

## Basics on Budget – Mus Know Facts Revealed

The Union Budget is being presented on 1 February along with railway budget by the Finance Minister of India.

### **Budget: An Overview**

- The union budget is defined under the article 112 of the constitution of India.
- Budget
- Other name is 'Annual Financial statement'.
- It consists of Actual figures for preceding year's budget and revised figures for the current year and budget estimates for the following years.
- It is presented for the proceeding financial year.
- A statement of the estimated expenditure of the Union Government has to be laid before the Parliament under the article 112.
- The union government has decided to present the budget on 1 February from 2017 before the parliament. Earlier it used to pass it on end of the February.

### **What Are the Parts of the Budget?**

The Union Budget is categorized into three parts:

#### **1. Consolidated Fund:**

- Consolidated Fund consists of
  - Revenues received by the Government including
    - direct taxes
    - indirect taxes
    - money borrowed
    - receipts from loans given by the Government
  - expenses made by the Government, excluding the exceptional items.
- This fund was established under Article 266 (1) of the Constitution of India.

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- The government's expenditure is made from this fund, excluding exceptional items which are met from the Contingency Fund or the Public Account.
- Money from this fund cannot be withdrawn from this account without the Parliament's approval.

## 2. Public Account:

- Public Account of India is mainly for the transactions where the Government of India is just a banker.
- Article 266 (2) of the Constitution consists this account.

## 3. Contingency Fund:

- Contingency Fund is an imprest account to meet some urgent expenditure of the government.
- Contingency Fund comes under Article 267 of the Constitution of India.
- The Contingency fund is generally at the disposal of the President.
- Money withdrawn from this fund requires a subsequent approval from the Parliament.
- The amount in the Consolidated Fund is fixed, so the amount withdrawn should be replaced later.

# How Budget is Created?

## Role of the Parliament

- Government of India is based on the Westminster model.
- The power is in the hands of elected representatives of the people.
- The government should present the preparation of the budget for the approval of the Legislature.
- Some of the principles over which the parliament has control are

- Legislative control over expenditure

(article 266 states that no expenditure can be incurred except with the authorization of the Legislature)

- Legislative prerogative over taxation

(article 265 states that 'no tax shall be levied or collected except by authority of law')

- executive initiative in financial matters

## **Demands for Grants**

- Lok Sabha needs to vote for the estimates of the expenditure (known as Demand for Grants) given in the budget
- These Demands for grants are to be presented Ministry-wise
- A separate Demand for each major service should be presented.
- Each Demand graft contains
- first a statement of the total grant
- a statement of the detailed estimate divided into items.

## **How Budget is Presented?**

1. The date of the Budget presentation in the parliament is fixed by the President.
2. The Finance Minister presents the budget in the Lok Sabha.
3. The Budget speech of the Finance Minister is divided into two parts.
4. deals with the general economic survey of the country
5. deals with taxation proposals.

## **What Are the Other Documents of the Budget?**

The 'Annual Financial Statement' is accompanied by the following in the Union budget.

1. An Explanatory Memorandum
  - briefly explains the nature of expenditure and receipts during the current year and the next year
  - the reasons for variations in the estimates for the two years.
2. The Books of Demands
  - shows the provisions Ministry-wise
  - a separate Demand for each Department and service of the Ministry.
3. The Finance Bill
  - deals with the taxation measures proposed by Government
  - introduced immediately after the presentation of Budget.
  - A memorandum explaining the provisions of the Bill and its effect on the finances of the country

## **What happens after the presentation of the Budget?**

### **1. Vote on Account**

- The parliament discusses the budget and voting is done.
- The parliament cannot vote the entire budget before the new financial year begins.
- The government requires funds to run the administration of the government.
- The government obtains the vote of parliament for a sum, which is required to incur expenditure until the budget is passed. This is called vote on Account.

### **2. Analysis of the budget in the Parliament**

- The parliament is adjourned for a certain period after general discussion on the budget
- The standing Committee consists of 45 Members
  - 30 from Lok Sabha
  - 15 from Rajya Sabha.
- The standing committees consider the Demands for Grants of various Departments /Ministries including Railways.
- These Committees make reports to the House within a fixed period.
- After the presentation of the reports to the House, Voting on Demands for Grants, are discussed Ministry-wise.
- The Speaker in consultation with the Leader of the House allocates time for Voting of Demands and discussion for Grants.
- On the last day, all the outstanding Demands to the Vote of the House are put forward by the speaker. This device is commonly known as 'guillotine'.
- Lok Sabha has the power to accept or refuse any Demand or even to reduce the amount of Grant sought by Government.
- In Rajya Sabha there is only a general discussion, does not have the power to vote on the Demands for Grants.
- Members of both houses have full opportunity to give suggestions and criticize the budgetary provisions during the course of the discussion.

## **What Are the Bills Which Are Mandatory After the Budget?**

### **1. Appropriation Bill**

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- Introduced by the Government after general discussion on budget proposals and Voting on Demands for Grants
- gives authority to Government to incur expenditure from and out of the Consolidated Fund
- passing this Bill follows the same procedure as any other money bill.

## **2. Finance Bill**

- Introduced in the Lok Sabha immediately after the presentation of General budget.
- Is taken up for consideration and passed after passing of Appropriation bill
- Brings into effect all the taxation proposals.
- Must be passed within 75 days of its introduction.