

# Tamil Nadu Budget Analysis 2021-22

The Finance Minister of Tamil Nadu, Dr. Palanivel Thiaga Rajan, presented the budget for the state for the financial year 2021-22 on August 13, 2021. Note that due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, the 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). The Annexure provides a comparison of the revised estimates for 2020-21 and budget estimates for 2021-22.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Tamil Nadu in 2021-22 (at current prices) is projected to be Rs 21,36,351 crore, an annualised increase of 7.6% over the GSDP in 2019-20. As per the revised estimates, in 2020-21, GSDP is estimated to increase by 5.3% over 2019-20 (budget estimate was 13.3%).
- **Total expenditure** for 2021-22 is estimated to be Rs 3,29,035 crore, an annualised increase of 12.9% over the actual expenditure in 2019-20. As per the revised estimates, total expenditure for 2020-21 is estimated to be Rs 3,06,917 crore, 2.2% higher than the budget estimate.
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 2,08,553 crore, an annual increase of 7.7% over 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 38,675 crore (17.2%).
- **Revenue deficit** in 2021-22 is estimated to be Rs 58,693 crore (2.8% of GSDP). In 2020-21, revenue deficit is estimated to be 3.4% of GSDP at the revised stage, significantly higher than the budget estimate (1.0%).
- **Fiscal deficit** for 2021-22 is targeted at Rs 92,529 crore (4.3% of GSDP). In 2020-21 (revised estimate), fiscal deficit is estimated to be 5.0% of GSDP, significantly higher than the budget estimate of 2.8%.

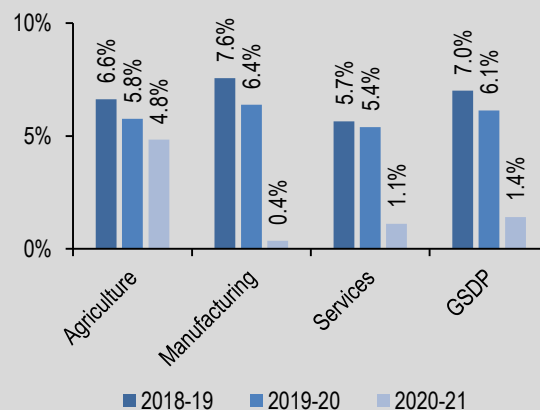
## Tax and Policy Highlights

- **Tax on petrol:** The tax on petrol will be reduced by three rupees per litre. The tax cut is estimated to cause a revenue loss of Rs 1,160 crore a year.
- **Housing for poor:** Around eight lakh houseless families in rural areas will be provided with a house in the next five years.
- **Social security pension:** Implementation of Old Age Pensions scheme will be overhauled and its coverage expanded to all deserving beneficiaries.
- **Urban employment:** A wage employment scheme will be implemented on a pilot basis to provide gainful employment to urban poor. An initial allocation of Rs 100 crore has been announced for this scheme.

## Tamil Nadu's Economy

- **GSDP:** In 2020-21, Tamil Nadu's GSDP (at constant prices) is estimated to grow by 1.4% over the previous year. In comparison, India's GDP is estimated to contract by 7.3% in 2020-21.
- **Sectors:** In 2020-21, agriculture, manufacturing, and services sectors are estimated to contribute to 12%, 37%, and 51% of the economy, respectively. These sectors are estimated to grow by 4.8%, 0.4% and 1.1%, respectively, in 2020-21.
- **Per capita GSDP:** Tamil Nadu's per capita GSDP (at constant prices) is estimated at Rs 1,70,043 in 2020-21, 1% higher than that in 2019-20.
- **Unemployment:** According to the Periodic Labour Force Survey 2019-2020, Tamil Nadu's unemployment rate was 5.3%, higher than the all-India rate of 4.8%.

**Figure 1: Growth in GSDP and sectors in Tamil Nadu at constant prices (2011-12)**



Note: Agriculture includes mining. Figures as per 2011-12 constant prices, i.e., they have been adjusted for inflation.

Sources: Ministry of Statistics and Programme Implementation; PRS.

## Budget Estimates for 2021-22

- **Total expenditure** for 2021-22 is targeted at Rs 3,29,035 crore. This is an annual increase of 13% over the actual expenditure in 2019-20. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 2,08,553 crore and gross borrowings of Rs 1,18,250 crore. **Total receipts** for 2021-22 (other than borrowings) are expected to register an annual increase of 8% over actual receipts in 2019-20.
- As per the revised estimate for 2020-21, receipts (other than borrowings) are estimated to be 17% less than the budget estimate. In comparison, total expenditure is estimated to be 2% higher than budgeted. Borrowings are estimated to be 47% higher than the budget estimate.
- **Fiscal deficit** for 2021-22 is estimated at 4.33% of GSDP (Rs 92,529 crore), with **revenue deficit** at 2.75% of GSDP (Rs 58,693 crore). In 2020-21, revenue deficit is estimated to be 3.40% of GSDP (Rs 65,994 crore) at the revised stage, which is significantly higher than the budget estimate at 1.03% of GSDP. Fiscal deficit for 2020-21 is estimated to be 4.99% of GSDP (Rs 96,890 crore) at the revised stage, as compared to the budget estimate at 2.84% of GSDP.

**Table 1: Budget 2021-22 - Key figures (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
<b>Total Expenditure</b>	<b>2,57,955</b>	<b>3,00,390</b>	<b>3,06,917</b>	<b>2%</b>	<b>3,29,035</b>	<b>13%</b>
A. Receipts (except borrowings)	1,79,910	2,24,740	1,86,065	-17%	2,08,553	8%
B. Borrowings	66,774	74,107	1,08,851	47%	1,18,250	33%
<b>Total Receipts (A+B)</b>	<b>2,46,684</b>	<b>2,98,847</b>	<b>2,94,916</b>	<b>-1%</b>	<b>3,26,803</b>	<b>15%</b>
<b>Revenue Deficit</b>	<b>35,909</b>	<b>21,618</b>	<b>65,994</b>	<b>205%</b>	<b>58,693</b>	<b>28%</b>
<i>As % of GSDP</i>	<i>1.95%</i>	<i>1.03%</i>	<i>3.40%</i>		<i>2.75%</i>	
<b>Fiscal Deficit</b>	<b>60,179</b>	<b>59,346</b>	<b>96,890</b>	<b>63%</b>	<b>92,529</b>	<b>24%</b>
<i>As % of GSDP</i>	<i>3.26%</i>	<i>2.84%</i>	<i>4.99%</i>		<i>4.33%</i>	
<b>Primary Deficit</b>	<b>27,239</b>	<b>22,226</b>	<b>66,917</b>	<b>201%</b>	<b>57,697</b>	<b>46%</b>
<i>As % of GSDP</i>	<i>1.48%</i>	<i>1.06%</i>	<i>3.44%</i>		<i>2.70%</i>	

Note: BE is Budget Estimate; RE is Revised Estimate. Fiscal deficit and Primary Deficit for RE 2020-21 and BE 2021-22 have been calculated after adjusting for back to back loan in lieu of GST compensation.

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

## Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 67,846 crore, which is an annual increase of 19% over the actual capital expenditure in 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) debt repayment and grant of loans by the state government. In 2021-22, **capital outlay** is estimated to be Rs 42,181 crore, an annual increase of 28% over 2019-20. In 2020-21, capital outlay is estimated to be 4% higher than the budget estimate.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 2,61,189 crore, an annual increase of 11% over 2019-20. This expenditure includes the payment of salaries, pensions, and interest. In 2020-21, revenue expenditure is estimated to be 2% higher than the budget estimate.

### Grants to Local Governments

The state government provides compensation and assignments to local bodies and Panchayati Raj institutions. In 2021-22, this amount is estimated to be Rs 16,281 crore, an annual increase of 2% over the actual allocation in 2019-20.

**Table 2: Expenditure budget 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	47,520	59,397	60,222	1%	67,846	19%
of which Capital Outlay	25,632	36,368	37,734	4%	42,181	28%
Revenue Expenditure	2,10,435	2,40,993	2,46,695	2%	2,61,189	11%
<b>Total Expenditure</b>	<b>2,57,955</b>	<b>3,00,390</b>	<b>3,06,917</b>	<b>2%</b>	<b>3,29,035</b>	<b>13%</b>
A. Debt Repayment	17,866	16,304	16,353	0%	19,857	5%
B. Interest Payments	31,980	36,311	36,554	1%	41,603	14%
<b>Debt Servicing (A+B)</b>	<b>49,846</b>	<b>52,616</b>	<b>52,907</b>	<b>1%</b>	<b>61,460</b>	<b>11%</b>

Note: Debt includes RBI's ways and means advances. BE is Budget Estimate; RE is Revised Estimate.

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

## Sectoral expenditure in 2021-22

The sectors listed below account for **57%** of the total expenditure on all sectors by the state in 2021-22. A comparison of Tamil Nadu's expenditure on key sectors with that by the other states is given in Annexure 1.

**Table 3: Sector-wise expenditure under Tamil Nadu Budget 2021-22 (in Rs crore)**

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	Budget Provisions 2021-22
Education, Sports, Arts, and Culture	38,747	41,627	40,881	40,208	2%	<ul style="list-style-type: none"> <li>Rs 10,514 crore has been allocated for government secondary schools.</li> <li>Rs 9,606 crore has been allocated for government primary schools.</li> </ul>
Social Welfare and Nutrition	13,336	14,071	23,592	24,527	36%	<ul style="list-style-type: none"> <li>Rs 1,866 crore has been allocated towards Social Security Net- Indira Gandhi National Old Age Pension.</li> <li>Rs 1,624 crore has been allocated for mid-day meals.</li> </ul>
Agriculture and allied activities	15,274	16,986	17,339	23,398	24%	<ul style="list-style-type: none"> <li>Rs 2,327 crore has been allocated towards crop insurance schemes.</li> </ul>
Health and Family Welfare	12,321	15,773	18,214	18,632	23%	<ul style="list-style-type: none"> <li>Rs 1,959 crore has been allocated towards establishment of government medical colleges with existing district/referral hospitals.</li> <li>Rs 1,577 crore has been allocated towards schemes under the National Health Mission. Rs 713 crore has been allocated towards COVID-19 emergency response under National Rural Health Mission.</li> </ul>
Transport	11,660	14,745	15,238	18,156	25%	<ul style="list-style-type: none"> <li>Rs 14,015 crore has been allocated towards capital outlay on roads and bridges.</li> </ul>
Energy	9,497	13,118	17,042	16,020	30%	<ul style="list-style-type: none"> <li>Rs 7,108 crore has been allocated for taking over future loss of TANDGEDCO under UDAY scheme.</li> <li>Rs 4,563 crore has been provided to TANGEDCO for debt servicing under UDAY scheme.</li> </ul>
Rural Development	5,367	8,004	7,292	8,964	29%	<ul style="list-style-type: none"> <li>Rs 2,100 crore has been allocated towards MGNREGS.</li> <li>Rs 833 crore has been allocated towards road/bridge works under PMGSY-Bharat Nirman.</li> </ul>
Urban Development	4,488	7,869	7,083	8,803	40%	<ul style="list-style-type: none"> <li>Rs 2,350 crore has been allocated for implementation of SMART cities mission.</li> </ul>
Police	7,930	8,517	8,091	8,601	4%	<ul style="list-style-type: none"> <li>Rs 4,629 crore has been allocated for the district police.</li> </ul>
Irrigation and Flood Control	4,523	6,342	8,349	5,761	13%	<ul style="list-style-type: none"> <li>Rs 2,890 crore has been allocated for capital outlay on major irrigation.</li> </ul>
<b>% of total expenditure on all sectors</b>	<b>52%</b>	<b>53%</b>	<b>57%</b>	<b>57%</b>		

Note: BE is Budget Estimate; RE is Revised Estimate.

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

**Committed expenditure:** Committed expenditure of a state typically includes expenditure towards payment of salaries, pension, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, Tamil Nadu is estimated to spend Rs 1,33,773 crore on committed expenditure (a 6% annual increase over 2019-20), which is 66% of its revenue receipts. This implies that 66% of the state's revenue goes towards committed expenditure. This comprises spending on salaries (32% of revenue receipts), pensions (14%), and interest payments (21%).

**Table 4: Committed expenditure in 2021-22 (in Rs crore)**

Committed Expenditure	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Salaries	57,829	64,209	61,294	-5%	63,919	5%
Pension	30,202	35,159	27,696	-21%	28,251	-3%
Interest	31,980	36,311	36,554	1%	41,603	14%
<b>Committed Expenditure</b>	<b>1,20,011</b>	<b>1,35,679</b>	<b>1,25,544</b>	<b>-7%</b>	<b>1,33,773</b>	<b>6%</b>
<b>As a % of Revenue Receipts</b>	<b>69%</b>	<b>62%</b>	<b>69%</b>	<b>-</b>	<b>66%</b>	<b>-</b>

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

## Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 2,02,496 crore, an annual increase of 8% over 2019-20. Of this, Rs 1,40,783 crore (70%) will be raised by the state through its **own resources**, and Rs 61,712 crore (30%) will come **from the centre**. Resources from the centre will be in the form of the state's share in central taxes (13% of the state's revenue receipts) and grants-in-aid (17% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes (devolution) are estimated to register an annual increase of 1% over 2019-20. As per the revised estimate of 2020-21, devolution to the state is estimated to decrease by 30% as compared to the budget estimate. This is due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore to Rs 5,49,959 crore at the revised stage.
- **State's own tax revenue:** Total own tax revenue of Tamil Nadu is estimated to be Rs 1,26,644 crore in 2021-22, an annual increase of 9% over 2019-20. In 2020-21, as per the revised estimate, state's own tax revenue is estimated to be 18% lower than the budget estimate. The own tax-GSDP ratio of the state is estimated at 5.9% in 2021-22, as compared to 5.7% in 2020-21.

**Table 5: Break-up of the state government's receipts (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	1,07,462	1,33,530	1,09,969	-18%	1,26,644	9%
State's Own Non-Tax	12,888	15,899	12,683	-20%	14,139	5%
Share in Central Taxes	26,392	32,849	23,039	-30%	27,148	1%
Grants from Centre	27,783	37,097	35,009	-6%	34,564	12%
<b>Revenue Receipts</b>	<b>1,74,526</b>	<b>2,19,375</b>	<b>1,80,701</b>	<b>-18%</b>	<b>2,02,496</b>	<b>8%</b>
Borrowings	66,774	74,107	1,08,851	47%	1,18,250	33%
Other Receipts	5,384	5,364	5,364	0%	6,057	6%
<b>Capital Receipts</b>	<b>72,158</b>	<b>79,472</b>	<b>1,14,216</b>	<b>44%</b>	<b>1,24,307</b>	<b>31%</b>
<b>Total Receipts</b>	<b>2,46,684</b>	<b>2,98,847</b>	<b>2,94,916</b>	<b>-1%</b>	<b>3,26,803</b>	<b>15%</b>

Note: Some figures may not tally due to rounding off.

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

- In 2021-22, sales tax/VAT is estimated to be the largest source of the state's own tax revenue (27%). This revenue is estimated at Rs 53,798 crore, an annual increase of 10% over 2019-20. In 2020-21, revenue from sales tax/VAT is estimated to be 22% lower than the budget estimate for the year.
- In 2021-22, the state is expected to generate Rs 42,300 crore through state GST, an annual increase of 5% over 2019-20.
- In 2021-22, Tamil Nadu is expected to generate Rs 13,253 crore from stamp duty and registration fees, an annual increase of 10% over 2019-20.

### GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21 and 2021-22, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection).

Tamil Nadu is estimated to receive Rs 7,705 crore in the form of grants and Rs 8,095 crore in the form of loans on account of GST compensation (5% of its revenue receipts in total). This is an annual increase of 33% over 2019-20 (Rs 8,922 crore). In 2020-21, the state is estimated to receive Rs 8,410 crore as compensation grants and Rs 7,608 crore as loans from the centre in lieu of GST compensation grants.

**Table 6: Major sources of the state's own tax revenue (in Rs crore)**

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
Sales Tax/ VAT	44,515	56,046	43,784	-22%	53,798	10%	27%
State GST	38,376	46,196	41,249	-11%	42,300	5%	21%
Stamp Duty and Registration Fees	10,856	14,435	10,781	-25%	13,253	10%	6%
State Excise	7,206	8,134	7,815	-4%	8,770	10%	4%
Taxes on Vehicles	5,675	6,898	4,566	-34%	6,582	8%	3%
Taxes and Duties on Electricity	574	1,480	1,471	-1%	1,355	54%	1%
<b>GST Compensation Grants</b>	<b>8,922</b>	<b>10,300</b>	<b>8,410</b>	<b>-18%</b>	<b>7,705</b>	<b>-7%</b>	<b>4%</b>
<b>GST Compensation Loans</b>	<b>-</b>	<b>-</b>	<b>7,608</b>	<b>-</b>	<b>8,095</b>	<b>-</b>	<b>4%</b>

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

## Deficits, Debt, and FRBM Targets for 2021-22

The Tamil Nadu Fiscal Responsibility Act, 2003 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state.

**Revenue deficit:** It is the excess of revenue expenditure over revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue deficit of Rs 58,693 crore (2.75% of GSDP) in 2021-22. The 15<sup>th</sup> Finance Commission has recommended revenue deficit grants of Rs 2,204 crore for the state for the four-year period from 2021-22 to 2024-25.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 92,529 crore (4.33% of GSDP). As per the revised estimate, the fiscal deficit of the state is expected to be 4.99% of GSDP in 2020-21, significantly higher than the budget estimate of 2.84%.

**Enhanced borrowing limit in 2020-21:** Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states were allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/ utility, and (iv) power distribution. As of March 2021, Tamil Nadu was eligible to borrow an additional Rs 9,626 crore for completing reforms linked to ease of doing business and one nation one ration card.

**Outstanding liabilities:** Outstanding liabilities is the accumulation of borrowings taken by the state government over the years. At the end of the year 2021-22, the state's outstanding liabilities are expected to be 27.1% of GSDP, which is higher than the revised estimate of 25% of GSDP at the end of 2020-21. The state's outstanding liabilities are estimated to further increase from 27.1% of GSDP at the end of 2021-22 to 27.8% of GSDP at the end of 2023-24.

### Fiscal Roadmap for 2021-26

The 15<sup>th</sup> Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Commission estimates that this path will enable Tamil Nadu to bring down its total liabilities from 28.9% of GSDP in 2020-21 to 28.7% of GSDP at the end of 2025-26.

If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). An additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

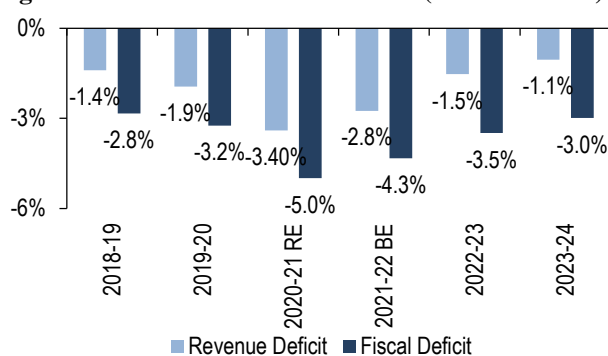
**Table 7: Budget targets for deficits for Tamil Nadu (% of GSDP)**

Year	Revenue Deficit	Fiscal Deficit	Outstanding Liabilities
2018-19	1.4%	2.8%	20.8%
2019-20	2.0%	3.3%	21.5%
2020-21 RE	3.4%	5.0%	25.0%
2021-22 BE	2.8%	4.3%	27.1%
2022-23	1.5%	3.5%	27.8%
2023-24	1.1%	3.0%	27.8%

Note: Outstanding liabilities exclude Ways and Means Advance, Reserve Funds & Deposits. Figures are actuals for the period 2018-20, estimates for 2020-21 (revised) and 2021-22 (budget), and projections for the period 2022-24.

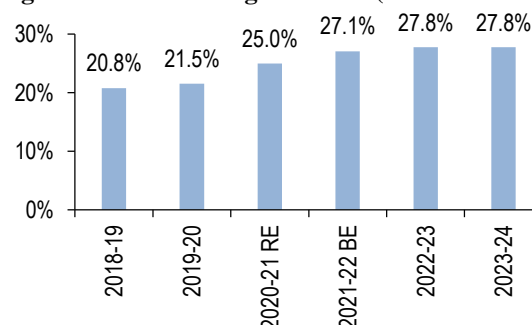
Sources: Tamil Nadu Budget Documents 2021-22; PRS.

**Figure 2: Revenue and Fiscal Deficit (as % of GSDP)**



Note: Actuals shown for 2018-20 and Medium Term Fiscal Plan targets for 2022-24, fiscal deficit excludes GST compensation loans.  
Sources: Tamil Nadu Budget Documents 2021-22; PRS.

**Figure 3: Outstanding liabilities (as % of GSDP)**

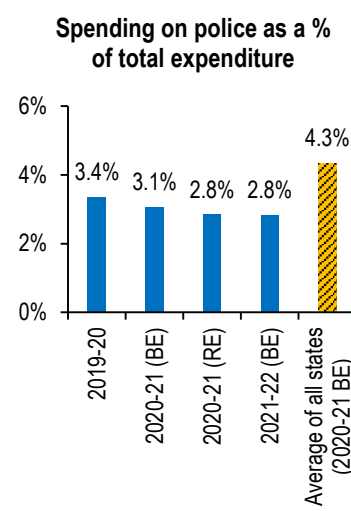
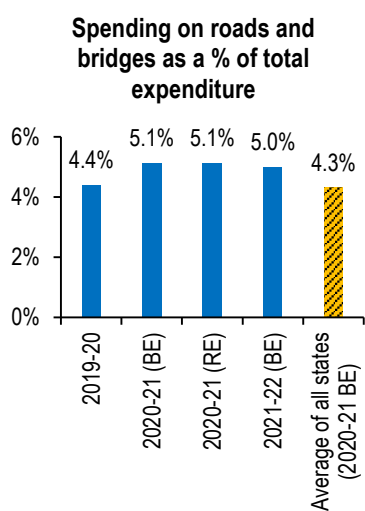
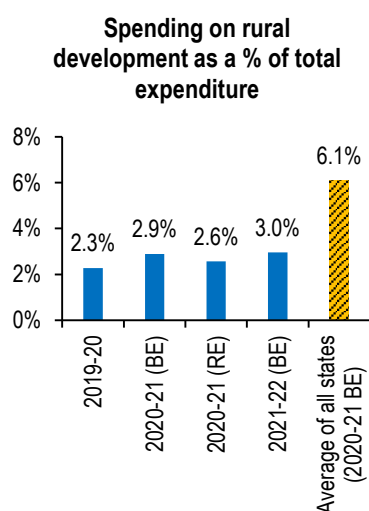
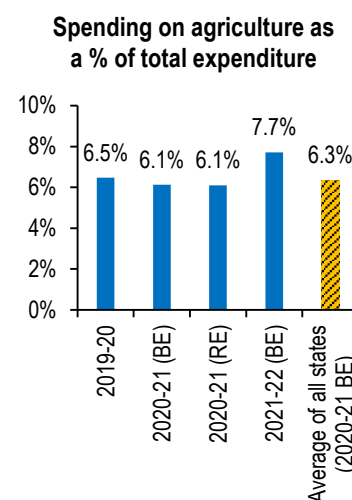
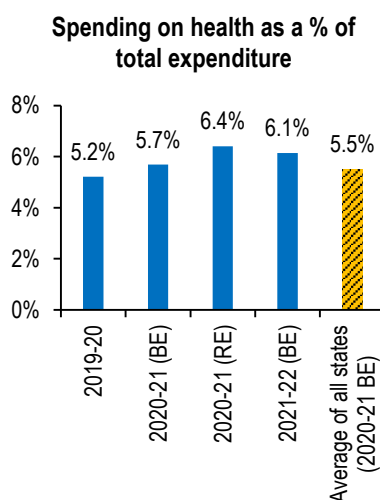
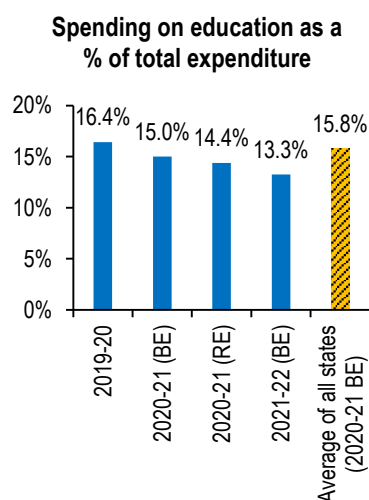


Note: Actuals shown for 2018-20 and Medium Term Fiscal Plan targets for 2022-24. Outstanding liabilities exclude Ways and Means Advance, Reserve Funds & Deposits.  
Sources: Tamil Nadu Budget Documents 2021-22; PRS.

## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Tamil Nadu's expenditure on six key sectors as a proportion of its total expenditure on all sectors (i.e., a sum of revenue expenditure and capital outlay for that sector). The average for a sector indicates the average expenditure in that sector by 30 states (including Tamil Nadu) as per their budget estimates of 2020-21.\*

- **Education:** Tamil Nadu has allocated 13.3% of its total expenditure for education in 2021-22. This is lower than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Tamil Nadu has allocated 6.1% of its total expenditure on health in 2021-22, which is higher than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 7.7% of its total expenditure towards agriculture and allied activities in 2021-22. This is higher than the average allocation for agriculture by states (6.3%).
- **Rural development:** Tamil Nadu has allocated 3.0% of its expenditure on rural development in 2021-22. This is significantly lower than the average allocation for rural development by states (6.1%).
- **Roads and bridges:** Tamil Nadu has allocated 5% of its total expenditure on roads and bridges in 2021-22, which is higher than the average allocation by states (4.3%).
- **Police:** Tamil Nadu has allocated 2.8% of its total expenditure on police in 2021-22, which is lower than the average allocation for police by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Tamil Nadu.  
Sources: Tamil Nadu Budget Documents 2021-22; various state budgets; PRS.

\* The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

## Annexure 2: Recommendations of the 15<sup>th</sup> Finance Commission for 2021-26

The 15<sup>th</sup> Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15<sup>th</sup> FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14<sup>th</sup> FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir and Ladakh. The 15<sup>th</sup> FC proposed revised criteria for determining the share of individual states (different from 14<sup>th</sup> FC). For the 2021-26 period, Tamil Nadu will have a 1.67% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, Tamil Nadu will receive Rs 1.67.

**Table 8: Share of states in the divisible pool of central taxes under the 14<sup>th</sup> and 15<sup>th</sup> FC periods**

State	14th FC	15th FC	15th FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.808	1.686	1.659	-8.2%	-1.6%
Arunachal Pradesh	0.575	0.722	0.720	25.2%	-0.2%
Assam	1.391	1.284	1.282	-7.8%	-0.1%
Bihar	4.059	4.125	4.124	1.6%	0.0%
Chhattisgarh	1.294	1.401	1.397	8.0%	-0.3%
Goa	0.159	0.158	0.158	-0.3%	0.0%
Gujarat	1.295	1.393	1.426	10.1%	2.4%
Haryana	0.455	0.444	0.448	-1.6%	1.0%
Himachal Pradesh	0.299	0.328	0.340	13.6%	3.9%
Jammu & Kashmir	0.779	-	-	-	-
Jharkhand	1.318	1.358	1.356	2.8%	-0.2%
Karnataka	1.979	1.495	1.495	-24.5%	0.0%
Kerala	1.050	0.797	0.789	-24.8%	-0.9%
Madhya Pradesh	3.170	3.233	3.219	1.5%	-0.5%
Maharashtra	2.319	2.515	2.590	11.7%	3.0%
Manipur	0.259	0.294	0.294	13.3%	-0.3%
Meghalaya	0.270	0.314	0.314	16.6%	0.3%
Mizoram	0.193	0.207	0.205	6.1%	-1.2%
Nagaland	0.209	0.235	0.233	11.5%	-0.7%
Odisha	1.950	1.898	1.856	-4.8%	-2.2%
Punjab	0.662	0.733	0.741	11.9%	1.1%
Rajasthan	2.308	2.451	2.471	7.1%	0.8%
Sikkim	0.154	0.159	0.159	3.2%	0.0%
<b>Tamil Nadu</b>	<b>1.690</b>	<b>1.717</b>	<b>1.672</b>	<b>-1.0%</b>	<b>-2.6%</b>
Telangana	1.024	0.875	0.862	-15.8%	-1.5%
Tripura	0.270	0.291	0.290	7.7%	-0.1%
Uttar Pradesh	7.543	7.352	7.355	-2.5%	0.0%
Uttarakhand	0.442	0.453	0.458	3.7%	1.3%
West Bengal	3.076	3.083	3.084	0.3%	0.1%
<b>Total</b>	<b>42.000</b>	<b>41.000</b>	<b>41.000</b>		

Note: Although the 15<sup>th</sup> Finance Commission recommended the same criteria for 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. Sources: Reports of 14<sup>th</sup> and 15<sup>th</sup> FCs; Union Budget Documents 2021-22; PRS.

The 15<sup>th</sup> FC recommended grants worth Rs 10.3 lakh crore for states over five years (2021-26). A portion of these grants will be conditional in nature. 17 states will receive revenue deficit grants during the period 2021-26, including Tamil Nadu. Sector-specific grants include grants for sectors such as agriculture, health, and rural roads. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

**Table 9: Grants recommended for 2021-26 (Rs crore)**

Grants	Total	Tamil Nadu
Revenue deficit grants	2,94,514	2,204
Local government grants	4,36,361	25,526*
Disaster management grants	1,22,601	5,637
Sector-specific grants	1,29,987	4,784#
State-specific grants	49,599	2,200
<b>Total</b>	<b>10,33,062</b>	<b>40,351</b>

Note: Note: This does not include competition-based grants including \*grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks. Source: Report of the 15<sup>th</sup> FC for 2021-26; PRS.

Grants recommended for Tamil Nadu for 2021-26 include: (i) Rs 2,204 crore as revenue deficit grants, (ii) Rs 25,526 crore for local bodies, (iii) Rs 4,784 crore as sector-specific grants for areas such as agriculture and health, and (iv) Rs 2,200 crore as state-specific grants, including grants for revamping water bodies in Chennai.

**Table 10: Taxes devolved to states as per Union Budget 2021-22**

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
Bihar	66,049	55,334	66,942
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
Himachal Pradesh	4,873	4,394	5,524
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
<b>Tamil Nadu</b>	<b>27,493</b>	<b>23,039</b>	<b>27,148</b>
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
West Bengal	50,051	41,353	50,070
<b>Total</b>	<b>6,83,353</b>	<b>5,49,959</b>	<b>6,65,563</b>

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Sources: Union Budget Documents 2021-22; PRS.

### Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

**Table 11: Key components of the state's finances**

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
<b>Receipts (1+2)</b>	2,94,916	3,26,803	11%
Receipts except Borrowings	1,86,065	2,08,553	12%
1. Revenue Receipts (a+b+c+d)	1,80,701	2,02,496	12%
a. Own Tax Revenue	1,09,969	1,26,644	15%
b. Own Non-Tax Revenue	12,683	14,139	11%
c. Share in central taxes	23,039	27,148	18%
d. Grants-in-aid from the Centre	35,009	34,564	-1%
<i>Of which GST compensation</i>	8,410	7,705	-8%
2. Capital Receipts	1,14,216	1,24,307	9%
a. Borrowings	1,08,851	1,18,250	9%
<i>Of which GST compensation loan</i>	7,608	8,095	6%
<b>Expenditure (3+4)</b>	3,06,917	3,29,035	7%
3. Revenue Expenditure	2,46,695	2,61,189	6%
4. Capital Expenditure	60,222	67,846	13%
i. Capital Outlay	37,734	42,181	12%
ii. Debt Repayment	16,353	19,857	21%
Revenue Deficit	65,994	58,693	-11%
<b>Revenue Deficit (as % of GSDP)</b>	3.40%	2.75%	-
Fiscal Deficit	96,890	92,529	-5%
<b>Fiscal Deficit (as % of GSDP)</b>	4.99%	4.33%	-

Note: Fiscal deficit exclude loans for GST compensation.

Sources: Tamil Nadu Budget Documents 2021-22; PRS.



**Table 12: Key components of the state's own tax revenue**

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Sales Tax/ VAT	43,784	53,798	23%
State GST	41,249	42,300	3%
Stamp Duty and Registration Fees	10,781	13,253	23%
State Excise Duty	7,815	8,770	12%
Taxes on Vehicles	4,566	6,582	44%
Taxes and Duties on Electricity	1,471	1,355	-8%
Land Revenue	285	560	96%

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

**Table 13: Allocation towards key sectors**

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	40,881	40,208	-2%
Social Welfare and Nutrition	23,592	24,527	4%
Agriculture and allied activities	17,339	23,398	35%
Health and Family Welfare	18,214	18,632	2%
Transport	15,238	18,156	19%
Energy	17,042	16,020	-6%
Rural Development	7,292	8,964	23%
Urban Development	7,083	8,803	24%
Police	8,091	8,601	6%
Irrigation and Flood Control	8,349	5,761	-31%

Sources: Tamil Nadu Budget Documents 2021-22; PRS.

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