



BUDGET IN PARLIAMENT



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Governments today have come to look after virtually every sphere of human life. They have to perform manifold functions from maintaining law and order, protecting their territories to implementation of plans for economic and social betterment. Besides, they provide a variety of social services like education, health, employment and housing to the people. Needless to say, Government requires adequate resources to discharge these functions effectively.

Where is this money to come from and who is to sanction the funds? The necessary funds are mobilised from the country's resources by way of taxes-both direct and indirect, and loans- both long-term and short-term, to meet the governmental expenditure. In India, the principal sources of revenue are customs and excise duties and income-tax on individuals and companies.

Need for Budget

It is not as if the Government can tax, borrow and spend money the way it likes. Since there is a limit to the resources, the need for proper budgeting arises to allocate scarce resources to various governmental activities. Every item of expenditure has to be well thought out and total outlay worked out for a specific period. Prudent spending is essential for the stability of a Government and proper earnings are a pre-requisite to wise spending. Hence, planned expenditure and accurate foresight of earnings are the sine-qua-non of sound governmental finance.

Parliamentary Control over Finance

Ours is a parliamentary system of Government based on the Westminster model. The Constitution has, therefore, vested the power over the purse in the hands of chosen representatives of the people, thus sanctifying the principle 'no taxation without representation'.

Preparation of Budget for the approval of the Legislature is a constitutional obligation of the Government, both at the Centre and the State levels. Legislative prerogative over taxation, legislative control over expenditure and executive initiative in financial matters are some of the fundamental principles of the system of parliamentary financial control. There are specific provisions in the Constitution of India incorporating these tenets. For example, Article 265 provides that 'no tax shall be levied or collected except by authority of law'; no expenditure can be incurred except with the authorisation of the Legislature (Article 266); and President shall, in respect of every financial year, cause to be laid before Parliament, Annual Financial Statement (Article 112). These provisions of our Constitution make the Government accountable to Parliament.

The Budget

The 'Annual Financial Statement' laid before both the Houses of Parliament constitutes the Budget of the Union Government. This statement takes into account a period of one Financial Year. The Financial Year in India commences on 1st April each year. The statement embodies the estimated receipts and expenditure of the Government of India for the Financial Year.

Demands for Grants

The estimates of expenditure included in the Budget and required to be voted by Lok Sabha are in the form of Demands for Grants. These Demands are arranged Ministry-wise and a separate Demand for each of the major services is presented. Each Demand contains first a statement of the total grant and then a statement of the detailed estimate divided into items.

Presentation

In India, the Budget is presented to Parliament on such date as is fixed by the President.

Till 2016, the Budget used to be presented in two parts, *viz.*, the Railway Budget and the General Budget. From the year 2017-18, the Railway Budget was merged with the General Budget and a single document is presented by the Minister of Finance.

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. By convention the General Budget was 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. However from 2017-18, the date of presentation of Budget has been advanced to 1st February.

The Union Budget is presented in Lok Sabha by the Minister of Finance, who makes a speech introducing the Budget and it is only in the concluding part of the speech that the proposals for fresh taxation or for variations in the existing taxes are disclosed. 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.

Budget Documents

Along with the 'Annual Financial Statement', the Government presents the following documents: an Explanatory Memorandum briefly explaining the nature of receipts and expenditure during the current year and the next year and the reasons for variations in the estimates for the two years, the Books of Demands showing the provisions Ministry-wise and a separate Demand for each Department and service of the Ministry. The Finance Bill which deals with the taxation measures proposed by Government is introduced immediately after the presentation of Budget. It is accompanied by a memorandum explaining the provisions of the Bill and their effect on the finances of the country.

Vote on Account

Prior to 2017, the Budget used to be presented on last working day of February. Accordingly, the Parliament was not able to vote the entire budget before the commencement of the new Financial year. Due to necessity to keep enough finance at the disposal of Government in order to allow it to run the administration of the country, Government obtained Vote on Account from Parliament.

The Vote on Account was used to be obtained for two months only. But during an election year or when it was anticipated that the main Demands and Appropriation Bill will take longer time than two months, the Vote on Account was obtained for a period exceeding two months.

However, with the advancement of the date of presentation of Budget, since 2017-18, the Budget enables Parliament to avoid a Vote on Account and pass a single Appropriation Bill before the close of the Financial Year.

Discussion

The Budget is discussed in two stages in Lok Sabha. First, there is the General Discussion on the Budget as a whole. This lasts for about 4 to 5 days. Only the broad outlines of the Budget and the principles and policies underlying it are discussed at this stage.

Consideration of Demands by Standing Committees of Parliament

After the first stage of General Discussion on the Union Budget is over, the House is adjourned for a fixed period. During this period, the Demands for Grants of various Ministries/ Departments are considered by Standing Committees concerned (Rule 331G). These Committees are required to make their reports to the House within specified period without asking for more time. The system of consideration of Demands for Grants by the Standing Committees was introduced from the Budget for the year 1993-94, when seventeen Departmentally Related Committees were constituted. The number of Standing Committees was raised to twenty-four in 2004. The Standing Committee consists of 31 Members, 21 from Lok Sabha and 10 from Rajya Sabha. The reports of the Standing Committees are of persuasive nature (Rule 331N). The report shall not suggest anything in the nature of cut motions.

After the reports of the Standing Committees are presented to the House, the House proceeds to the discussion and Voting on Demands for Grants, Ministry-wise. The time for discussion and Voting of Demands for Grants is allocated by the Speaker in consultation with the Leader of the House. On the last day of the allotted days, the Speaker puts all the outstanding Demands to the Vote of the House. This device is popularly known as 'guillotine'.

Lok Sabha has the power to assent to or refuse to give assent to any Demand or even to reduce the amount of Grant sought by Government. In Rajya Sabha, there is only a General Discussion on the Budget. It does not vote on the Demands for Grants. Only so much of the amount is subject to the vote of Lok Sabha as is not a "charged" expenditure on the Consolidated Fund of India. The "charged" expenditure includes the emoluments of the President and the salaries and allowances of the Chairman and Deputy Chairman of Rajya Sabha and the Speaker and Deputy Speaker of Lok Sabha, Judges of Supreme Court, Comptroller and Auditor General of India and certain other items specified in the Constitution of India. Discussion in Lok Sabha on 'charged' expenditure is permissible but such expenditure is not voted by the House.

Members have full opportunity to criticise the budgetary provisions during the course of discussion as also to make suggestions for improving the financial position of the country.

Cut Motions

Motions for reduction to various Demands for Grants are made in the form of Cut Motions seeking to reduce the sums sought by Government on grounds of economy or difference of opinion on matters of policy or just in order to voice a grievance.

Appropriation Bill

After the General Discussion on the Budget proposals and voting on Demands for Grants have been completed, Government introduces the Appropriation Bill. The Appropriation Bill is intended to give authority to Government to incur expenditure from and out of the Consolidated Fund of India. The procedure for passing this Bill is the same as in the case of other Money Bills.

Finance Bill

The Finance Bill seeking to give effect to the Government's taxation proposals which is introduced in Lok Sabha immediately after the presentation of the General Budget, is taken up for consideration and passing after the Appropriation Bill is passed. However, certain provisions in the Bill relating to levy and collection of fresh duties or variations in the existing duties come into effect immediately on the expiry of the day on which the Bill is introduced by virtue of a declaration under the Provisional Collection of Taxes Act. Parliament has to pass the Finance Bill within 75 days of its introduction.

Supplementary/Excess Grants

No expenditure in excess of the sums authorized by Parliament can be incurred without the sanction of Parliament. Whenever a need arises to incur extra expenditure, a Supplementary estimate is laid before Parliament. If any money has been spent on any service during a Financial Year in excess of the amounts granted for that service and for that year, the Minister of Finance presents a Demand for Excess Grant. The procedure followed in Parliament in regard to Supplementary/Excess Grants is more or less the same as is adopted in the case of estimates included in the General Budget.

Budget of a State/Union territory under President's Rule

Budget of a State under President's rule is presented to Lok Sabha. The procedure followed in regard to the Budget of the Union Government is followed in the case of State Budget also with such variations or modifications, as the Speaker may make.

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