

THE BUDGETARY PROCESS

THE BUDGET

What is Budget?

The Annual Financial Statement or the Statement of the Estimated Receipts and Expenditure of the Government of India in respect of each financial year is popularly known as the Budget.

Presentation of Budget

2. The Budget is presented to Lok Sabha in two parts, namely, the Railway Budget pertaining to Railway Finance and the General Budget which gives an overall picture of the financial position of the Government of India, excluding the Railways.

3. The Budget is presented to Lok Sabha on such day* as the President may direct. Immediately after the presentation of the Budget, the following three statements under the Fiscal Responsibility and Budget Management Act, 2003 are also laid on the Table of

 * By convention the Railway Budget is presented sometime in the third week of February at 1200 hours after the Question Hour. The General Budget was presented by convention, till 1998, on the last working day of February at 5 P.M. This convention was however, changed in 1999 when the General Budget was presented at 11 A.M. Since then the General Budget is presented at 11 A.M. on the last working day of February (except in 2000 when it was presented at 2 P.M.).

Lok Sabha:- (i) The Medium Term Fiscal Policy Statement; (ii) The Fiscal Policy Strategy Statement; and (iii) The Macro Economic Framework Statement. Simultaneously, a copy of the respective Budgets is laid on the Table of Rajya Sabha. In an election year, the Budgets may be presented twice—first to secure a Vote on Account for a few months and later in full.

Distribution of Budget Papers

4. In the case of the Railway Budget, the sets are distributed to members from the Publications Counter after the Railway Minister has concluded his speech. The sets of General Budget are distributed to members from several booths in the Inner and Outer Lobbies arranged according to the Division Numbers of members. In case Division Numbers have not been allotted, these booths are arranged State-wise. The budget papers are made available to members after the Finance Minister's speech is over, the Finance Bill has been introduced and the House has adjourned for the day.

Discussion on the Budget

5. No discussion on Budget takes place on the day it is presented to the House. Budgets are discussed in two stages—the General Discussion followed by detailed discussion and voting on the demands for grants.

Allotment of Time for Discussion

6. The whole process of discussion and voting on the demands for grants and the passage of the Appropriation and Finance Bills is to be completed within a specified time. As a result, often the demands for grants relating to all the Ministries/Departments cannot be discussed and demands of some Ministries get guillotined *i.e.* voted without discussion. The Minister of Parliamentary Affairs, after the presentation of the Budget, holds a meeting of leaders of Parties/ Groups in Lok Sabha for the selection of Ministries/ Departments whose demands for grants might be discussed in the House. On the basis of decisions arrived at this meeting, the Government forwards the proposals for the consideration of the Business Advisory Committee. The Business Advisory Committee after considering the proposals allots time and also recommends the order in which the demands might be discussed. It is generally left to the Government to make any change in the order of discussion.

7. After the allotment of time by the Business Advisory Committee, a time table showing the dates on and order in which the demands for grants of various Ministries would be taken up in the House is published in Bulletin-Part II for the information of members.

General Discussion on the Budget

8. During the General Discussion, the House is at liberty to discuss the Budget as a whole or any question of principles involved therein but no motion can be moved. A general survey of administration

is in order. The scope of discussion is confined to an examination of the general scheme and structure of the Budget, whether the items of expenditure ought to be increased or decreased, the policy of taxation as expressed in the Budget and in the speech of the Finance Minister. The Finance Minister or the Railway Minister, as the case may be, has the general right of reply at the end of the discussion.

Consideration of the Demands for Grants by Departmentally Related Standing Committees of Parliament

9. With the creation of Departmentally Related Standing Committees of Parliament in 1993, the Demands for Grants of all the Ministries/Departments are required to be considered by these Committees. After the General Discussion on the Budget is over, the House is adjourned for a fixed period. During this period, the Demands for Grants of the Ministries/ Departments are considered by the Committees. These Committees are required to make their reports to the House within specified period without asking for more time and make separate report on the Demands for Grants of each Ministry.

Discussion on Demands for Grants

10. The demands for grants are presented to Lok Sabha along with the Annual Financial Statement. These are not generally moved in the House by the Minister concerned. The demands are assumed to have been moved and are proposed from the Chair to save the time of the House. 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 scope of discussion at this stage is confined to a matter which is under the administrative control of the Ministry and to each head of the demand as is put to the vote of the House. It is open to members to disapprove a policy pursued by a particular Ministry or to suggest measure for economy in the administration of that Ministry or to focus attention of the Ministry to specific local grievances. At this stage, cut motions can be moved to reduce any demand for grant but no amendments to a motion seeking to reduce any demand is permissible.

Cut Motions

11. The motions to reduce the amounts of demands for grants are called 'Cut Motions'. The object of a cut motion is to draw the attention of the House to the matter specified therein.

12. Cut Motions can be classified into three categories:—

- (i) Disapproval of Policy Cut;
- (ii) Economy Cut; and
- (iii) Token Cut.

Disapproval of Policy Cut: A cut motion which says "That the amount of the demand be reduced to Re. 1" implies that the mover disapproves of the policy underlying the demand. The member giving notice of such a Cut Motion has to indicate in precise terms the particulars of the policy which he proposes to discuss. Discussion is confined to the specific point or points mentioned in the notice and it is open to the member to advocate an alternative policy.

Economy Cut: Where the object of the motion is to effect economy in the expenditure, the form of the motion is "That the amount of the demand be reduced by Rs...(a specified amount)". The amount suggested for reduction may be either a lump-sum reduction in the demand or omission or reduction of an item in the demand.

Token Cut: Where the object of the motion is to ventilate a specific grievance within the sphere of responsibility of the Government of India, its form is: "That the amount of the demand be reduced by Rs. 100" . Discussion on such a cut motion is confined to the particular grievance specified in the motion which is within the sphere of responsibility of the Government of India.

13. For the facility of members, printed forms for giving notices of cut motions are kept in the Parliamentary Notice Office.

Notice period for tabling Cut Motions

14. The notices of cut motions can be tabled after the presentation of Railway/General Budget.

15. The notices of cut motions tabled up to 15.15 hours on a day are printed and circulated before the day the relevant demands for grants to which they relate are to be taken up in the House. The notices tabled after 15.15 hours are deemed to have been tabled on the next working day. These notices are printed and circulated on the next working day if the demands for grants to which they

notices are printed and circulated on the next working day if the demands for grants to which they relate have not already been disposed of in the House.

16. As cut motions are circulated to members both in English and Hindi simultaneously, the Rules Committee (Fourth Lok Sabha) at its sitting held on 9 March, 1970 decided that members might be requested to table such notices at least two days before the day they are to be taken up in the House.

17. Accordingly, members should table the notice of cut motions at least two days before the day the demands for grants to which they relate, are to be taken up in the House, but in any case not later than 15.15 hours on the previous day.

Admissibility of Cut Motions—Conditions of

18. A cut motion to be admissible should satisfy the following conditions:—

- (1) It should relate to one demand only.
- (2) It should be clearly expressed and should not contain arguments, inferences, ironical expressions, imputations, epithets and defamatory statements.
- (3) It should be confined to one specific matter which should be stated in precise terms.
- (4) It should not reflect on the character or conduct of any person whose conduct can only be challenged on a substantive motion.
- (5) It should not make suggestions for the amendment or repeal of existing laws.
- (6) It should not relate to a State subject or to matters which are not primarily the concern of the Government of India.
- (7) It should not relate to expenditure 'Charged' on the Consolidated Fund of India.
- (8) It should not relate to a matter which is under adjudication by a court of law having jurisdiction in any part of India.
- (9) It should not raise a question of privilege.
- (10) It should not revive discussion on a matter which has been discussed in the same session and on which decision has been taken.
- (11) It should not anticipate a matter which has been previously appointed for consideration in the same session.
- (12) It should not ordinarily seek to raise discussion on a matter pending before any statutory tribunal or statutory authority performing any judicial or quasi-judicial functions or any commission or court of enquiry appointed to enquire into, or investigate any matter. However, the Speaker may in his discretion allow such matter being raised in the House as is concerned with the procedure or stage of enquiry, if the Speaker is satisfied that it is not likely to prejudice the consideration of such matter by the statutory tribunal, statutory authority, commission or court of enquiry.
- (13) It should not relate to a trifling matter.

19. The Speaker decides whether a cut motion is or is not admissible and may disallow any cut motion when in his opinion it is an abuse of the right of moving cut motions or is calculated to obstruct or prejudicially affect the procedure of the House or is in contravention of the Rules of Procedure of the House.

20. It is a well-established Parliamentary convention that cut motion seeking to discuss the action of the Speaker or relating to Speaker's Department or matters under the control of Speaker are not allowed. Likewise, cut motions relating to the office of the Vice- President (who is also *ex-officio* Chairman of Rajya Sabha) are not admissible. Cut motion relating to matters under consideration of a Parliamentary Committee are not admissible. Cut motions are not admissible if they ventilate personal grievances, or if they cast aspersions on individual Government officials. Cut motions seeking to discuss a matter affecting relations with a friendly foreign country or details of internal administration of an autonomous body are out of order as also those which seek omission of a whole grant.

Token cuts seeking to discuss inadequacy of provision in respect of a particular demand are, however, in order.

Normally members of ruling party do not table cut motions.

Circulation of Lists of Cut Motions

21. Lists of cut motions to the various demands for grants as admitted by the Speaker are

21. Lists of cut motions to the various demands for grants as admitted by the Speaker are circulated to members generally two days in advance of the date on which the demands for grants in respect of the Ministry are to be taken up in the House for discussion.

Moving of Cut Motions

22. At the commencement of the discussion on the demands for grants in respect of a particular Ministry, members are asked by the Speaker to hand over at the Table, within fifteen minutes, slips indicating the serial numbers of their cut motions that they would like to move. The cut motions thus indicated are only treated as moved. Cut motions cannot be moved at a later stage.

23. Cut motions cannot be moved by proxy. A member should be present in the House to move his cut motions when the relevant demands for grants are taken up.

Guillotine

24. On the last of the allotted days for the discussion and voting on demands for grants, at the appointed time the Speaker puts every question necessary to dispose of all the outstanding matters in connection with the demands for grants. This is known as guillotine. The guillotine concludes the discussion on demands for grants.

Annual Reports, Outcome Budgets and Detailed Demands for Grants of the Ministries

25. In connection with discussion on demands for grants, copies of the Annual Reports and Outcome Budget of the various Ministries and Departments are made available to members through the Publications Counter. Detailed demands for grants in respect of various Ministries/Departments are laid on the Table of Lok Sabha some time before the demands for grants are considered by the Departmentally Related Standing Committees.

Vote on Account

26. As the whole process of Budget beginning with its presentation and ending with discussion and voting of demands for grants and passing of Appropriation Bill and Finance Bill generally goes beyond the current financial year, a provision has been made in the Constitution empowering the Lok Sabha to make any grant in advance through a vote on account to enable the Government to carry on until the voting of demands for grants and the passing of the Appropriation Bill and Finance Bill.

27. Normally, the vote on account is taken for two months for a sum equivalent to one sixth of the estimated expenditure for the entire year under various demands for grants. During an election year, the vote on account may be taken for a longer period say, 3 to 4 months if it is anticipated that the main demands and the Appropriation Bill will take longer than two months to be passed by the House.

28. As a convention vote on account is treated as a formal matter and passed by Lok Sabha without discussion.

29. Vote on account is passed by Lok Sabha after the general discussion on the Budget (General and Railway) is over and before the discussion on demands for grants is taken up.

Supplementary and Excess Demands for Grants

30. If the amount authorised to be expended for a particular service for the current financial year is found to be insufficient for the purpose of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some 'new service' not contemplated in the Budget for that year the President causes to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure.

31. If any money has been spent on any service during a financial year in excess of the amount granted or the service for that year, the President causes to be presented to Lok Sabha a demand for such excess. All cases involving such excesses are brought to the notice of Parliament by the Comptroller and Auditor General through his report on the Appropriation Accounts. The excesses are then examined by the Public Accounts Committee which makes recommendations regarding their regularisation in its report to the House.

32. The Supplementary Demands for Grants are presented to and passed by the House before the end of the financial year while the demands for excess grants are made after the expenditure has actually been incurred and after the financial year to which it relates, has expired.

33. Copies of the Books of Demands for Supplementary or Excess Grants, received from the Ministry of Finance, are made available to members from the Publications Counter after the presentation of such demands.

Procedure for Discussion

34. Supplementary and Excess Grants are regulated by the same procedure as is applicable in the

37. Supplementary and Excess Grants are regulated by the same procedure as is applicable in the case of demands for grants of the main Budget subject to such adaptations, whether by way of modification, addition or omission, as the Speaker deems necessary or expedient.

Scope of discussion on Supplementary/Excess Grants

35. The discussion on the Supplementary Demands for Grants is confined to the items constituting the same and no discussion can be raised on the original grants nor on the policy underlying them. In respect of schemes already sanctioned in the main Budget, no discussion on any question of principle or policy is allowed. As regards demands for which no sanction has been obtained, the question of policy has to be confined to the items of expenditure on which the vote of the House is sought. General grievances cannot be ventilated during discussion on a Supplementary Grant. Member can only point out whether the Supplementary Demand is necessary or not.

36. During discussion on Excess Demands for Grants members can point out how money has been spent unnecessarily or that it ought not to have been spent; beyond this there is no scope for general discussion or for ventilation of grievances.

Cut Motions to Supplementary/Excess Demands for Grants

37. The cut motions to Supplementary or Excess Demands for Grants must relate to the subject matter of the Supplementary or Excess Demands. Cut motions which are extraneous to the subject matter of such demands are out of order.

Appropriation Bill

38. After the demands for grants have been passed by the House, a Bill to provide for the appropriation out of the Consolidated Fund of India of all moneys required to meet the grants and the expenditure charged on the Consolidated Fund of India is introduced, considered and passed. The introduction of such Bill cannot be opposed. The scope of discussion is limited to matters of public importance or administrative policy implied in the grants covered by the Bill and which have not already been raised during the discussion on demands for grants. The Speaker may require members desiring to take part in the discussion to give advance intimation of the specific points they intend to raise and may withhold permission for raising such of the points as in his opinion appear to be repetition of the matters discussed on a demand for grant. Such advance intimation must be given before 10.00 hours on the day the Appropriation Bill is to be taken into consideration. No action is taken on intimations received after 10.00 hours.

39. No amendment can be proposed to an Appropriation Bill which will have the effect of varying the amount or altering the destination of any grant so made or of varying the amount of any expenditure charged on the Consolidated Fund of India, and the decision of the Speaker as to whether such an amendment is admissible is final. An amendment to an Appropriation Bill for omission of a demand voted by the House is out of order.

40. In other respects, the procedure in respect of an Appropriation Bill is the same as in respect of other Money Bills.

Finance Bill

41. "Finance Bill" means a Bill ordinarily introduced every year to give effect to the financial proposals of the Government of India for the next following financial year and includes a Bill to give effect to supplementary financial proposals for any period.

42. The Finance Bill is introduced immediately after the presentation of the Budget. The introduction of the Bill cannot be opposed. The Appropriation Bills and Finance Bills may be introduced without prior circulation of copies to members.

42A. The Finance Bill usually contains a declaration under the Provisional Collection of Taxes Act, 1931, by which the declared provisions of the Bill relating to imposition or increase in duties of customs or excise come into force immediately on the expiry of the day on which the Bill is introduced. In view of such provisions and the provision of Act of 1931, the Finance Bill has to be passed by Parliament and assented to by the President before the expiry of the seventy-fifth day after the day on which it was introduced.

43. As the Finance Bill contains taxation proposals, it is considered and passed by the Lok Sabha only after the Demands for Grants have been voted and the total expenditure is known. The scope of discussion on the Finance Bill is vast and members can discuss any action of the Government of India. The whole administration comes under review.

44. The procedure in respect of Finance Bill is the same as in the case of other Money Bills.

Budgets of Union Territories and States under President's Rule

45. Budgets of Union territories and States under President's Rule are also presented to Lok

Sabha. The procedure in regard to the Budget of the Union Government is followed in such cases with such variations or modifications, as the Speaker may make.

[The procedure for presentation of the Budget in and its passing by Lok Sabha is as laid down in articles 112—117 of the Constitution of India, Rules 204—221 and 331-E of the Rules of Procedure and Conduct of Business in Lok Sabha and Direction 19-B of Directions by the Speaker.]