

Polity & Governance



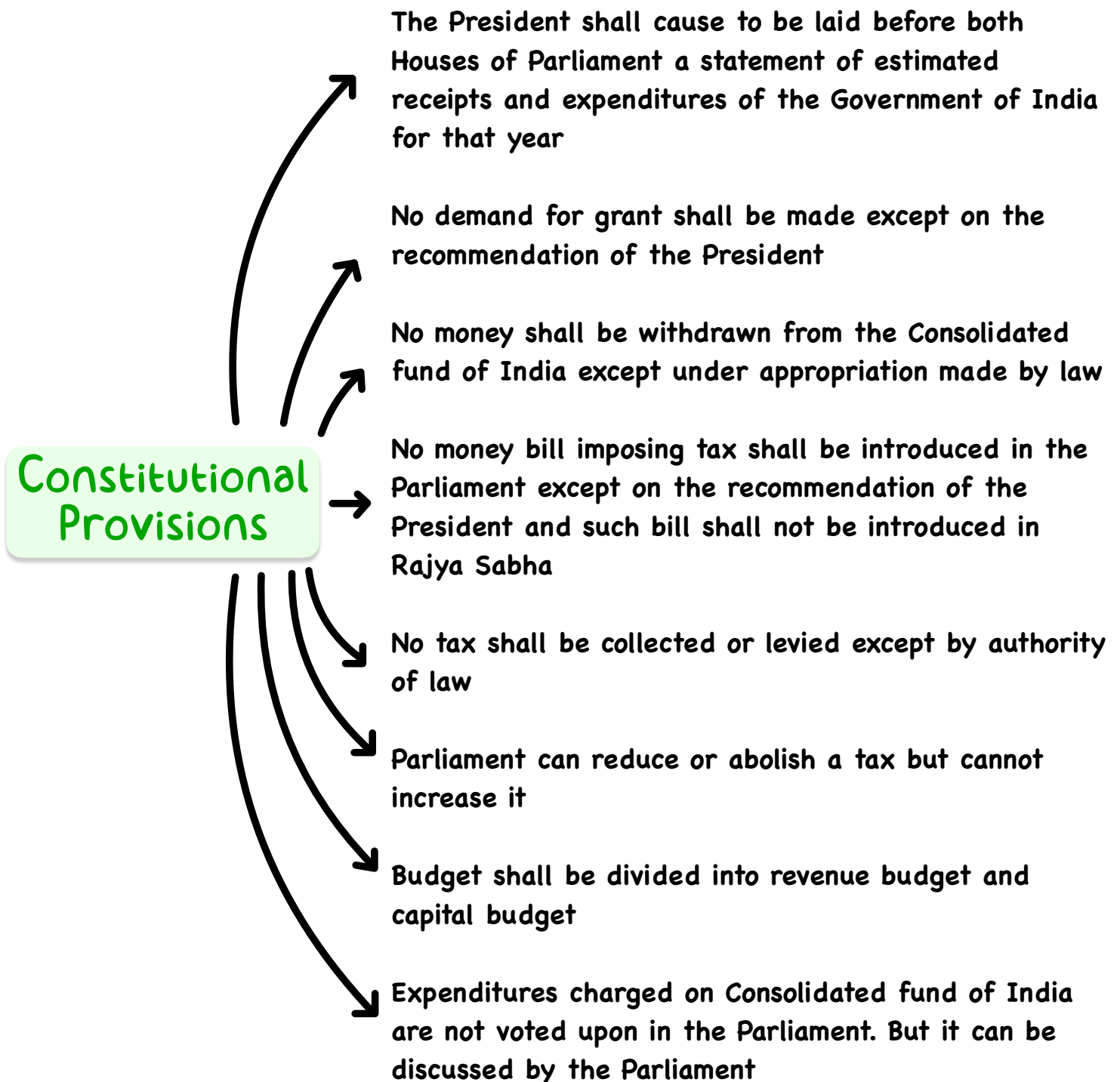
Sample topic · Budget in Parliament

Budget in Parliament

The Constitution refers the budget as 'Annual Financial Statement' under Article 112.
In other words, the term budget is nowhere used in the Constitution

The Budget is a statement of estimated receipts and expenditures of the Government of India in a financial year which begins on April 1 and ends on March 31

In case the annual Union Budget is not passed by the Lok Sabha, no confidence motion is deemed to have been passed and the Prime Minister submits the resignation of Council of Ministers



Charged Expenditures

(Charged Expenditure is non votable by the Parliament; It can only be discussed in the Parliament)

Emoluments and allowances of the President and other expenditure relating to his office

Salaries and Allowances of Chairman, Deputy Chairman, Speaker, Deputy Speaker

Salaries, allowances and pensions of judges of Supreme Court

Pensions of judges of high courts

Salary, allowances and pension of CAG

Salaries, allowances and pension of chairman and members of UPSC

Administrative expenses of office of:

- CAG
- Supreme Court
- UPSC

Debt charges for which Government of India is liable including interest, sinking fund charges and redemption charges and other expenditure relating to raising of loans and the service and redemption of debt

Any sum required to satisfy any judgement, decree or award of any court or arbitrary tribunal

Any other expenditure declared by the Parliament to be so charged

Stages in Enactment of Budget

Stage I: Presentation of Budget

The budget is presented by the Finance Minister on 1st February every year in Lok Sabha with a budget speech. At the end of the speech, the budget is laid before Rajya Sabha which can discuss it but has no power to vote on demand for grants. The budget documents comprise the following:

- Budget Speech
- Annual Financial Statement
- Demand for Grants
- Appropriation Bill
- Finance Bill
- Statements mandated under FRBM Act:
 - a. Macro Economic Framework Statement
 - b. Fiscal Policy Strategy Statement
 - c. Medium Term Fiscal Policy Statement
- Expenditure Budget
- Receipts Budget
- Expenditure Profile
- Memorandum explaining the Provisions in Finance Bill
- Budget at a Glance
- Outcome Budget

Stage II: General Discussion

It begins a few days after the presentation of budget. It takes place in both the Houses of Parliament and lasts usually for 3-4 days

Stage III: Scrutiny by Departmental Committees

After the General discussion is over, the House is adjourned for 3-4 weeks. During this time, 24 departmental standing committees of Parliament examine the demand for grants and prepares report on them which is submitted to both the Houses for consideration

Stage IV: Voting on Demand for Grants

In the light of reports of standing committees, Lok Sabha takes up voting of demand for grants. A demand becomes a grant after it has been duly voted. It should be noted that voting if demand for grants is the exclusive privilege of Lok Sabha and voting is confined to votable part of the budget

During this stage, MPs can also move motions to reduce any demand for grant. Such motions are called cut motions which are of 3 kinds:

- **Policy Cut Motion:** It states that amount of demand be reduced to Rs 1 and It represents disapproval of the policy underlying the demand
- **Economy Cut Motion:** It states that demand be reduced by a specified amount to ensure economy in expenditure
- **Token Cut Motion:** It states that amount of demand be reduced by Rs 100

Stage V: Appropriation Bill

- Appropriation Bill authorises withdrawal of funds from Consolidated fund of India for Grants voted by Lok Sabha and Expenditure charged on Consolidated Fund of India
- No amendments allowed at this stage
- After Presidential assent, the bill becomes an Act
- This process takes time and usually goes on till the end of April. But the government needs to carry out its normal activities which requires use of funds
- To overcome this functionality, Constitution has authorised the Lok Sabha to make any grant in advance in respect to the estimated expenditure for the month of April and May pending the enactment of appropriation bill. This provision is known as vote on account. It is generally granted for 2 months for an amount equivalent to 1/6th of the total estimation

Stage VI: Passing of Finance Bill

- **Finance Bill:** Implements government financial proposals for the next year, treated as a Money Bill
- **Amendments allowed:** Can reject or reduce taxes
- **Provisional Collection of Taxes Act, 1931:** Finance Bill must be passed within 75 days
- **Finance Act:** Legalises government income side of the budget completing budget enactment

Other Grants

The provisions of Grants available in Constitution can be used by both regular as well as a caretaker government and it only deals with the expenditure in the Government's budget and not the receipts

Supplementary Grant

It is granted when the amount appropriated for an existing service in the budget is found to be insufficient for that year

Additional Grant

It is granted when additional expenditure is required for some new service not contemplated in the budget for that year

Excess Grant

It is granted when the money has been spent on any service during a financial year in excess of the amount originally granted. It is voted by Lok Sabha after the financial year

Votes on Account

The process of passing Appropriation Bill takes time usually till April 30. Till such period, the expenses of the government can be made through Votes on account. It is generally granted for 2 months.

Exceptional Grant

It is granted for a special purpose and forms no part of the current service of any financial year

Token Grant

It is granted when funds to meet the proposed expenditure on a new service can be made available by reappropriation. A demand for grant of a token sum is submitted to the vote of Lok Sabha and if assented, funds are made available. Reappropriation involves transfer of funds from one head to another. It does not involve any additional expenditure

Vote of Credit

It is granted for meeting an unexpected demand upon resources of India when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in a budget. It is like a blank check given by Lok Sabha to the Executive

FUNDS

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graph TD; FUNDS --> CF[Consolidated Fund of India (Article 266)]; FUNDS --> PA[Public Account of India (Article 266)]; FUNDS --> CFI[Contingency Fund of India (Article 267)];
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Consolidated Fund of India (Article 266)

Consolidated Fund of India

- It is the primary account for all government receipts and expenses
- **Sources of Funds:** All revenues received by Government of India; Loans raised via treasury bills, bonds or other means; Repayment of loans given by the government
- **Usage:** All legally authorised government expenditures are made from this fund
- No money can be withdrawn without parliamentary approval

Public Account of India (Article 266)

Public Account of India

- It holds funds other than those in the Consolidated Fund of India
- **Sources of Funds:** Provident Fund deposits; Judicial deposits; Saving bank deposits; Departmental deposits; Remittances, etc.
- **Usage:** Operated by executive action, primarily for banking transactions
- Payments from this account do not require parliamentary approval

Contingency Fund of India

- Constitution authorises the Parliament to establish a Contingency Fund of India for unforeseen expenditures
- Accordingly, Parliament enacted the **Contingency Fund of India Act, 1950**
- This fund is placed at the **disposal of the President** and he can make advances out of it to meet unforeseen expenditure pending its authorisation by the Parliament under Article 115 or 116
- Like Public account of India, it is also **operated by executive action**