

Government of Tamil Nadu

Tamil Nadu Budget 2021

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13th August 2021

Introduction

After a gap of 10 years, the DMK government headed by Chief Minister M.K. Stalin presented Tamil Nadu's budget for 2021-22 on Aug 13.

The DMK came to power with a comfortable majority defeating the AIADMK party that was in power for a decade.

Not only was Stalin a first time Chief Minister, but the Finance Minister Palanivel Thiaga Rajan too is a debutant Minister.

The other firsts regarding the budget were: presentation of a paperless budget and the government coming out with a separate budget for agriculture.

The budget presented was an interim budget as the erstwhile AIADMK government had presented a one prior to the April assembly polls.

Context

Ahead of the state budget, presenting a White Paper on the state government's finances Rajan said the financial problems of the state can be corrected with 'once in a generation' reforms and business as usual approach cannot continue.

As per the White Paper reforms/restructuring in state government undertakings, statutory boards, power utilities, mobilisation of tax revenues, mode of subsidy deliveries are on the cards.

Expectedly he blamed the previous AIADMK government for the fiscal problems and added that the current fiscal deficit levels are unsustainable.

Major Budget announcements:

Contrary to the 'once in a generation reforms a must' statement made in the White Paper, Rajan presented a relatively populist budget.

The government seems to have taken a safer route with its first budget by not opting for hard decisions.

- Reducing taxes on petrol resulting in an end price reduction of Rs.3/litre. The petrol price reduction will result in a revenue loss of Rs.1,160 crore a year.
- Focus on data centric governance.
- Implement an Urban Wage Employment Scheme at an outlay of Rs.100 crore.

- Restoration of the MLA Constituency Development Scheme with Rs.3 crore per constituency from the current year onwards.
- Waiver of Rs.2,756 crore loans due from self-help groups to the co-operative credit societies. A sum of Rs.600 crore has been provided in the budget for the purpose.
- To come out with Samadhan Scheme to collect the pending tax dues of Rs.28,000 crore under the Tamil Nadu Value Added Tax and other legacy legislations.
- Smart metering for all public utilities.

Agriculture Budget:

With a focus on increasing the farmer's income, crop acreage by converting fallow lands into cultivable ones, encouraging agriculture graduates to turn into entrepreneurs, making farmers to produce millets/pulses/oilseeds, organic farming are some of the major points of the Tamil Nadu's first agriculture budget presented by Minister for Agriculture and Farmers Welfare M.R.K. Panneerselvam.

A total of Rs.34,220.65 crore has been allocated for the agriculture and allied sectors for the year 2021-22.

During the current fiscal the cultivable land will be increased by creating water sources in about 2,500 villages so as to increase the farmer's income. A total sum of Rs. 1,245.45 crore has been allocated for the scheme.

Chief Minister Stalin has three targets – a) to bring in additional 11.75 lakh hectares for cultivation (b) doubling of 10 lakh hectare of present double cropped area in 10 years time and (c) Tamil Nadu to be brought within the first three positions in the country in agricultural productivity in crops like foodgrains and commercial crops such as coconut, cotton, sunflower, and sugarcane.

The agriculture budget also proposed identification of cluster of 100 hectare of rainfed lands for summer ploughing, rainwater harvesting systems such as farm ponds and contour bunding will be created, bio-fertilizers and quality seeds of nutri-cereals, pulses and oilseeds will be distributed at subsidised rates.

A Millet Mission will be implemented to increase production of millets where the demand has started increasing. Action will be taken to encourage value addition in minor millets and ensure remunerative price to farmers. Minor Millet rice will be procured by Co-operative societies and distributed through Public Distribution System in Cities like Chennai and Coimbatore, he added.

White Paper on TN Finances:

Ahead of the state budget, presenting a White Paper on the state government's finances Rajan said the financial problems of the state can be corrected with 'once in a generation' reforms and business as usual approach cannot continue.

As per the White Paper reforms/restructuring in state government undertakings, statutory boards, power utilities, mobilisation of tax revenues, mode of subsidy deliveries are on the cards.

During the past 10 years, instead of borrowing for capex, the state borrowed to pay the salaries of government employees and pay back old debt by fresh borrowings.

Tamil Nadu's total debt at the end of FY22 is expected to touch Rs.570,189 crore.

The period since 2012-13 has seen a continuous increase in the overall debt level of the State Government and that has now reached almost 25 per cent of gross state domestic product (GSDP) which was the limit prescribed by the 14th Finance Commission.

Tamil Nadu has the dubious distinction of currently being the largest borrower in the open market amongst all States in India.

In 2019-20, Tamil Nadu had the 3rd highest guarantees outstanding amongst all states after Telangana and Andhra Pradesh.”

In 2020-21, due to the very adverse financial situation in both the power and transport sectors, the total guarantees nearly doubled to Rs.91,818.44 crore in just one year.

Tamil Nadu has lower tax rates than many States leading to the continued loss in revenues.

The proportion of Commercial Taxes to GSDP declined reaching 4.49 per cent in 2019-20 and 4.19 per cent in 2020-21.

The number of vehicles registered in Tamil Nadu is higher than in the neighbouring States, but the total revenue as motor vehicle tax has not kept pace since the tax rates have not been revised in the past fifteen years.

Counter View

Experts were of the view that Finance Minister Rajan's budget is an extension of the previous AIADMK government's budget and a slight let down for those who had expected some hard decisions.

But the budget was a surprise as there was no mention about tax increase, mode of reduction in power utility losses/debt.

“One could agree that the Finance Minister needed more time to come up with the actual reforms but least expected was the transformation road map, a timeline. White paper means, problem statement, as is analysis, probable solutions and a choice of solution to be implemented,” Sriram Seshadri,