh crore in BE 2023-24, was substantially enhanced in RE to about ₹11.04 lakh crore. As per PA 2023-24, devolution to States was at ₹11.29 lakh crore. Tax devolution to the States is estimated at ₹12.47 lakh crore in BE 2024-25 which is 3.8 percent of GDP.

Borrowings- Public debt and other liabilities

26. The Central Government finances its fiscal deficit mainly through issue of dated securities. In BE 2024-25, the Central Government has estimated the gross and net borrowings through dated securities (G-Sec) of about ₹14.01 lakh crore and ₹11.63 lakh crore, respectively. The gross and net borrowings in BE 2024-25 are 9.2 per cent and 1.5 per cent lower than gross borrowings of ₹15.43 lakh crore and net borrowing of ₹11.80 lakh crore in RE 2023-24, respectively.

27. Other sources of financing the Fiscal Deficit are NSSF investments in Special securities of the Central Government, net external assistance and the Public Account balances, etc. For financing the Fiscal Deficit in BE 2024-25, borrowing from NSSF is estimated at about ₹4.20 lakh crore; whereas, those from external sources and State Provident Funds are estimated at ₹15,952 crore and ₹5,000 crore (on Net basis), respectively.

28. Considering the above, the 'Central Government debt' as prescribed in the FRBM Act, 2003, is estimated at 56.8 per cent of GDP in BE 2024-25 which is lower than 58.1 percent of GDP in RE of FY 2023-24 and 58.2 percent of GDP in PA of 2023-24. A portion of outstanding liabilities on Public Account of India is on account of NSSF investment in the State Government special securities (which are *de facto* liabilities of the State Governments) and would be repaid by the States at the time of maturity. If such investments are excluded, the adjusted Central Government debt, valuing the external debt at current exchange rate, is estimated at 55.9 per cent of GDP at the end of FY 2024-25 as against 57.1 percent in RE of FY 2023-24.

Assessment of sustainability relating to

(i) The balance between Revenue receipts and Revenue expenditure

29. In BE 2024-25, revenue receipts and revenue expenditure of the Central Government are estimated at ₹31.29 lakh crore and ₹37.09 lakh crore, respectively. This translates into a ratio of revenue receipts to revenue expenditure of 84.4 per cent in BE 2024-25. However, considerable portion of revenue expenditure of the Central Government is Grants-in-Aid for capital creation provided to States and other autonomous bodies. If an adjustment on this account is made, the ratio of revenue receipts to revenue expenditure is estimated at 94.3 per cent in BE 2024-25. This ratio is higher than the 83.9 per cent estimated in RE of FY 2023-24.

(ii) Use of capital receipts including market borrowings for generating productive assets

30. Ratio of Capital Expenditure to Fiscal Deficit measures the extent to which borrowed resources are used for financing the capital expenditure (or asset creation). In BE 2024-25, this ratio is estimated at 68.9 per cent, higher than 54.8 per cent in RE of FY 2023-24 and 42.6 per cent in FY 2022-23. In the context of Effective Capital Expenditure (sum of capital expenditure plus the Grants-in-aid for creation of capital assets), the ratio is estimated at 93.1 per cent in BE 2024-25 compared to 73.3 per cent in RE of FY 2023-24, indicating improved quality of public spending.

Fiscal Policy Strategy for 2024-25

31. Fiscal policy strategy for 2024-25 would continue to focus on increased development/ welfare related expenditures and capital account spending.

Tax Policy

32. Overall medium term thrust of the tax policy is towards rationalizing tariff structure and widening the tax base. In Budget 2024-25, the gross tax revenue (GTR) has been estimated at 11.8 per cent of GDP.

33. In the context of Indirect taxes, several measures to augment receipts under Goods and Services Tax (GST) have been taken. They, *inter-alia*, include:

(i) Unregistered suppliers and composition taxpayers have been allowed to make intra-state supply of goods through E-Commerce Operators (ECOs), subject to certain conditions.

(ii) A Special Composition Scheme has been introduced for service providers to boost the MSME sector. Service providers covered under the Composition Scheme shall be required to file one annual return and make quarterly payment of GST after completion of provision of service.

(iii) "Account Aggregator" has been notified as the systems with which information can be shared by the common portal based on consent provided by the registered person/taxpayer.

(iv) Mera Bill Mera Adhikaar Scheme, launched as a pilot project in select States/ UTs, provides for rewards to the persons uploading B2C invoices on the Mera Bill Mera Adhikaar Application to encourage consumers to demand GST invoices for their purchases.

(v) Amendments have been made in the CGST Act 2017 and IGST Act 2017 with effect from 01.10.2023 to provide clarity on the taxation of supplies in casinos, horse racing and online gaming.

(vi) Registration process has been strengthened by use of data analytics and artificial intelligence to identify risky applicants and prevent fraudulent access to GST.

(vii) Provision has been made to provide for transfer of balance in electronic cash ledger of a registered person to that of a distinct person. This will help in transferring of unutilized balance between registered persons having same PAN, without need for filing refund claim, thereby helping improve liquidity of such taxpayers.

(viii) The CGST Act, 2017, has been amended to constitute Goods and Services Tax Appellate Tribunals.

34. Progressively higher GST collections point towards maturing of the GST regime. GST receipts are estimated at ₹10.62 lakh crore in BE 2024-25, registering a growth of 11.0 per cent over Revised Estimates and Provisional Estimates for FY 2023-24.

35. Basic Customs Duty (BCD) rates have been calibrated to incentivize domestic manufacturing with increased value addition under Make in India and Atma Nirbhar Bharat schemes.

36. Central repository for all Non-Tariff Measures: CBIC created a mechanism based on the globally accepted UNCTAD methodology for issuance of a Centralized Control Number (CCN) for mapping NTMs issued by all PGAs.

37. Indian Customs Electronic Commerce/Electronic Data Interchange (ICEGATE) 2.0: ICEAGTE 2.0 website has been designed to provide contemporary user interface for enhanced user experience.

38. Corporation Tax is estimated at ₹10.20 lakh crore in BE 2024-25 indicating a growth of 10.5 per cent over RE 2023-24. Similarly, Taxes on Income is estimated at ₹11.87 lakh crore in BE 2024-25 which is higher by 16.1 per cent over RE 2023-24. Some important reform measures, initiated under direct taxes cover the following:

(a) Expansion of scope of TDS/TCS: Scope of TDS and TCS has been widened by including new transactions like foreign remittance, purchase of luxury cars, e-commerce participants.

(b) Succession to business reorganisation: A new provision has been introduced in the Income Tax Act requiring the successor entity to file a modified return within 6 months of the order of reorganization being passed by the competent authority.

(c) e-Verification scheme: This scheme enables the authorities to collect information for the purpose of accurate and comprehensive determination of income to reduce tax evasion.

(d) PAN is now being leveraged to become Business Identification Number (BIN) for providing registration to a number of government department and services. During the year 63.29 lakh new e-PANs have been allotted.

(e) Integration of PAN with AADHAR has been carried out to facilitate de-duplication. As on 10th June, 2024, a total of 61.61 crore PANs are linked with Aadhaar. A total of 1.82 crore taxpayers have linked their PAN with Aadhaar online on the e-filing portal during the year up to 31st March 2024.

(f) PAN and TAN allotment has been integrated with the Common Application Form SPICe at MCA portal.

(g) For grant of registration to FPIs by SEBI and allotment and issuance of PAN, integration has been carried out.

(h) An Integrated e-Filing and Centralised Processing Center 2.0 (CPC 2.0) project was launched with a view to providing better e-filing experience, ease of compliance, more accurate and faster processing of ITRs. During the year, a total of 8.30 crore ITRs have been filed for AY 2023-24 which is 9% higher than the ITRs filed during the corresponding period for AY 2022-23. All the ITRs have been verified.

(i) Tax Information Network 2.0: A new payment system, that is, TIN 2.0 was launched to enable real time credit of taxes as well as faster refunds to taxpayer's bank account. 8.61 crore challans involving an amount of ₹22.98 lakh crores have been processed in FY 2023-24.

Expenditure Policy

39. The Government of India continues to leverage technology as a significant tool for public financial management. Single Nodal Agency (SNA) and Central Nodal Agency (CNA) guidelines have ensured transparency and just-in-time resource flows. The e-Bill Processing system has enabled suppliers and contractors to submit their claims online which can be tracked on real time basis.

40. SNA SPARSH is an attempt to facilitate better cash management with the aim of achieving the goal of "Just-in-time" fund flow from both the Centre and State Consolidated Funds through an integrated network of State IFMIS, e-kuber of RBI. Pilot rollout has been notified in a phased manner with effect from 01.08.2023. As of now, 26 Centrally Sponsored Schemes across 20 States have been onboarded.

41. PM GatiShakti National Master Plan for Multi-modal Connectivity is essentially a digital platform desired to bring 16 Ministries including Railways and Roadways together for integrated planning and coordinated implementation of infrastructure connectivity projects thereby optimising costs.

Government Borrowings, Lending and Investments

42. India's Debt Management Strategy is based on three broad pillars viz. low-cost borrowing, risk mitigation and market development. In BE 2024-25, Gross and Net Market borrowings by the Government of India (GoI) through dated securities are budgeted at ₹14.01 lakh crore and ₹11.63 lakh crore, respectively, compared to ₹15.43 lakh crore and ₹11.80 lakh crore in RE 2023-24. Further, Net borrowing through Treasury bills for BE 2024-25 is budgeted at ₹ (-)50,000 crore means a net repayment of T-Bills in FY 2024-25.

43. External borrowings are mainly from multilateral/ bilateral agencies for financing of specific development projects and less exposed to the risk of reversal of capital flow in unforeseen adverse circumstances. The external borrowing (debt) is estimated at ₹ 15952 crore in BE of FY 2024-25.

44. The risk profile of Central Government's debt stands out as safe and prudent. The rollover risk in the Government debt portfolio continues to be low. The Weighted Average Maturity (WAM) of primary issuances of dated securities in FY 2023-24 increased to 18.09 years vis-à-vis 16.05 years in FY 2022-23. Also, the Weighted Average Yield (WAY) of primary issuance of dated securities in FY 2023-24 moderated to 7.24 per cent from 7.32 per cent in FY 2022-23.

Strategic priorities for FY 2024-25:

45. The FY 2024-25 fiscal strategy of the government is based on the following broad goals:

(a) Thrust on more inclusive, sustainable and resilient domestic economy;

(b) Resource allocation towards capital spending to sustain infrastructure development momentum;

(c) Enhanced public infrastructure investments through support to States for capital spending;

(d) Integrated and coordinated planning and implementation of infrastructure projects, embracing the principles of PM GatiShakti;

(e) Prioritisation of expenditure towards the key developmental sectors and social security viz., agriculture and farmers welfare, employment generation, skilling, rural and urban housing, drinking water and sanitation, green energy, health, education, agriculture, rural development etc. for welfare of the citizens;

Conclusion and Policy Evaluation

46. Notwithstanding continued global uncertainties, the Indian economy has broadly remained resilient and smoothly absorbed the global shocks. The Government plans to continue with a nimble and well-caliberated strategy to retain the flexibility to respond to emerging challenges. Therefore, pre-fixed annual targets for fiscal consolidation have not been proposed as they may become too restrictive in an uncertain environment. It may be noted the Government has remained steadfast on the glide path of fiscal consolidation announced in 2021-22. It is proposed to continue with this policy.

47. The fiscal policy stance in BE 2024-25 is two-fold: first, to provide positive impulses to the growth environment, and second, to make the domestic economy more resilient to global headwinds. The augmented capex plan has a multiplier effect and is expected to strengthen domestic growth momentum through crowding-in of investment. Enhanced investments in generation of new employment opportunities, skilling, productive capacity building and social security are integral parts of this fiscal policy stance.

48. Continuing on the path of fiscal consolidation, the Fiscal Deficit has been targeted at 4.9 per cent of GDP in BE 2024-25. This aligns with the glide path in achieving Fiscal Deficit below 4.5 percent of GDP by FY 2025-26.

Statement explaining the reasons for deviation from the fiscal targets mentioned in Section 4 and compliance obligations under Section 7(3)(b) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

49. Section 4(1)(a) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 mandates the Central Government to take appropriate measures to limit the Fiscal Deficit to three per cent of Gross Domestic Product (GDP) by 31st March, 2021. In continuation to this, Section 4(1)(b)(ii) requires that the Central Government shall endeavour to ensure that the Central Government debt does not exceed forty percent of GDP by the end of FY 2024-25. Further, Section 4(1)(d) of the FRBM Act, 2003, also requires the Central Government to endeavour that the aforementioned fiscal targets are not exceeded after the stipulated dates. According to Section 7(3)(b)(i) of the FRBM Act, 2003, the Minister of Finance is required to make a statement in both Houses of Parliament explaining the deviation in meeting the obligations cast on the Central Government under this Act.

50. The path to achieve the targeted level of Fiscal Deficit and Debt to GDP ratio was being followed during the pre-Covid era. However, the Covid-19 pandemic including global geo-political tensions, triggered unprecedented economic and fiscal crisis across the globe. India, too, was adversely affected. The pandemic caused the Central Government to raise the level of Fiscal Deficit to 9.2 per cent of GDP in FY 2020-21 as against 3.5 per cent of GDP estimated for BE 2020-21.

51. The Budget for FY 2024-25 is being presented at a time when the Indian economy is seen to be exhibiting unmistakable resilience in a relatively uncertain global economy. While being one of the fastest growing economies in the world gives the nation a lot to cheer about, the optimism has to be tempered with caution. With continued global uncertainty and potential new avenues of conflict still open, prudence demands that the Government retain fiscal flexibility to be able to effectively respond to the potential unforeseen challenges. In line with the commitment made in the Budget Speech for FY 2021-22, the Government would pursue a broad path of fiscal consolidation to attain a level of Fiscal Deficit lower than 4.5 per cent of GDP by FY 2025-26 with resultant consolidation of Debt to GDP ratio while continuing with its efforts to usher and sustain broad based inclusive economic growth and welfare for the people.

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