

Government Budgeting: Indian Budget for Beginners

The term 'Budget' is not mentioned in Indian Constitution. The related term mentioned is 'Annual Financial Statement'. In this post, we explain the basics of Indian Budget and Government Budgeting process for beginners.

What are the constitutional requirements which make Budget necessary?



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1. Article 265: provides that 'no tax shall be levied or collected except by authority of law'. [ie. Taxation needs approval of Parliament.]
 2. Article 266: provides that 'no expenditure can be incurred except with the authorisation of the Legislature' [ie. Expenditure needs approval of Parliament.]
 3. Article 112: President shall, in respect of every financial year, cause to be laid before Parliament, Annual Financial Statement.

Budget Documents

Do you know that Annual Financial Statement is only one of the several budget documents presented by Finance Minister?

The Budget documents presented to Parliament comprise, besides the Finance Minister's **Budget**

Speech, the following:

1. **Annual Financial Statement (AFS) – Article 112**

2. **Demands for Grants (DG) – Article 113**
3. **Appropriation Bill – Article 114(3)**
4. **Finance Bill – Article 110 (a)**
5. Memorandum Explaining the Provisions in the Finance Bill, 2014
6. Macro-economic framework for the relevant financial year – *FRBM Act*
7. Fiscal Policy Strategy Statement for the financial year – *FRBM Act*
8. Medium Term Fiscal Policy Statement – *FRBM Act*
9. Medium Term Expenditure Framework Statement – *FRBM Act*
10. Expenditure Budget Volume-1
11. Expenditure Budget Volume-2
12. Receipts Budget
13. Budget at a glance
14. Highlights of Budget
15. Status of Implementation of Announcements made in Finance Minister’s Budget Speech of the previous financial year.

There are also other related documents like Detailed Demands for Grants, Outcome Budget, Annual Reports and Economic Survey presented along with the budget documents in Parliament.

Also read: Panama Papers: Case of Tax Evasion by the Rich?

PS : The documents shown at Serial 1, 2, 3 and 4 are mandated by Art. 112,113, 114(3) and 110(a) of the Constitution of India respectively, while the documents at Serial 6,7, 8 and 9 are presented as per the provisions of the Fiscal Responsibility and Budget Management Act, 2003. Other documents are in the nature of explanatory statements supporting the mandated documents with narrative or other content in a user friendly format suited for quick or contextual references. Hindi version of all these documents is also presented to Parliament.

Railway Budget

Do figures related to Railways find mention in Annual Financial Statement or are they part of only Railway budget?

The Budget of the Indian Railways is presented separately to Parliament and dealt with separately. But the receipts and expenditure of the Railways form part of the Consolidated Fund of India and the figures relating to them are included in the ‘Annual Financial Statement’.

Budget Presentation

In India, the Budget is presented to Parliament on such date as is fixed by the President. Since 1999 the General Budget is being presented at 11 A.M. on the last working day of February, i.e. about a month before the commencement of the Financial year except in the year when General Elections to Lok Sabha are held. In an election year, Budget may be presented twice — **first to secure Vote on Account for a few months** and later in full.

Vote on Account

The discussion on the Budget begins a few days after its presentation. Since Parliament is not able to vote the entire budget before the commencement of the new financial year (ie. within 1 month or so), the necessity to keep enough finance at the disposal of Government in order to allow it to run the administration of the country remains. **A special provision** is, therefore, made for “**Vote on Account**” by which Government obtains the **Vote of Parliament** for a sum sufficient to incur expenditure on various items for a part of the year.

Also read: Telangana and Andhra Pradesh : History and Politics

Normally, the Vote on Account is taken for two months only. But during election year or when it is anticipated that the main Demands and Appropriation Bill will take longer time than two months, the Vote on Account may be for a period exceeding two months.

So what exactly is Vote on Account?

Vote on Account is a special provision in every budget (and not only in an interim budget) by which Government obtains the **Vote of Parliament** for a sum sufficient to incur expenditure on various items for a part of the year, usually two months. Vote on Account deals only with expenditure part. But interim budget as well as full budget has both receipt and expenditure side.

So presentation and passing of vote on account is the first stage in the budget passing process. Vote on Account is necessary for the working of the government till the period the full budget is passed.

Budget Speech

The Budget speech of the Finance Minister is usually in two parts. Part A deals with general economic survey of the country while Part B relates to taxation proposals. He makes a speech introducing the Budget and it is only in the concluding part of his speech that the proposals for fresh taxation or for variations in the existing taxes are disclosed by him. The ‘Annual Financial Statement’ is laid on the Table of Rajya Sabha at the conclusion of the speech of the Finance Minister in Lok Sabha.