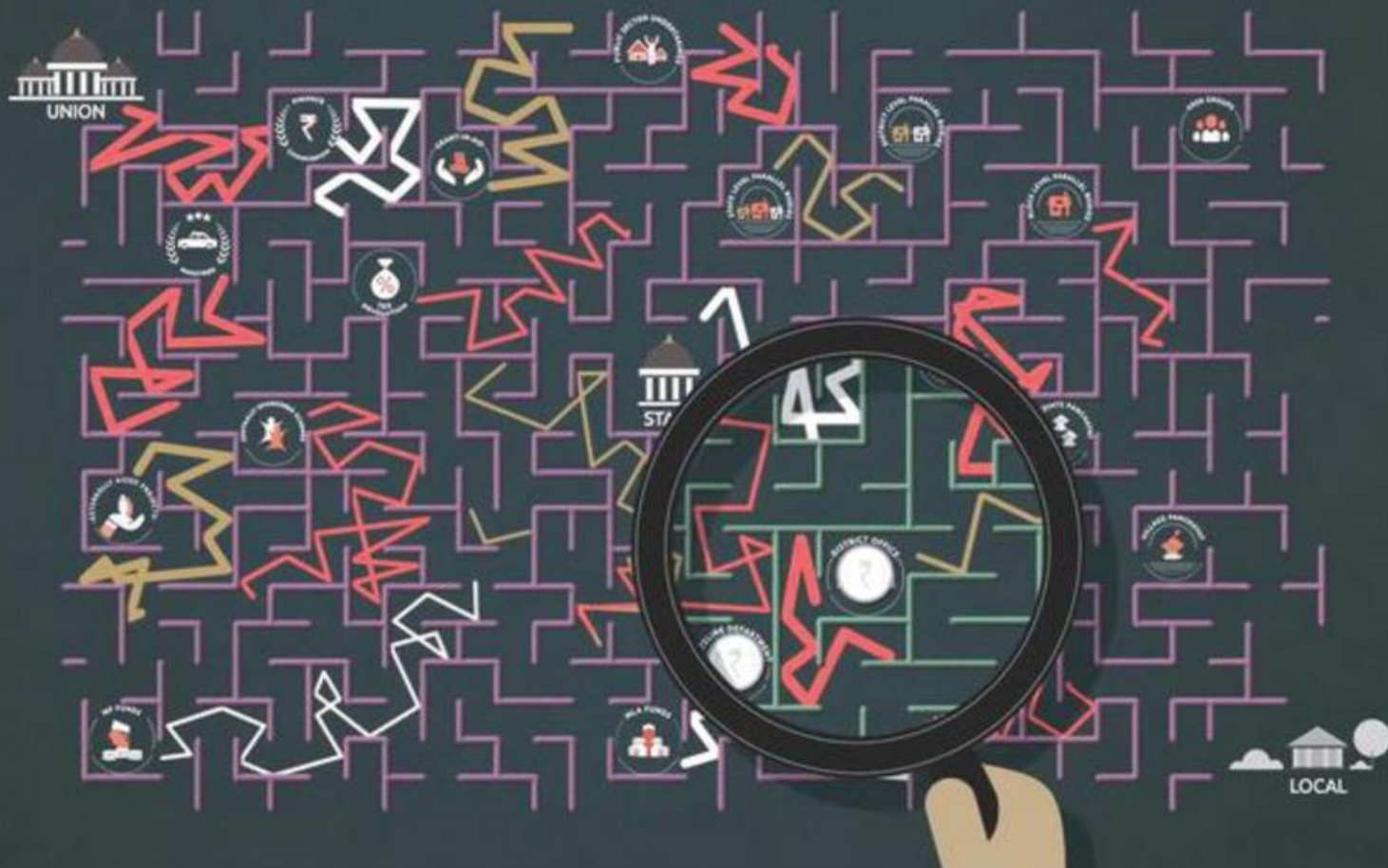




Foundation for
Responsive
Governance



MID-YEAR BUDGET INSIGHTS

Spending ahead, receipts behind

What five months of Union accounts signal for the revised estimates

2026-27 | April–August

Suggested Citation:

Pandey, S., Kapur, A. and Singh, A. P. (2026), Mid-Year Budget Insights 2026-27: Spending ahead, receipts behind, Foundation for Responsive Governance, New Delhi.

OVERVIEW

- Pre-budget meetings for Union Budget 2027-28 began on 12 October and run until mid-November. Alongside next year's estimates, they will settle the revised estimates (REs) for FY 26-27, which the Budget Circular asks ministries to base on actual spending up to 30 September.¹ What has been spent in the first half of the year therefore goes a long way in shaping what is kept for the second.
- The April–August accounts show spending running ahead of receipts. Total expenditure grew 10.5 per cent while non-debt receipts grew 6.6 per cent.
- By August, the fiscal deficit had reached ₹7.10 lakh crore, or 41.9 per cent of the annual target, compared with 38.1 per cent a year earlier. This does not by itself indicate a full-year overshoot: receipts and expenditure do not arrive evenly through the year. It does, however, make the trajectory over the coming months important.
- Timing also explains part of the gap. At the end of July, the cumulative deficit was slightly lower than a year earlier. It widened in August, when devolution to states more than doubled following an additional instalment released early in the month.
- Two other patterns merit attention. Capital expenditure is ahead of last year's pace, while several social sector departments have spent a smaller share of their allocations. On the receipts side, tax revenue growth remains modest, held back by lower excise collections after the duty cut on petrol and diesel in late March.
- This brief draws on the provisional, unaudited monthly accounts of the Controller General of Accounts (CGA). It is important to note that five months of data indicate direction, not the full-year outcome.

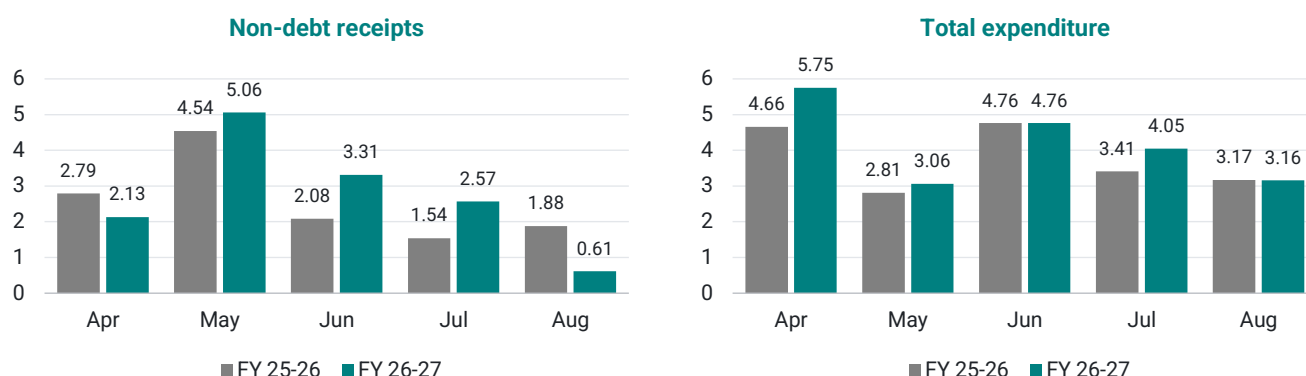
KEY HIGHLIGHTS

-  Receipts kept pace with spending until July, then fell sharply in August. Up to July, receipts were 19 per cent higher than a year earlier and spending 13 per cent higher. In August, receipts fell to ₹0.61 lakh crore from ₹1.88 lakh crore, as devolution to states more than doubled and tax collections fell, while spending was flat. Over the five months, receipts grew 6.6 per cent against 10.5 per cent for spending.
-  Over April–August, non-debt receipts (tax and non-tax revenue, loan recoveries and disinvestment) were ₹13.68 lakh crore, 37.5 per cent of the Budget Estimates (BEs). Direct taxes grew 14.6 per cent, while indirect taxes fell 2.0 per cent, pulled down by a 23 per cent fall in excise duties after the fuel duty cut.
-  Net tax revenue to the Centre grew just 3.4 per cent, to ₹8.38 lakh crore, around 29 per cent of the ₹28.66 lakh crore budgeted. Non-tax revenue offers little cushion: 84 per cent of budgeted dividends and profits has already come in.
-  Total expenditure reached ₹20.78 lakh crore, 10.5 per cent higher than a year earlier and 39 per cent of the annual allocation, compared with 37 per cent at the same point last year.
-  Capital expenditure reached ₹5.10 lakh crore, around 42 per cent of its annual allocation, compared with 38 per cent a year earlier. Much of it came early: April accounted for ₹1.90 lakh crore, while August spending was 30 per cent below August last year.
-  School Education and Literacy had spent 8 per cent of its allocation by August, compared with 17 per cent a year earlier. Women and Child Development (22 per cent, against 30 per cent) and Rural Development (26 per cent, against 36 per cent) are also slower.
-  Capital transfers to states reached 36 per cent of their provision, compared with 30 per cent a year earlier. Revenue transfers, however, were at 5 per cent, against 20 per cent.
-  The fiscal deficit reached 41.9 per cent of the annual target, compared with 38.1 per cent a year earlier. If the rest of the year followed last year's monthly pattern, the deficit would exceed the BE by about ₹1.08 lakh crore. This is an illustration, not a forecast.

SPENDING AHEAD, RECEIPTS BEHIND: THE MONTHLY PICTURE

- Over April–August, total expenditure grew 10.5 per cent to ₹20.78 lakh crore, while non-debt receipts grew 6.6 per cent to ₹13.68 lakh crore. The month-by-month pattern shows that most of this gap occurred in August (Fig 1).
- Receipts were lower than a year earlier in April (₹2.13 lakh crore, against ₹2.79 lakh crore) but well ahead from May to July, so that by July they were 19 per cent above last year. In August they fell to ₹0.61 lakh crore, against ₹1.88 lakh crore a year earlier, as devolution to states more than doubled and gross tax collections fell 15 per cent.
- Spending was 23.5 per cent higher than a year earlier in April, with both revenue and capital spending up, and 18.5 per cent higher in July. In June and August, it was in line with last year.
- As a result, the cumulative deficit was above last year's level from April to June, slightly below it at the end of July, and well above it in August (Fig 6).

Fig 1: Monthly non-debt receipts and total expenditure (in ₹ lakh crore)



Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited).

Note: Non-debt receipts are revenue receipts (net of devolution to states) plus non-debt capital receipts.

RECEIPTS: TAX REVENUE GROWTH REMAINS MODEST

- Receipts that do not add to debt (taxes, non-tax revenue such as dividends, loan repayments and disinvestment) were ₹13.68 lakh crore in April–August. That is 6.6 per cent more than a year earlier and 37.5 per cent of the amount budgeted for the year (Table 1).
- Gross tax revenue grew 6.5 per cent to ₹14.32 lakh crore, or 32.5 per cent of the amount budgeted for the year. Tax collections are uneven through the year, so a useful comparison is last year's pattern: by August last year, 33.4 per cent of the year's final collections had come in. On that pattern, collections this year are running slightly behind what is needed to meet the budget target.
- Tax collections grew a strong 11.4 per cent up to July, but August collections were 15 per cent lower than in August last year, mainly because of lower income tax and corporation tax receipts.
- Under the Finance Commission's formula, states receive 41 per cent of the divisible pool of Union taxes, which excludes cesses and surcharges.² This is known as tax devolution. Devolution grew faster than collections, so the taxes the Union government keeps for itself grew just 3.4 per cent. They have reached around 29 per cent of the ₹28.66 lakh crore budgeted for the year.
- The government also raised more from sources other than taxes or borrowing. These receipts, mainly from selling shares in public sector companies (disinvestment) and from loans it had given out being repaid, more than doubled to ₹75,239 crore, from ₹31,970 crore a year earlier. Most of this came from disinvestment and related receipts, which have already reached 78 per cent of the ₹80,000 crore budgeted for the full year, against 50 per cent at this point last year.

Table 1: Union government receipts, April–August (in ₹ crore)

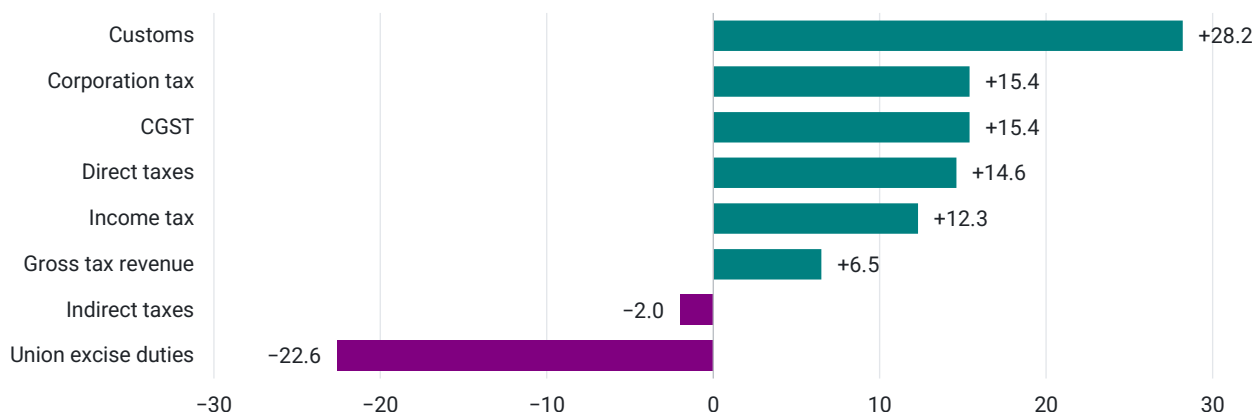
Component	FY 25-26	FY 26-27	Growth	% of FY 26-27 BE	FY 25-26: % of BE at the same point
Gross tax revenue	13,43,963	14,31,903	+6.5%	32.5%	31.5%
Less: devolution to states	5,30,148	5,90,391	+11.4%	38.7%	37.3%
Net tax revenue to the Centre	8,10,407	8,37,921	+3.4%	29.2%	28.6%
Non-tax revenue	4,40,332	4,54,549	+3.2%	68.2%	75.5%
Revenue receipts	12,50,739	12,92,470	+3.3%	36.6%	36.6%
Non-debt capital receipts	31,970	75,239	+135.3%	63.5%	42.1%
Total non-debt receipts	12,82,709	13,67,709	+6.6%	37.5%	36.7%

Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited). BEs as in the CGA accounts; FY 26-27 tax BEs from Union Budget 2026-27.

DIRECT TAXES LEAD, INDIRECT TAXES LAG

- Direct taxes grew 14.6 per cent. Corporation tax rose 15 per cent and income tax 12 per cent, while securities transaction tax (levied on share trades) rose 51 per cent. As a result, direct taxes now make up 55 per cent of gross tax revenue, compared with 52 per cent a year earlier (Fig 2).
- Indirect taxes fell 2 per cent. The Union government's own share of GST (CGST) rose 15 per cent, but total GST-related collections to the Union government fell 3 per cent. This was mainly because the GST compensation cess, which after June 2022 was used to repay loans taken to cover states' compensation shortfall, was withdrawn on most goods from 22 September 2025 and ended on tobacco products on 1 February 2026.³ It brought in ₹243 crore this year, against ₹61,960 crore a year earlier. Adjustments on GST from inter-state trade (IGST) also turned negative.
- Union excise duties fell 23 per cent after the duty cut on petrol and diesel in late March,⁴ even though tobacco, earlier taxed through the compensation cess, has attracted higher excise duty since February 2026.⁵ Collections were 21–25 per cent lower in every month from May to August. Customs, by contrast, rose 28 per cent, partly reflecting higher duties on gold and silver imports.

Fig 2: Growth in tax collections, April–August FY 26-27 over FY 25-26 (in %)



Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited).

Note: GST compensation cess (-99.6 per cent) is not shown. Amounts and shares of BE for each tax are in Annex Table A1.

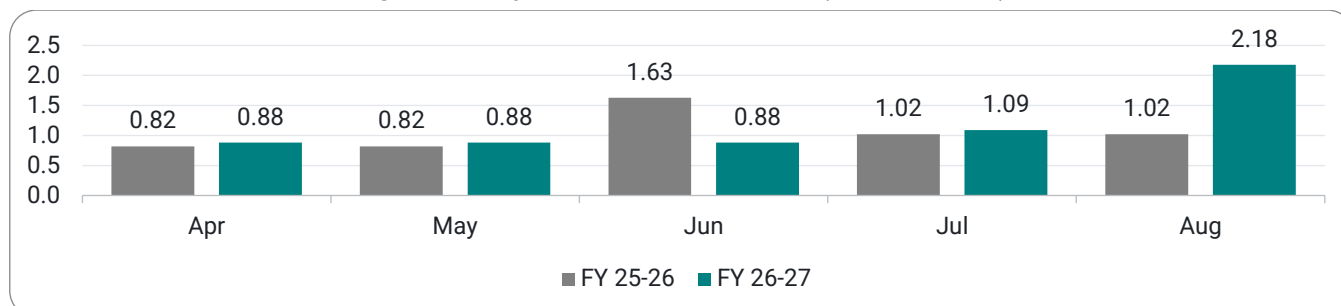
NON-TAX REVENUE OFFERS LITTLE CUSHION

- Non-tax revenue, mainly dividends from the Reserve Bank of India and public sector companies plus interest and fees, reached ₹4.55 lakh crore. That is 68 per cent of the BE, compared with 76 per cent a year earlier. Dividends and profits, the largest item, have already come in at ₹3.30 lakh crore, or 84 per cent of the amount budgeted (95 per cent a year earlier). Only about ₹61,000 crore remains to be received, so there is limited headroom from this source for the rest of the year.

DEVOLUTION SHIFTED TO AUGUST

- Devolution, the states' share of Union taxes, was ₹5.90 lakh crore, 11.4 per cent higher than a year earlier and 39 per cent of the BE. The timing, however, shifted. Devolution up to July was 13 per cent lower than last year, but August devolution more than doubled after an additional instalment of ₹1.09 lakh crore was released early in the month (Fig 3).⁶

Fig 3: Monthly tax devolution to states (in ₹ lakh crore)



Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited).

EXPENDITURE IS GROWING FASTER THAN RECEIPTS

- Total expenditure reached ₹20.78 lakh crore by August, 10.5 per cent higher than a year earlier and 39 per cent of the annual allocation, compared with 37 per cent at the same point last year. Of this, ₹15.68 lakh crore was revenue spending, the day-to-day costs of government such as salaries, subsidies, interest and grants, which was up 8.2 per cent. The remaining ₹5.10 lakh crore was capital spending on creating assets such as roads and railways, up 18.2 per cent (Table 2).
- Interest payments were 2.6 per cent lower, mainly because of smaller payments in June (₹1.65 lakh crore against ₹2.38 lakh crore a year earlier). Excluding interest, revenue spending grew 14.4 per cent and reached 38.7 per cent of its allocation, compared with 34.5 per cent a year earlier.

Table 2: Union government expenditure, April–August (in ₹ crore)

Component	FY 25-26	FY 26-27	Growth	% of FY 26-27 BE	FY 25-26: % of BE at the same point
Revenue expenditure	14,49,283	15,68,009	+8.2%	38.0%	36.7%
of which: interest payments	5,28,668	5,14,810	-2.6%	36.7%	41.4%
of which: other revenue expenditure	9,20,615	10,53,199	+14.4%	38.7%	34.5%
Capital expenditure	4,31,579	5,09,949	+18.2%	41.7%	38.5%
Total expenditure	18,80,862	20,77,958	+10.5%	38.9%	37.1%

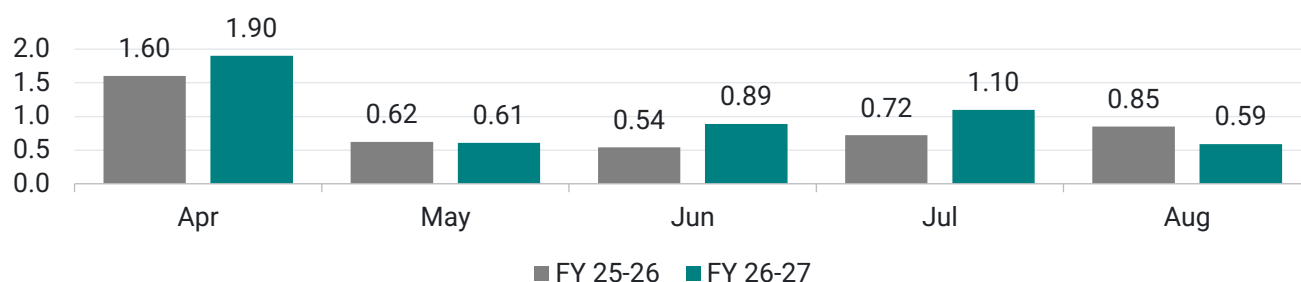
Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited). BEs as in the CGA accounts; FY 26-27 tax BEs from Union Budget 2026-27.

Note: Percentage columns follow the CGA's method (actuals up to August as a share of that year's BE). FY 26-27 BEs are from the CGA ministry-wise accounts; FY 25-26 BEs from the CGA's Union Government Accounts at a Glance.

CAPITAL SPENDING IS AHEAD, BUT CAN THE PACE BE SUSTAINED?

- Capital spending, at ₹5.10 lakh crore, had reached around 42 per cent of its annual allocation by August, compared with 38 per cent at the same point last year.
- This total includes ₹50,003 crore of Ways and Means Advances to the Food Corporation of India (FCI): short-term loans for foodgrain operations that are budgeted to be repaid within the same year.⁷ A similar advance was outstanding at this point last year. Excluding it, capital spending had reached about 38 per cent of its allocation, against about 34 per cent a year earlier, so it is still ahead of last year's pace, though below an even pace.
- Much of this was concentrated early in the year. April accounted for ₹1.90 lakh crore, more than a third of the five-month total, while spending in August was 30 per cent below August last year (Fig 4).

Fig 4: Monthly capital expenditure (in ₹ lakh crore)



Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited).

- Five heads account for 84 per cent of capital spending so far: Railways, Road Transport and Highways, capital transfers to states, Defence and Telecommunications (Table 3). The monthly accounts report ministry spending only cumulatively, so they do not show which of these drove the April peak.

Table 3: Capital expenditure by major head, up to August FY 26-27 (in ₹ crore)

Head	Spent up to August	BE FY 26-27	% of BE	% of BE at this point in FY 25-26
Railways	1,37,188	2,77,830	49%	44%
Road Transport and Highways	1,19,553	2,94,167	41%	43%
Transfers to States (capital)	82,156	2,26,382	36%	30%
Defence (capital outlay)	68,868	2,19,306	31%	28%
Telecommunications	18,860	47,275	40%	34%
Total capital expenditure	5,09,949	12,21,821	42%	38%

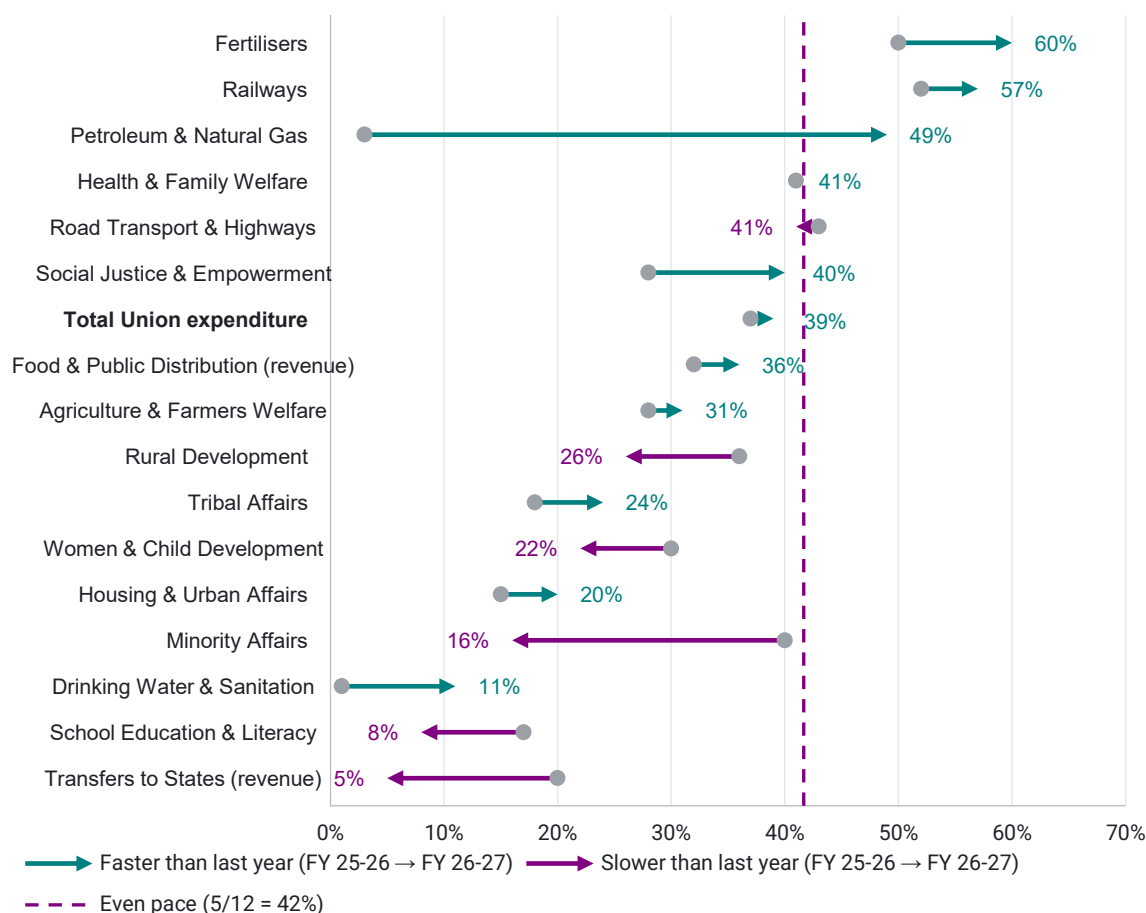
Source: CGA, Monthly Accounts, ministry-wise expenditure up to August 2026 (provisional); Department of Food and Public Distribution, Notes on Demands for Grants.

Note: Capital section of each demand. The total includes ₹50,003 crore recorded under the capital section of the Department of Food and Public Distribution against a BE of ₹22.62 crore. This is a ways and means advance to FCI, which is budgeted as an advance and an equal repayment within the year, so its net BE is close to zero; a similar advance (about ₹50,000 crore) was outstanding at this point in FY 25-26. The FY 25-26 share for the total is computed against that year's BE of ₹11.21 lakh crore.

SLOWER SPENDING NEEDS CLOSER EXAMINATION

- Behind the overall numbers, ministries are spending at very different speeds. One way to compare them is against an even pace: if spending were spread evenly across the year, 42 per cent of each allocation would have been spent by August. Spending is rarely even, so falling short is not by itself a concern, but large gaps are worth a closer look. Overall, the Union had spent 39 per cent, slightly more than the 37 per cent spent by this point a year earlier.
- Some departments are well ahead (Fig 5). The Department of Fertilisers had spent 60 per cent of its allocation (50 per cent a year earlier), and Railways 57 per cent of its total allocation, including revenue spending (52 per cent). Petroleum and Natural Gas had spent 49 per cent, up sharply from 3 per cent a year earlier.
- Several social sector departments are spending more slowly than both the even pace and last year. School Education and Literacy had spent ₹7,022 crore of its ₹83,562 crore allocation by August, just 8 per cent, compared with 17 per cent a year earlier. Rural Development had spent 26 per cent (36 per cent a year earlier), Women and Child Development 22 per cent (30 per cent) and Minority Affairs 16 per cent (40 per cent).
- The slowdown is not uniform. Health and Family Welfare is at the same pace as last year (41 per cent), and Drinking Water and Sanitation, Social Justice and Empowerment, Tribal Affairs and Housing and Urban Affairs have all spent a larger share than a year earlier. Allocations and amounts spent for all these ministries are in Annex Table A2.

Fig 5: Share of annual budget spent by August, FY 25-26 vs FY 26-27, selected ministries (in %)



Source: CGA, Monthly Accounts, ministry-wise expenditure up to August 2026 (provisional).

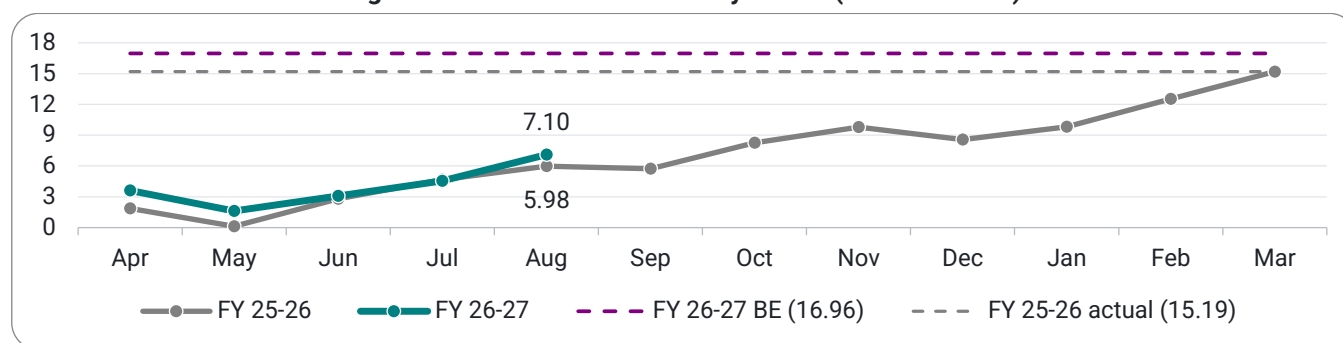
Note: Even pace = share of annual BE that would be spent by August if spending were spread evenly across 12 months (5/12). FY 25-26 shares are as reported by the CGA, rounded to whole per cent. Transfers to States (revenue) is the revenue section of Demand No. 42.

- Slower spending may reflect delayed releases or implementation constraints rather than lower need. As revised estimates are prepared, the question is whether these constraints are addressed, or whether early delays translate into lower allocations for the year.

THE DEFICIT

- The fiscal deficit, the gap between spending and receipts that do not add to debt, which the government fills by borrowing, had reached ₹7.10 lakh crore by August. That is 41.9 per cent of the annual target of ₹16.96 lakh crore, compared with 38.1 per cent a year earlier. This does not by itself indicate a full-year overshoot, since receipts and expenditure do not arrive evenly through the year.
- Most of the difference from last year arose in August. Up to July, the cumulative deficit was ₹4.55 lakh crore, below the ₹4.68 lakh crore of a year earlier. In August alone it was ₹2.55 lakh crore, against ₹1.30 lakh crore, as devolution to states rose sharply and tax collections fell (Fig 6).
- The revenue deficit, the extent to which day-to-day spending exceeds revenue receipts, reached about ₹2.76 lakh crore, or 46.5 per cent of its annual target. It was ₹1.99 lakh crore a year earlier. Revenue spending grew 8.2 per cent while revenue receipts grew only 3.3 per cent, and lower interest payments were not enough to close the gap.
- By August last year, 39.4 per cent of the year's final deficit had been incurred. If the rest of this year followed the same pattern, the full-year deficit would be about ₹18.04 lakh crore, exceeding the BE by about ₹1.08 lakh crore. This is an illustration, not a forecast.

Fig 6: Cumulative fiscal deficit by month (in ₹ lakh crore)



Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited). FY 26-27 BEs from Union Budget 2026-27, as reported in ResGov's Union Budget Insights 2026-27.

WHAT THIS MEANS FOR STATES

- For states, the timing of Union support matters as much as the amount. Tax devolution in April–August was ₹5.90 lakh crore, 11 per cent more than a year earlier. But up to July states received 13 per cent less than last year, and much of the five-month total arrived in a single August instalment (Fig 3).
- The Union also lends to states for capital works, mainly through 50-year interest-free loans⁸. By August it had released ₹82,156 crore, or 36 per cent of the year's provision, compared with 30 per cent a year earlier (Table 4). Whether this provision is maintained in the revised estimates will matter for states' investment plans.
- The revenue component, largely grants to local bodies such as panchayats and municipalities, shows the opposite pattern. Only ₹7,761 crore of the ₹1.68 lakh crore provision, or 5 per cent, had been released by August, against 20 per cent a year earlier.
- States' own capital spending is also slightly behind last year's pace. Comptroller and Auditor General (CAG) data for 23 states show they had spent 21.2 per cent of their combined capital budget of ₹11.34 lakh crore by August, compared with 21.7 per cent a year earlier.⁹
- As the revised estimates are finalised, whether delayed grants to local bodies are released, and whether capital loans to states are protected, will shape how much of the Union's budget reaches the ground this year.

Table 4: Transfers to States (Demand No. 42): spending up to August (in ₹ crore)

Section	BE FY 26-27	Spent up to August	% of BE	% of BE at this point in FY 25-26
Revenue	1,67,802	7,761	5%	20%
Capital	2,26,382	82,156	36%	30%
Total	3,94,184	89,917	23%	25%

Source: CGA, Monthly Accounts, ministry-wise expenditure up to August 2026 (provisional).

Note: Transfers to States largely comprise grants to local bodies and interest-free loans for capital asset creation (Union Budget Insights 2026-27).

NOTES ON DATA

- All April–August figures are from the CGA’s provisional, unaudited monthly accounts and will be revised. Shares of FY 25-26 full-year figures use the CGA’s provisional accounts for March 2026.
- Shares of BE follow the CGA’s method: actuals up to August as a share of that year’s BE. FY 26-27 BEs are as in the CGA monthly accounts, with tax BEs from Union Budget 2026-27; FY 25-26 BEs are from the CGA’s Union Government Accounts at a Glance.
- Growth rates and shares are ResGov calculations. Figures may not add up because of rounding.

Table A1: Tax collections by type, April–August (in ₹ crore)

Tax	FY 25-26	FY 26-27	Growth	% of FY 26-27 BE	FY 25-26: % of BE at the same point
Direct taxes	6,92,687	7,93,810	+14.6%	29.4%	27.5%
Corporation tax	2,29,295	2,64,520	+15.4%	21.5%	21.2%
Income tax (including STT)	4,63,392	5,29,290	+14.2%	36.1%	32.2%
Indirect taxes	6,51,270	6,38,095	-2.0%	37.4%	37.2%
CGST	3,90,502	4,50,721	+15.4%	44.2%	38.6%
GST compensation cess	61,960	243	-99.6%	NA	37.1%
Customs	83,062	1,06,516	+28.2%	39.3%	34.6%
Union excise duties	1,11,927	86,687	-22.6%	22.3%	35.3%

Source: Controller General of Accounts (CGA), Monthly Accounts of the Union Government, April–August, FY 25-26 and FY 26-27 (provisional, unaudited). BEs as in the CGA accounts; FY 26-27 tax BEs from Union Budget 2026-27.

Table A2: Social and rural sector ministries: spending up to August (in ₹ crore)

Ministry / Department	BE FY 26-27	Spent up to August	% of BE	% of BE at this point in FY 25-26
School Education and Literacy	83,562	7,022	8%	17% ▼
Health and Family Welfare	1,01,709	41,747	41%	41%
Women and Child Development	28,183	6,263	22%	30% ▼
Rural Development	1,94,369	51,190	26%	36% ▼
Drinking Water and Sanitation	74,895	8,530	11%	1% ▲
Housing and Urban Affairs	85,522	17,149	20%	15% ▲
Agriculture and Farmers Welfare	1,30,561	40,681	31%	28% ▲
Food and Public Distribution (revenue)	2,35,025	85,470	36%	32% ▲
Social Justice and Empowerment	13,688	5,490	40%	28% ▲
Tribal Affairs	15,422	3,643	24%	18% ▲
Minority Affairs	3,400	550	16%	40% ▼

Source: CGA, Monthly Accounts, ministry-wise expenditure up to August 2026 (provisional).

Note: ▲ / ▼ = higher / lower share of BE spent than at the same point in FY 25-26. FY 25-26 shares are as reported by the CGA, rounded to whole per cent.

REFERENCES

- ¹ Government of India, Ministry of Finance, Department of Economic Affairs. (2027). Budget circular 2027–28. [Url](#).
- ² Ministry of Finance (February 2026), Explanatory Memorandum as to the Action Taken on the Recommendations made by the Sixteenth Finance Commission. [Url](#)
- ³ Goods and Services Tax Council. (2025, December). Monthly newsletter: December 2025. [Url](#).
- ⁴ Government of India, Ministry of Petroleum and Natural Gas. (2026, March 27). Government slashes excise duty on petrol and diesel to shield consumers and OMCs from global oil shock. Press Information Bureau. [Url](#).
- ⁵ The Central Excise (Amendment) Bill, 2025, Bill No. 143 of 2025 (India). [Url](#).
- ⁶ Government of India, Ministry of Finance. (2026, August 1). Centre releases ₹1,09,019 crore as tax devolution to states; additional instalment released. Press Information Bureau. [Url](#).
- ⁷ Department of Food and Public Distribution, Notes on Demands for Grants, 2025-26 (Ways and Means Advance to FCI, “adjusted in the same financial year”). [Url](#).
- ⁸ Department of Expenditure (27 March 2026), Guidelines for Special Assistance to States for Capital Investment 2026-27. [Url](#)
- ⁹ Business Standard (5 October 2026), “State capex utilisation slips below last year’s pace in April-August”. [Url](#)



Foundation for
Responsive
Governance

About ResGov: The Foundation for Responsive Governance (ResGov) is a Section 8 not-for-profit working to strengthen the capabilities of government and communities to ensure public initiatives reach the most vulnerable.

www.resgov.org
hello@resgov.org
[@Res_Gov](https://www.instagram.com/Res_Gov)
[linkedin.com/company/resgov](https://www.linkedin.com/company/resgov)