

Tamil Nadu Budget Analysis 2025-26

The Finance Minister of Tamil Nadu, Mr. Thangam Thennarasu, presented the Budget for the state for the financial year 2025-26 on March 14, 2025.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Tamil Nadu for 2025-26 (at current prices) is projected to be Rs 35,67,818 crore, amounting to growth of 15% over the revised estimates of 2024-25.
- **Expenditure (excluding debt repayment)** in 2025-26 is estimated to be Rs 4,39,293 crore, an increase of 10% from the revised estimates of 2024-25. In addition, debt of Rs 47,040 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2025-26 are estimated to be Rs 3,32,325 crore, an increase of 12% as compared to the revised estimate of 2024-25.
- **Revenue deficit** in 2025-26 is estimated to be 1.2% of GSDP (Rs 41,635 crore), as compared to a revenue deficit of 1.5% of GSDP (Rs 46,468 crore) at the revised estimate stage in 2024-25.
- **Fiscal deficit** for 2025-26 is targeted at 3% of GSDP (Rs 1,06,968 crore). In 2024-25, as per the revised estimates, fiscal deficit is expected to be 3.3% of GSDP, slightly lower than the budgeted 3.4% of GSDP.

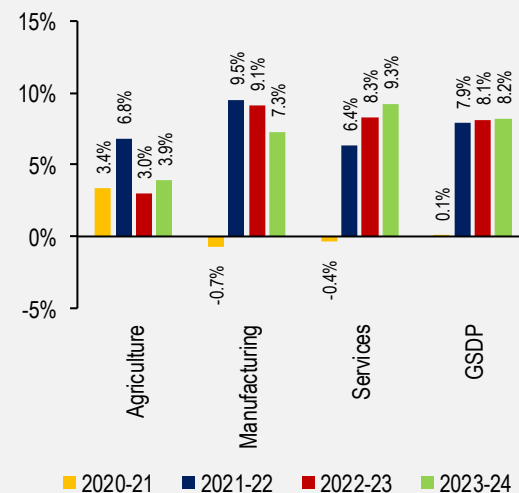
Policy Highlights

- **Water supply:** A new project will be implemented to connect all the water distribution stations and ensure equitable distribution of water supply in Chennai. This project will be implemented over the next three years at an estimated cost of Rs 2,423 crore.
- **Urban development:** A new city featuring IT parks, fin-tech trade zones, research and development centres, banking and insurance firms, along educational and healthcare facilities will be developed over an area of 2,000 acres near Chennai.
- **Nutrition:** The Chief Minister’s Breakfast scheme has been expanded to provide breakfast for students in urban government aided schools. This is expected to benefit an additional 3.14 lakh students. The total allocation for this scheme is Rs 600 crore.
- **Industry:** The ‘Tamil Nadu Semiconductor Mission – 2030’ will be implemented over the next five years at a cost of Rs 500 crore. Semiconductor design companies and domestic start-ups will be encouraged to establish their design centres in Tamil Nadu.

Tamil Nadu’s Economy

- **GSDP:** In 2023-24, Tamil Nadu’s GSDP (at constant prices) is estimated to grow by 8.2% over the previous year. In comparison, India’s GDP is estimated to grow by 9.2% in 2023-24. In 2023-24 agriculture, manufacturing and service sectors are expected to grow by 3.9%, 7.3%, and 9.3% respectively in real terms.
- **Sectors:** In 2023-24, agriculture, manufacturing, and services sectors are estimated to contribute 13%, 33%, and 54% of Tamil Nadu’s economy, respectively (at current prices).
- **Per capita GSDP:** In 2023-24, Tamil Nadu’s per capita GSDP (at current prices) is estimated to be Rs 3,53,483 an increase of 13% over the previous year. In 2023-24, India’s per capita GDP is estimated to be Rs 2,15,935, an increase of 11% over the previous year.

Figure 1: Growth in Tamil Nadu’s GSDP at constant prices (2011-12)



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: MoSPI; PRS.

Budget Estimates for 2025-26

- **Total expenditure (excluding debt repayment)** in 2025-26 is targeted at Rs 4,39,293 crore. This is an increase of 10% from the revised estimate of 2024-25. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 3,32,325 crore and net borrowings of Rs 1,05,000 crore. Total receipts for 2025-26 (other than borrowings) are expected to register an increase of 12% over the revised estimate of 2024-25.
- The state estimates a **revenue deficit** of 1.2% of GSDP (Rs 41,635 crore) in 2025-26, lower as compared to a revenue deficit of 1.5% of GSDP at the revised estimate stage of 2024-25. In 2023-24, the state incurred a revenue deficit of 1.7% of GSDP (Rs 45,121 crore).
- **Fiscal deficit** for 2025-26 is targeted at 3.0% of GSDP (Rs 1,06,968 crore), lower than the revised estimates for 2024-25 (3.3% of GSDP). This is due to an estimated 12% increase in net receipts as against a 10% increase in net expenditure. In 2023-24, the fiscal deficit was 3.3% of GSDP (Rs 90,442 crore).

Table 1: Budget 2025-26 - Key figures (in Rs crore)

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Total Expenditure	4,02,628	4,53,682	4,39,895	-3%	4,86,332	11%
(-) Repayment of debt	43,565	41,178	40,693	-1%	47,040	16%
Net Expenditure (E)	3,59,063	4,12,504	3,99,203	-3%	4,39,293	10%
Total Receipts	4,00,218	4,49,307	4,36,202	-3%	4,84,364	11%
(-) Borrowings	1,31,597	1,45,497	1,38,356	-5%	1,52,040	10%
of which central capex loans*	5,326	5,032	5,131	2%	5,786	13%
Net Receipts (R)	2,68,621	3,03,810	2,97,846	-2%	3,32,325	12%
Fiscal Deficit (E-R)	90,442	1,08,693	1,01,356	-7%	1,06,968	6%
as % of GSDP	3.3%	3.4%	3.3%		3.0%	
Revenue Deficit	45,121	49,279	46,468	-6%	41,635	-10%
as % of GSDP	1.7%	1.6%	1.5%		1.2%	
Primary Deficit	36,876	46,237	40,999	-11%	37,855	-8%
as % of GSDP	1.4%	1.5%	1.3%		1.1%	
GSDP	27,21,571	31,55,096	31,15,998	-1.2%	35,67,818	15%

Note: BE is Budget Estimates; RE is Revised Estimates. *Central government has been providing 50-year interest-free loans to state governments for capital expenditure since 2020-21. These loans are excluded from the calculation of the state's borrowing ceiling. Sources: Annual Financial Statement, Tamil Nadu Budget Documents 2025-26; PRS.

Expenditure in 2025-26

- **Revenue expenditure** for 2025-26 is proposed to be Rs 3,73,204 crore, an increase of 10% over the revised estimate of 2024-25. This includes the expenditure on committed items like salaries, pension, and interest and other items such as grants, and subsidies.
- **Capital outlay** for 2025-26 is proposed to be Rs 57,231 crore, an increase of 22% from the revised estimate of 2024-25. Capital outlay indicates the expenditure towards creation of assets. Sectors that have witnessed an uptick in capital outlay include: (i) transport (27% increase), (ii) energy (3,973% increase) and (iii) urban development (24% increase).
- In 2025-26, loans and advances by the state are expected to be Rs 8,858 crore, 27% lower as compared to the revised estimate of 2024-25. In 2024-25, loans and advances given by the state are expected to further come down by 27% as compared to the budgeted estimate for that year.

Capital outlay in the energy sector to increase significantly in 2025-26

In 2025-26, capital outlay in the energy sector is estimated to increase from Rs 124 crore to Rs 5,068 crore. This is an increase of 3,973% over the revised estimates of 2024-25. The significant uptick in outlay is on account of an increase in investments in state power corporations. As per the revised figures of 2024-25, equity infusion in Tamil Nadu Power Distribution Corporation Limited (TNPDC) was estimated at Rs 1,000 which is budgeted to increase to Rs 5,000 crore in 2025-26.

Table 2: Expenditure budget 2025-26 (in Rs crore)

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Revenue Expenditure	3,09,718	3,48,289	3,40,374	-2%	3,73,204	10%
Capital Outlay	40,500	47,681	46,766	-2%	57,231	22%
Loans given by the state	8,845	16,534	12,063	-27%	8,858	-27%
Net Expenditure	3,59,063	4,12,504	3,99,203	-3%	4,39,293	10%

Sources: Annual Financial Statement, Tamil Nadu Budget Documents 2025-26; PRS

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pension, and interest. A larger proportion of the budget allocated for committed expenditure items may limit the state's flexibility to decide on other expenditure priorities, such as capital outlay.

In 2025-26, Tamil Nadu is estimated to spend Rs 2,07,054 crore on committed expenditure, which is 62% of its estimated revenue receipts. This comprises spending on salaries (28% of revenue receipts), pension (14%), and interest payments (21%). In 2023-24, 63% of revenue receipts was spent on committed expenditure.

Table 3: Committed Expenditure in 2025-26 (in Rs crore)

Committed Expenditure	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 24-25 to RE 24-25	2025-26 Budgeted	% change from RE 24-25 to BE 25-26
Salaries	75,030	84,964	81,460	-4%	91,726	13%
Pension	37,697	42,509	41,437	-3%	46,214	12%
Interest payment	53,566	62,456	60,357	-3%	69,114	15%
Total	1,66,293	1,89,929	1,83,254	-4%	2,07,054	13%

Sources: Annual Financial Statement, Tamil Nadu Budget Documents 2025-26; PRS.

Sector-wise expenditure: The sectors listed below account for **54%** of the total expenditure on sectors by the state in 2025-26. A comparison of Tamil Nadu's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Tamil Nadu Budget 2025-26 (in Rs crore)

Sectors	2023-24 Actuals	2024-25 BE	2024-25 RE	2025-26 BE	% change from RE 24-25 to BE 25-26	Budget Provisions (2025-26)
Education, Sports, Arts, and Culture	47,223	54,327	49,783	57,783	16%	<ul style="list-style-type: none"> Rs 13,974 crore allocated towards government secondary schools Rs 14,328 crore allocated towards government primary schools
Social Welfare and Nutrition	28,155	34,548	36,182	38,096	5%	<ul style="list-style-type: none"> Rs 13,807 crore allocated towards Magalir Urimai Thogai scheme
Transport	20,433	23,828	21,991	27,971	27%	<ul style="list-style-type: none"> Rs 18,456 crore allocated towards capital outlay on roads and bridges
Agriculture and Allied Activities	21,231	24,232	22,513	23,964	6%	<ul style="list-style-type: none"> Rs 8,126 crore allocated towards payment to electricity board on behalf of farmers using pump sets
Health and Family Welfare	17,773	19,730	21,525	21,348	-1%	<ul style="list-style-type: none"> Rs 5,926 crore allocated towards allopathic urban health services
Energy	24,166	21,606	22,970	20,354	-11%	<ul style="list-style-type: none"> Rs 7,546 crore allocated towards power subsidy for domestic consumers Rs 7,700 crore allocated towards loss funding for TANGEDCO
Rural Development	8,922	12,043	11,403	13,132	15%	<ul style="list-style-type: none"> Rs 3,699 crore allocated towards rural employment guarantee scheme
Police	10,490	11,965	11,302	12,714	12%	<ul style="list-style-type: none"> Rs 7,605 crore allocated towards district police
Irrigation and Flood Control	6,607	7,763	6,889	8,888	29%	<ul style="list-style-type: none"> Rs 2,565 crore allocated towards capital outlay on major irrigation
Urban Development	7,761	6,025	5,603	7,936	42%	<ul style="list-style-type: none"> Rs 2,000 crore allocated towards implementation of Kalaingar Nagarpura Membattu Thittam Rs 850 crore allocated towards Singara Chennai 2.0 scheme
% of total expenditure on all sectors	55%	55%	54%	54%		

Sources: Annual Financial Statement, Tamil Nadu Budget Documents 2025-26; PRS.

Receipts in 2025-26

- **Total revenue receipts** for 2025-26 are estimated to be Rs 3,31,569 crore, an increase of 13% over the revised estimate of 2024-25. Of this, Rs 2,49,713 crore (75%) will be raised by the state through its **own resources**, and Rs 81,856 crore (25%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (17% of revenue receipts) and grants (7% of revenue receipts).
- **Devolution:** In 2025-26, the state's share in central taxes is estimated at Rs 58,022 crore, an increase of 11% over the revised estimate of 2024-25.
- **Grants from the centre** in 2025-26 are estimated at Rs 23,834 crore, an increase of 16% over the revised estimates for 2024-25. Grants from the centre are expected to be 12% lower than the budgeted estimate in 2024-25, at the revised stage. The reduction in grants is on account of lesser assistance from centre estimated at the revised stage for centrally sponsored schemes.
- **State's own tax revenue:** Tamil Nadu's total own tax revenue is estimated to be Rs 2,20,895 crore in 2025-26, an increase of 15% over the revised estimate of 2024-25. Own tax revenue as a percentage of GSDP is estimated at 6.2% in 2025-26, same as the revised estimates for 2024-25. As per the actual figures for 2023-24, own tax revenue as a percentage of GSDP was 6.1%.

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

Items	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 2024-25 to RE 2024-25	2025-26 Budgeted	% change from RE 2024-25 to BE 2025-26
State's Own Tax	1,67,278	1,95,173	1,92,752	-1%	2,20,895	15%
State's Own Non-Tax	25,904	30,728	28,124	-8%	28,819	2%
Share in Central Taxes	46,072	49,755	52,492	6%	58,022	11%
Grants-in-aid from Centre	25,342	23,354	20,538	-12%	23,834	16%
Revenue Receipts	2,64,597	2,99,010	2,93,906	-2%	3,31,569	13%
Non-debt Capital Receipts	4,024	4,800	3,940	-18%	756	-81%
Net Receipts	2,68,621	3,03,810	2,97,846	-2.0%	3,32,325	12%

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

Sources: Annual Financial Statement, Tamil Nadu Budget Documents 2025-26; PRS.

- In 2025-26, **State GST** is estimated to be the largest source of own tax revenue (42% share). State GST revenue is estimated to increase by 23% over the revised estimates of 2024-25.
- Revenue from sales tax/ VAT in 2025-26 is expected to be 7% higher than the revised estimate of 2024-25. Revenue from this source is estimated to be 6% lower than the budgeted estimate for 2024-25, at the revised stage.
- In 2025-26, revenue from state excise is expected to be 14% higher than the revised estimate for 2024-25. Revenue from state excise is estimated to be 2% lower than the budgeted estimate for 2024-25, at the revised stage.
- Revenue from stamps duty and registration fees is expected to be 9% higher than the revised estimate for 2024-25, in 2025-26. As per the revised estimate for 2024-25, revenue from stamps duty and registration fees is expected to be 3% lower than the budgeted estimate.
- In 2025-26, land revenue is expected to be 26% lower than the revised estimates for 2024-25. Land revenue is expected to be 14% lower than the budgeted estimate for 2024-25, at the revised stage.

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

Head	2023-24 Actuals	2024-25 Budgeted	2024-25 Revised	% change from BE 2024-25 to RE 2024-25	2025-26 Budgeted	% change from RE 2024-25 to BE 2025-26
State GST	61,960	73,788	76,277	3%	93,620	23%
Sales Tax/ VAT	60,200	69,588	65,486	-6%	70,310	7%
State Excise	19,013	23,370	22,815	-2%	26,110	14%
Taxes on Vehicles	9,375	11,560	11,998	4%	13,441	12%
Stamps Duty and Registration Fees	10,774	12,247	11,857	-3%	12,944	9%
Land Revenue	256	370	319	-14%	235	-26%
Taxes and Duties on Electricity	5,680	4,231	3,988	-6%	4,222	6%
GST Compensation Grants	4,574	0	0	0%	0	0%

Sources: Annual Financial Statement, Revenue Budget, Tamil Nadu Budget Documents 2025-26; PRS.

Deficits, Debt, and FRBM Targets for 2025-26

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

Revenue balance: It is the difference of revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance those expenses which do not increase its assets or reduces its liabilities. The budget estimates a revenue deficit of Rs 41,635 crore (or 1.2% of the GSDP) in 2025-26.

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 2025-26, the fiscal deficit is estimated to be 3.0% of GSDP. For 2025-26, the central government has permitted fiscal deficit of up to 3% of GSDP to states. Additional borrowing space up to 0.5% of GSDP will also be available for undertaking certain power sector reforms.

As per the revised estimates, in 2024-25, the fiscal deficit of the state is expected to be 3.3% of GSDP. This is slightly lower than the budget estimate of 3.4% of GSDP.

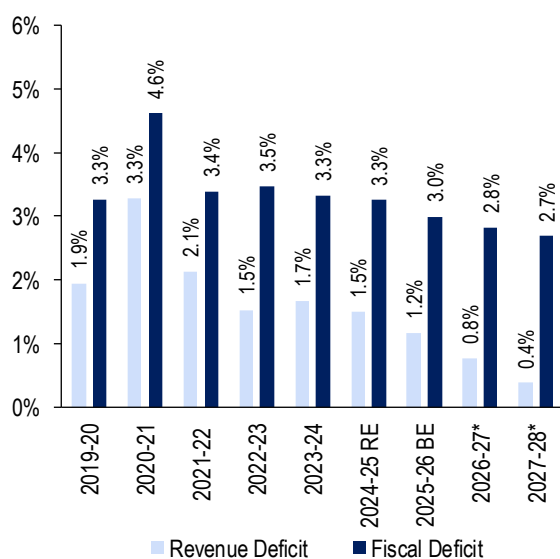
Outstanding debt: Outstanding debt is the accumulation of total borrowings at the end of a financial year. At the end of 2025-26, the outstanding debt is estimated to be 26.1% of GSDP, lower than the revised estimate for 2024-25 (26.4% of GSDP).

Grants to TANGEDCO

Between 2019-20 and 2025-26, the state is estimated to provide Rs 83,156 crore as grants to Tamil Nadu Electricity Generation and Distribution Company (TANGEDCO). This includes UDAY grants and grants for funding its losses. However, TANGEDCO has continued to incur substantial losses due to a gap between its per unit cost of supply of electricity and per unit revenue realised. In 2022-23, this gap was Rs 0.89 per kWh as compared to the average of all other state discoms which was Rs 0.47 per kWh. The White Paper (2021) released by the state government had noted that TANGEDCO's losses are caused by both high costs and low recoveries. It called for a complete restructuring of TANGEDCO.

Source: Report on Performance of Power Utilities, Power Finance Corporation, 2024.

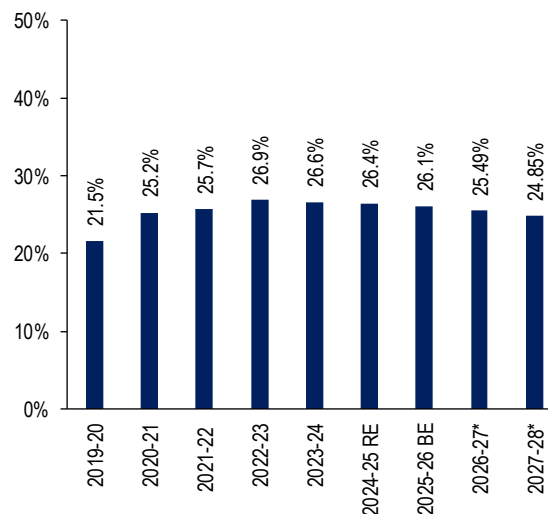
Figure 2: Revenue and Fiscal Deficit (% of GSDP)



Note: *Figures from 2026-27 onwards are projections. RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Tamil Nadu Budget Documents 2025-26; PRS.

Figure 3: Outstanding Debt (as % of GSDP)



Note: *Figures from 2026-27 onwards are projections. BE is budget estimates.

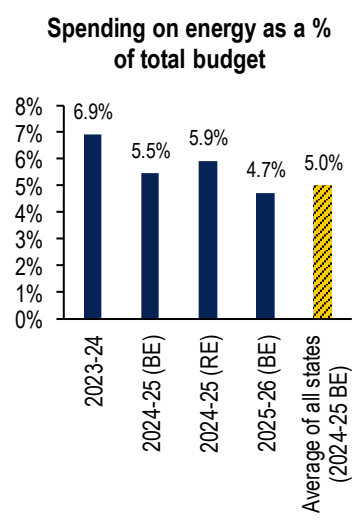
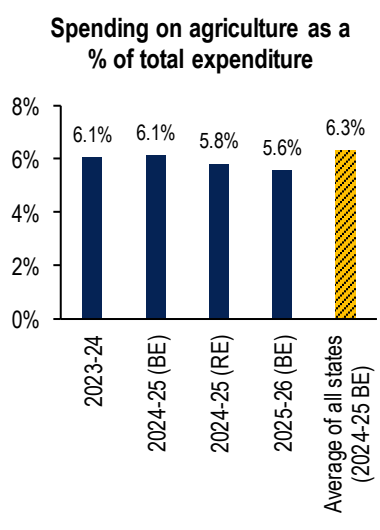
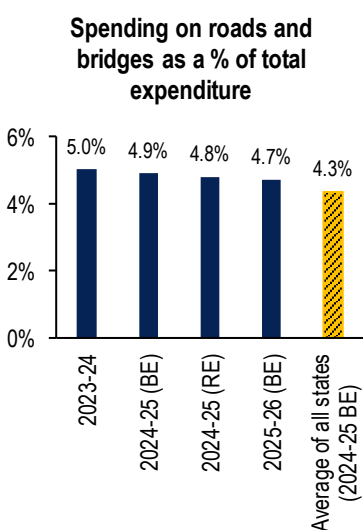
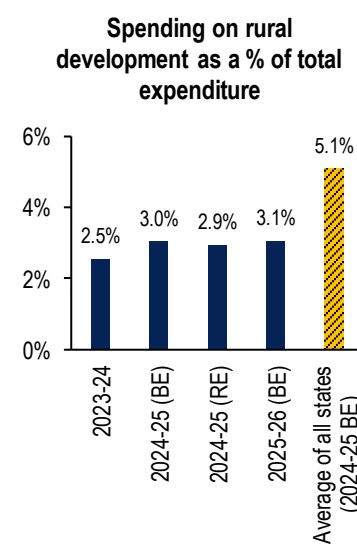
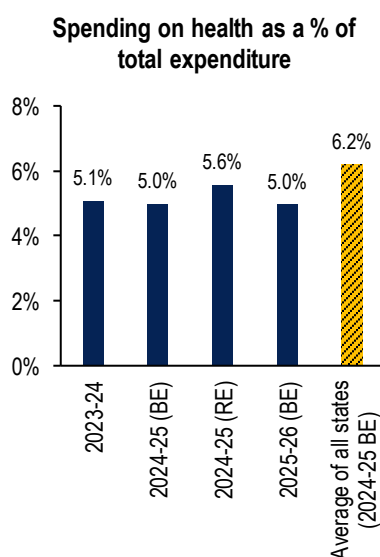
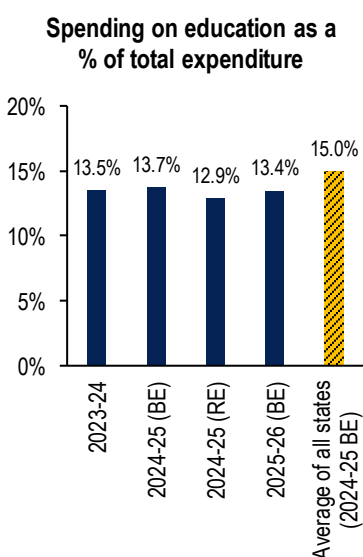
Sources: Medium Term Fiscal Policy, Tamil Nadu Budget Documents 2025-26; PRS.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Tamil Nadu's expenditure in 2025-26 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Tamil Nadu) as per their budget estimates of 2024-25.¹

- **Education:** Tamil Nadu has allocated 13.4% of its expenditure on education in 2025-26. This is lower than the average allocation for education by states in 2024-25 (15.0%).
- **Health:** Tamil Nadu has allocated 5.0% of its expenditure on health in 2025-26. This is lower than the average allocation for health by states in 2024-25 (6.2%).
- **Rural development:** Tamil Nadu has allocated 3.1% of its expenditure on rural development in 2025-26. This is lower than the average allocation for rural development by states in 2024-25 (5.1%).
- **Roads and bridges:** Tamil Nadu has allocated 4.7% of its expenditure on roads and bridges in 2025-26. This is higher than the average allocation for roads and bridges by states in 2024-25 (4.3%).
- **Agriculture:** Tamil Nadu has allocated 5.6% of its expenditure on agriculture in 2025-26. This is lower than the average allocation for agriculture by states in 2024-25 (6.3%).
- **Energy:** Tamil Nadu has allocated 4.7% of its expenditure on energy in 2025-26. This is slightly lower than the average allocation for energy by states in 2024-25 (5.0%).



Note: 2023-24, 2024-25 (BE), 2024-25 (RE), and 2025-26 (BE) figures are for Tamil Nadu.

Sources: Annual Financial Statement, Tamil Nadu Budget Documents 2025-26; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

Annexure 2: Comparison of 2023-24 Budget Estimates and Actuals

The following tables compare the actuals of 2023-24 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Net Receipts (1+2)	2,73,246	2,68,621	-2%
1. Revenue Receipts (a+b+c+d)	2,70,515	2,64,597	-2%
a. Own Tax Revenue	1,81,182	1,67,278	-8%
b. Own Non-Tax Revenue	20,224	25,904	28%
c. Share in central taxes	41,665	46,072	11%
d. Grants-in-aid from the Centre	27,445	25,342	-8%
2. Non-Debt Capital Receipts	2,731	4,024	47%
3. Borrowings	1,33,945	1,31,597	-2%
Of which central capex loans	4,079	5,326	31%
Net Expenditure (4+5+6)	3,65,321	3,59,063	-2%
4. Revenue Expenditure	3,08,056	3,09,718	1%
5. Capital Outlay	44,366	40,500	-9%
6. Loans and Advances	12,900	8,845	-31%
7. Debt Repayment	43,826	43,565	-1%
Revenue Deficit	37,540	45,121	20%
Revenue Deficit (as % of GSDP)	1.3%	1.7%	
Fiscal Deficit	92,075	90,442	-2%
Fiscal Deficit (as % of GSDP)	3.3%	3.3%	

Source: Tamil Nadu Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue

Tax Source/Head	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Stamps Duty and Registration Fees	25,567	19,013	-26%
Land Revenue	296	256	-13%
State Excise	11,819	10,774	-9%
Sales Tax/ VAT	65,860	60,200	-9%
State GST	66,967	61,960	-7%
Taxes on Vehicles	8,783	9,375	7%
Taxes and Duties on Electricity	1,890	5,680	201%

Source: Tamil Nadu Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors

Sector	2023-24 BE	2023-24 Actuals	% change from BE to Actuals
Housing	3,667	2,624	-28%
Water Supply and Sanitation	6,418	4,993	-22%
Irrigation and Flood Control	7,755	6,607	-15%
Transport	22,306	20,433	-8%
<i>of which Roads and Bridges</i>	18,861	17,568	-7%
Agriculture and Allied Activities	22,971	21,231	-8%
Urban Development	8,331	7,761	-7%
Rural Development	9,413	8,922	-5%
Education, Sports, Arts, and Culture	49,700	47,223	-5%
Health and Family Welfare	18,545	17,773	-4%
Welfare of SC, ST, OBC, and Minorities	5,028	5,032	0.1%
Police	10,368	10,490	1%
Social Welfare and Nutrition	26,614	28,155	6%
Energy	8,426	24,166	187%

Source: Tamil Nadu Budget Documents of various years; PRS.