India: Revenue strength keeps fiscal math comfortable in Apr-Jun'FY27

01st August 2026

Fig.1 Fiscal consolidation target at 4.3% of GDP in FY27 (% of GDP)

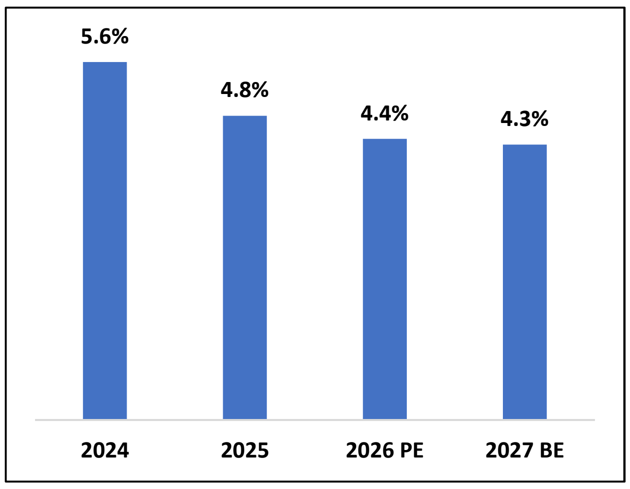


Fig.2. Fiscal dynamics in Apr-Jun FY27 appear on track when compared with same period last year even after West Asia conflict impact (% of revised / budgeted estimates)

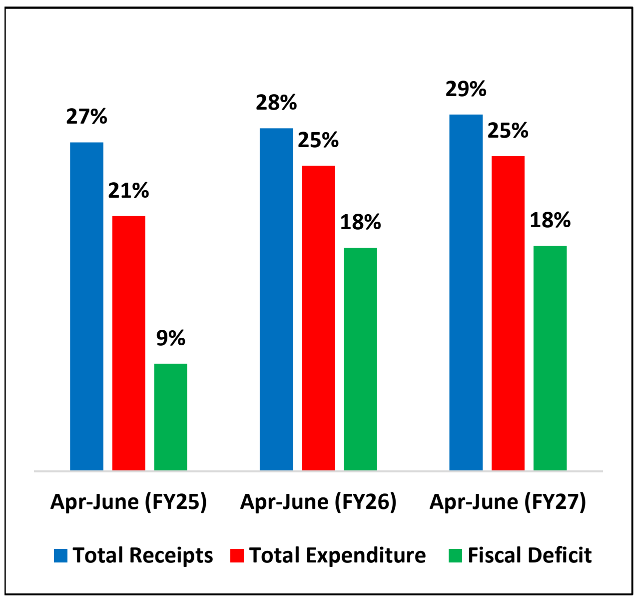
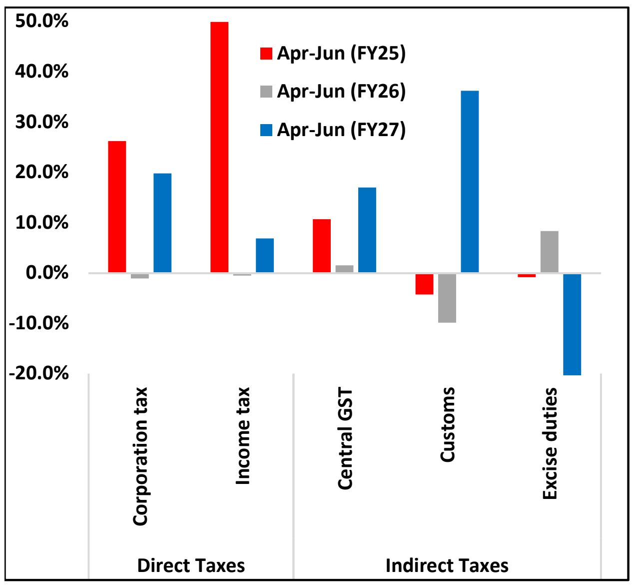


Fig.3. Tax revenue growth pickup primarily led by direct taxes while overall indirect taxes lag (%, y/y)



Source: CEIC, CGA, Budget documents & UBI Research

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Fiscal deficit in Apr-Jun'FY27 on track; revenue cushion offsets higher spending

- Fiscal deficit in Apr-Jun'FY27 clocked Rs.3.08 lakh crore (18.2% of Budgeted estimates of Rs.16.96 lakh crore), compared with 18% for the same period last year. While the deficit has naturally widened from last month, the fiscal trajectory appears broadly consistent with the govt.'s consolidation path. Expenditure and revenue growth were broadly aligned during the period with both growing at 11% & 11.5% respectively. Capex continued to remain strong even as non-debt capital receipts gathered pace.

- **Receipts**: Revenue receipts have achieved about 29% of the BE for FY27 in Apr-Jun period. Revenue receipts witnessed a growth of 11% y/y from Rs. 9.13 lakh crore last year to Rs. 10.14 lakh crore this year. Tax revenues grew by 18% in Apr-Jun'FY27, while non-debt capital receipts grew sharply by 25% y/y to Rs.0.35 lakh crore as against Rs. 0.28 lakh crore last year.
  - **Cumulatively**, during Apr-Jun'FY27, revenue receipts were largely supported by net tax revenue. Net tax revenue was up by 18% in the Apr-Jun period to reach Rs. 6.37 lakh crore while recording a 52% y/y growth for the month of June'26.
  - **Gross tax revenue** was up just 3.7% at Rs. 9.01 lakh crore (Rs. 8.7 lakh crore last year) mainly due to about 5% fall in indirect taxes collection overshadowing a decent 12% growth in direct taxes collection.
  - **Direct taxes** collection went up from Rs. 4.6 lakh crore last year to Rs. 5.12 lakh crore in Apr-Jun'FY27 with corporate taxes showing a robust growth of 20% y/y. Income tax collection lagged behind with a growth of 7% y/y at Rs.3.05 lakh cr.
  - **Indirect taxes** collection fell by 5% to Rs. 3.9 lakh crore in Apr-Jun FY27 from Rs. 4.1 lakh crore same period last year partly contributed by a slump in the collection of compensation cess which were sharply down from Rs. 38,325 crore to Rs. 193 cr. Revenue from GST and customs was up by 17% and 36% respectively while excise duties were down by about 22%.
  - **Non-debt capital receipts** were up by 25% in the period at Rs.35,000 crore as against Rs.28,000 crore same period last year showing govt's resolve to contain the fiscal deficit in the backdrop of global turmoil and related aftershocks.
- **Expenditure:** Expenditure has been progressing in line with the budgeted estimates as about 25.4% of budgeted expenditure for FY27 took place during Apr-Jun period (24.6% last year). Both revenue expenditure and capex rose leading to a 11% y/y rise in total expenditure in Apr-Jun'FY27.
  - **Capital expenditure** was front loaded with a growth of 24% in Apr-Jun'FY27 to Rs. 3.4 lakh crore making up for 27.8% of the BE of Rs. 12.22 lakh cr. For the month of June, capex was up by 66% y/y.
  - **Revenue expenditure** in Apr-Jun'FY27 averaged Rs. 10.17 lakh crore vs Rs. 9.47 lakh crore in corresponding period last year, growing at about 7.4% and achieving 24.6% of the budgeted target. A surge in subsidies payment as a consequence of higher crude oil prices amid supply disruptions also contributed to the hike in revenue expenditure. For the month of June, the revenue expenditure was down by about 8.4% y/y.
  - **Subsidy expenditure** rose 37% to Rs. 1.15 lakh crore from Rs.0.84 lakh crore same period last year, driven by a sharp 68% jump in urea subsidy in view of the US Iran war and high urea and input prices. The subsidies expenditure has reached 28% of the budgeted target vis-a-vis 22% achievement same period last year.
- **Fiscal deficit financing**: In the Union Budget FY 2026-27, govt. has reiterated its commitment to continue on its fiscal consolidation path and reduce fiscal deficit to 4.3% of GDP in FY27 from 4.4% in FY26 (RE).
  - **Market borrowings** stood at Rs. 2.39 lakh crore for the period Apr-Jun'FY27, more or less as last year and compared to BE of Rs. 13.03 lakh crore for FY27.
  - **Fiscal financing through small savings** during Apr-Jun'FY27 stands at Rs. 1.45 lakh crore vis-a-vis Rs. 1.03 lakh crore last year growing by 41% y/y.
  - **Govt. cash balance** as of Jun'26 was at Rs. 3.93 lakh crore with cash buildup of Rs. 1.86 lakh crore vis-à-vis end-March 2026 balance of Rs. 2.07 lakh cr.

With strong revenue mobilization, fiscal outlook remains constructive supported by the Govt.'s continued commitment to fiscal consolidation. Finance Minister has reiterated that the govt does not intend to revise the FY27 budget estimates and has adequate fiscal buffers to absorb shocks. Fiscal trends indicate that the Government was able to hold up their finances much better despite West Asia crisis impact. The overall fiscal slippage this year is likely to be much lower than initially feared of 50-70 bps and manageable; hence, as of now, we see the Government broadly sticking to its budgeted fiscal deficit level of 4.3% of GDP this year. Oil price trends will be a key variable to closely watch.

Fig 4. Fiscal deficit in Apr-Jun FY27 at 18.2% of BE; broadly in line with 18% in corresponding period FY26

Fiscal Numbers (Rs lakh crore)								
Parameter	June'25	Apr-June (FY26)	June'26	Apr-June (FY27)	June'26 (% YoY)	Apr-June (FY27) (% YoY)	FY27 (BE)	% of Actuals to FY27 BE
Revenue Receipts	2.06	9.13	3.15	10.14	53.3%	11.0%	35.33	28.7%
Net Tax Revenue	1.89	5.40	2.88	6.37	52.2%	17.8%	28.67	22.2%
Non Tax Revenue	0.16	3.73	0.27	3.78	65.6%	1.2%	6.66	56.7%
Non Debt capital receipts	0.03	0.28	0.15	0.35	449.0%	24.9%	1.18	29.6%
Total Receipts	2.08	9.41	3.31	10.49	58.6%	11.5%	36.52	28.7%
Revenue expenditure	4.22	9.47	3.87	10.17	-8.4%	7.4%	41.25	24.6%
Capex	0.54	2.75	0.89	3.40	66.0%	23.7%	12.22	27.8%
Total Expenditure	4.76	12.22	4.76	13.57	0.0%	11.0%	53.47	25.4%
Fiscal Deficit / Surplus	-2.68	-2.81	-1.45	-3.08	-45.6%	9.7%	-16.96	18.2%

Fig. 5. Fiscal financing through small savings sharply up even as market borrowings remain main contributor; (Rs. lakh crore)

Parameter	Apr-Jun (FY24)	Apr-Jun (FY25)	Apr-Jun (FY26)	Apr-Jun (FY27)
External Financing	0.04	0.00	-0.02	0.04
Domestic Financing	4.47	1.36	2.83	3.04
Market borrowings	4.03	1.44	2.37	2.39
Securities against small savings	1.37	0.90	1.03	1.45
State provident funds	0.00	-0.02	-0.03	-0.03
Special deposits	-0.01	0.00	0.01	0.02
Public account	1.46	0.22	0.86	1.01
Cash Balance drawdown	-1.94	-1.23	-1.46	-1.86
Cash Balance	0.05	0.04	0.05	-0.39
Ways & means advances	-0.49	0.00	0.00	0.00
Total Financing	4.51	1.36	2.81	3.08

Fig.6. Muted growth in gross tax revenue as double digit growth in corporate tax, GST & customs get negated by fall in excise duties and other indirect taxes collection in Apr-Jun'FY27 (Rs. lakh crore)

Tax components	Jun'25	Apr-Jun (FY26)	YoY growth %	Jun'26	Jun'26 (% YoY)	Apr-Jun (FY27)	YoY growth %	(FY27) BE	% of Actuals to (FY27) BE
Direct									
Corporation tax	1.28	1.73	-1.2%	1.50	17.5%	2.07	19.7%	12.3	16.8%
Income tax	0.94	2.86	-0.5%	1.00	6.9%	3.05	6.8%	14.7	20.8%
Central GST	0.77	2.32	1.5%	0.81	5.0%	2.71	16.9%	10.2	26.6%
Customs	0.13	0.42	-9.9%	0.18	33.1%	0.58	36.1%	2.7	21.3%
Excise duties	0.29	0.56	8.3%	0.22	-24.8%	0.43	-22.4%	3.9	11.1%
Others*	0.13	0.81	92.4%	0.06	-56.4%	0.17	-79.1%	0.28	60.3%
Gross Tax Revenue	3.54	8.69	4.6%	3.76	6.4%	9.01	3.7%	44.0	20.5%

*includes other taxes like STT & compensation cess etc

Source: CGA, Budget documents, CEIC, UBI Research

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