BUDGET MEANING

- Budget is a statement of the estimated receipt and expenditure of the Govt. of India in a financial year.

We need to discuss the following aspects:

A. What are we supposed to do in our office?

B. How does the over all budget of country is prepared, passed and implemented?

ANNUAL FINANCIAL STATEMENT

- The term ‘budget’ has nowhere been used in the Constitution. The constitution refers to the budget as the “Annual Financial Statement”.

- It has been dealt with in article 112 of the constitution.
- This “Annual Financial Statement” consists of the following:
- i. Estimates of revenue and capital receipts;
- ii. Ways and means to raise the revenue;
- iii. Estimates of expenditure;
- iv. Details of actual receipts and expenditure of the closing financial year and the reasons for any deficit or surplus in that year.
- v. Economic and financial policy of the coming year i.e. taxation proposal etc.

Constitutional Provisions

- 1. According to article 112 of the constitution, the President is responsible for presenting the budget to the Lok Sabha.

- 2. As per article 77(3), the Union FM has been made responsible by the president to prepare the budget and pilot it through the parliament.

- 3. Rule 43(1) of GFR 2017 states that according to article 112(1) of the constitution, the FM shall arrange to lay before both the houses of parliament, an annual financial statement also know as budget.

Railway Budget

Railway budget was separated in 1921 on the recommendation of the Acworth Committee.

From the FY 2017-18 onward there is no separate budget for Indian Railway, it has been merged with the general budget on the recommendation of a committee of NITI ayog headed by Shri Vivek Debroy.

There are total 32 Demands for Grant related to Indian Railway out of Total 141 Demands for Grant. 6 are related to Defence.

Civil Grant	–	106
Railway	-	32
Defence	-	6

Stages of budget

In parliament the budget goes through 6 stages:

1. Presentation of Budget
2. General Discussion
3. Scrutiny by departmental committees.
4. Voting on Demands for Grants.
5. Passing of appropriation bill.
6. Passing of Finance bill

Presentation of Budget

- The budget is presented to the parliament on 1st of February.

- The budget is presented with the FM’s budget speech. Besides the FM’s speech following document is presented to the parliament as part of the budget presentation:

i. AFS

ii. Demand for Grant

iii. Finance Bills

iv. Statements mandated under FRBM Act

v. Expenditure Budget

vi. Receipt Budget

vii. Expenditure Profile

viii. Budget at a Glance

Presentation of Budget

- Budget speech of finance minister is delivered in two parts,
- Part A constitute a general economic condition of the country while
- Part B relates to taxation proposals.
- The general budget is presented in the Lok Sabha by Minister of Finance.
- At the conclusion of the speech of the finance minister in Lok Sabha, annual financial statement is laid on the table of Rajya Sabha.

General Discussion

- It begins a few days after the presentation of budget. It takes place in both the houses and lasts for three to five days.

- Broad outlines of the budget, principle and policies underlying it are discussed in general discussion of the budget.

- During this stage the LS can discuss the budget as a whole or any question of principle involve therein but no cut motion can be moved nor can the budget be submitted to vote of the house.

- After this discussion the houses are adjourned for about three to four weeks.

Scrutiny by the DRSC

- During this period of three to four weeks, 24 DRSC of parliament examine all the 141 Detailed Demand for Grant of the concerned ministry/Department and discuss in detail and prepare reports on them.

- These reports are submitted to both the houses of parliament for consideration.

Voting on Demands for Grants

- In this stage the Demands for Grants are put to vote on the basis of the reports of the DRSCs.
- They are presented ministry wise.
- After being voted a demand becomes a grant.
- The Voting of Demands for Grants is an exclusive privilege of LS.
- Voting is applicable only to the votable part of the budget.
- The expenditure charged on the consolidated fund of India is not submitted to vote.

Cut Motions

- The members can discuss the details of the budget and can move motions to reduce any demand for grant.
- Such motions are called ‘cut motion’. They are of tree types:
  1. **Policy Cut Motion**: It is brought to express disapproval of a policy underlying the demand. It states that the demand be reduced to ₹1.

  2. **Economy Cut Motion**: It is brought with the concern that the proposed demand may affect the economy of the country. It states that the proposed demand be reduced by a specified amount

  3. **Token Cut Motion**: It expresses a specific grievance that is within the sphere of the responsibility of the Govt. It states that the amount of demand be reduced by ₹100.

Passing of Appropriation Bill

- Article 114 states that no money shall be withdrawn from the CFI except under appropriation made by law;

- Accordingly, after approval of all the Demands for Grants by the LS, an appropriation bill is introduced to provide for the appropriation, out of the CFI, all money required to meet:

  (i). The grants voted by the Lok Sabha.

  (ii).The expenditure charged on the CFI.

- The Appropriation Bill becomes Appropriation Act after it is assented to by the President. This act authorises the payments from the CFI.

- CFI= Consolidated Fund of India

Passing of Finance Bill

- The following proposals of the government are submitted to Parliament through this bill:
  - levy of new taxes,
  - modification of the existing tax structure or
  - continuance of the existing tax structure beyond the period approved by Parliament

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- It can be introduced only in Lok Sabha. However, the Rajya Sabha can recommend amendments in the Bill.
- As per the Provisional Collection of Taxes Act of 1931, the Finance Bill must be enacted within 75 days of its introduction.
- The Finance Act legalizes the income side of the budget and completes the process of the enactment of the budget.

Important Terms Relating to General Budget

Heads	:	₹ in crore
Revenue Receipt (A)	:	31,29,200
Non-debt Capital Receipt (B)	:	78,000
Total Receipt (C)	:	32,07,200
Revenue Expenditure (D)	:	37,09,401
Interest Payment (E)		1162940
Grants-in-Aid for Capital Formation(F)		390770
Capital Expenditure (G)	:	11,11,111
Total Expenditure (D + G)		48,20,512
Revenue Deficit (H = D – A)	:	5,80,201
Effective Revenue Deficit (H – F)		1,89,431
Fiscal Deficit (I)	:	16,13,312 (4.9% of GDP)
Primary Deficit (I– E))	:	4,50,372
GDP		329,24,734

Some Definitions:

Fiscal Deficit:

- The difference between total revenue and total expenditure of the government is termed as fiscal deficit. It is an indication of the total borrowings needed by the government. While calculating the total revenue, borrowings are not included.

Revenue Deficit:

- Revenue deficit is the gap between the revenue expenditure of the Government (Union or the State Governments) and its revenue receipts. It also indicates the extent to which the government has borrowed to finance the current expenditure.
- Revenue receipts: consist of tax revenues and non-tax revenues.
- Tax revenues: comprise proceeds of taxes and other duties levied.
- Revenue expenditure: the expenditure incurred for normal running of government functionaries, which otherwise does not result in creation of assets is called

Some Definitions

Primary Deficit:

- Primary deficit refers to difference between fiscal deficit of the current year and interest payments on the previous borrowings. Primary Deficit = Fiscal Deficit – Interest Payments
- The total borrowing requirement of the government includes the interest commitments on accumulated debts. Primary deficit reflects the extent to which such interest commitments have compelled the government to borrow in the current period.

Effective Revenue Deficit

- Effective Revenue Deficit is the difference between revenue deficit and grants for the creation of capital assets. In other words, the Effective Revenue Deficit excludes those revenue expenditures which were done in the form of grants for the creation of capital assets. Effective Revenue Deficit was introduced in the Budget of 2011-12 for the first time. In 2012-13, Effective Revenue Deficit was introduced as a fiscal parameter.