# BUDGET MANUAL

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
BUDGET DIVISION

**NOVEMBER, 2022**

## PREFACE

This Manual is a compendium of guidelines, processes and procedures involved in different phases of the budget cycle for guidance of the officers of Ministries/Departments as well as Budget Division who are involved in budgeting exercise. Efforts have been made to keep the manual simple, easy to comprehend and to comprehensively outline the procedures and practices.

The first edition of Budget Manual of Government of India was published in September, 2010 (Preface and Foreword are annexed). It has now been revised and incorporates various changes related to the Union Budget such as advancement of budget cycle, removal of Plan-Non-Plan distinction, merger of Rail Budget with general Budget, presentation of Union Budget documents in digital form, revision of General Financial Rules and implementation of the Union Budget Information System.

The chapters in this manual have been organized to reflect various stages involved in the budget cycle. Chapter 1 provides a brief introduction of Union Budget and related documents. Chapter 2 outlines the roles and responsibilities of various stakeholders in the budget process. Chapter 3 deals with the entire budget preparation process right from the issue of Budget Circular. It also details the process of estimation of receipts and expenditure. Chapter 4 deals with process of budget finalization including tentative timelines of various activities. Chapter 5 deals with release and execution of the budget and necessary interim revisions. It covers the steps required to be undertaken by different stakeholders for control of expenditure within a financial year. Chapter 6 covers the budget review through mid-term evaluation of schemes, C& AG Audit, mid-year review and monitoring which ensures accountability. Chapter 7 contains structure of Government Accounts, as budgeting and accounting classification follow a common pattern.

Suggestions for further improvement are welcome.

# FOREWORD

The first edition of the Budget Manual in the Government of India was issued in September, 2010. The Manual acts as an authoritative source of reference for the staff engaged in the preparation of the Union Budget. In the twelve years between the first edition and this one, the Budget making process has undergone major changes. The separate Rail Budget has been discontinued and it now forms part of the General Budget. The Union Planning Commission no longer exists and the distinction between Plan and Non-Plan expenditure is no longer relevant. The timing of the Budget presentation has been advanced to February 1st in order to enable the Appropriation Bill to be passed before the commencement of the ensuing financial year, thereby accelerating the pace of scheme implementation. The General Financial Rules were also comprehensively amended. The size of the Contingency Fund of India has been increased and the Rules amended. The Fiscal Responsibility & Budget Management Act has undergone changes. Apart from these substantive changes, many procedural and process changes have occurred reflecting, inter-alia, the increased use of information technology in budgeting and expenditure control.

2. This comprehensively revised edition of the Budget Manual is, therefore, timely.

3. I wish to place on record the outstanding work done by the Budget Division of Department of Economic Affairs in preparing this Manual and wish to commend the excellent work of Shri Ashish Vachhani, Joint Secretary (Budget), Ms. Anjana Vashishtha, formerly Director (Budget), Shri Sunil Chaudhari Bhagwat, Director (Budget), Shri Hanumaiah K, Director (Budget), Shri Vishnukant PB, Deputy Secretary (Budget), Shri Kapil Patidar, Deputy Secretary (Budget), Shri Uthaya Kumar, formerly ABO and other officers of Budget Division.

4. If any error, inaccuracy or omission is noticed, it may kindly be brought to the attention of Joint Secretary (Budget). Suggestions for further improvement are also solicited.

Somanathan

**(T.V. Somanathan)**
**Finance Secretary**

New Delhi
November 21st, 2022

# CONTENT

## GLOSSARY OF IMPORTANT BUDGET RELATED TERMS

Unless there is something averse in the subject or context, the terms defined in this section are used in this Manual in the sense as explained hereunder:

1. **'Accounts' or 'actuals' of a year. -** are the amounts of receipts and disbursements for the financial year beginning on April 1st and ending on March 31st, as finally recorded in the Accounting authority's books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts compiled by CGA.

2. **'Administrative approval' of a scheme, proposal or work. -** is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure.

3. **'Annual Financial Statement' –** Also referred to as the Budget means the statement of estimated receipts and expenditure of the Central Government for the financial year.

4. **'Appropriation' -** means the amount authorized by Parliament for expenditure.

5. **'Appropriation Accounts'** - are the accounts prepared by the Controller General of Accounts for each grant or appropriation which indicates the amount of the grant/appropriation sanctioned and the amount spent under the grant/appropriation as a whole. Important variations in expenditure and allotments, whether voted or charged, are briefly explained therein.

6. **'Budget'** – It is the statement of estimated receipts and expenditure of the Central Government as per its fiscal policy.

7. **'Budget Division'**- means Budget Division in Department of Economic Affairs, Ministry of Finance in the Union Government.

8. **'Budget Estimates' -** are the detailed estimates of receipts and expenditure of a financial year.

9. **'Charged Expenditure' or 'Charged Appropriation' -** means such expenditure as is not to be submitted for the vote of the Parliament under the provisions of the Constitution.

10. **'Comptroller & Auditor General'(C&AG)** - means the Comptroller & Auditor General of India.

11. **'Competent Authority'**- means, in respect of the power to be exercised under any of these provisions, the President or such other authority to which the power is delegated by or under the General Financial Rules, 2017, Delegation of Financial Powers Rules, 1978 or any other general or special orders issued by the Government of India.

12. **'Consolidated Fund of India-** Under Article 266 (1) of the Constitution, all revenues of the Union Government, loans raised by it and all moneys received in repayment of loans form one consolidated fund called the Consolidated Fund of India. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.

13. **'Constitution'** - means the Constitution of India.

14. **'Contingency Fund' –** means the Contingency Fund of India established

under the Contingency Fund of India Act, 1950, in terms of Article 267 (1) of the Constitution. Contingency Fund is in the nature of an imprest. The Contingency Fund is intended to provide advances to the executive /Government to meet unforeseen expenditure arising in the course of a year pending its authorization by the Parliament. The amounts drawn from the Contingency Fund are recouped after the Parliament approves it through the Supplementary Demands for Grants.

**15.** **'Controller General of Accounts'-** is the principal Accounts Adviser to the Government of India and is responsible for establishing and maintaining a technically sound management accounting system. The CGA prepares a critical analysis of expenditures, revenues, borrowings and the deficit for the Finance Minister every month. The CGA also prepares Appropriation Accounts (for civil Ministries) and Union Finance Accounts for presentation to the Parliament after certification by the C&AG.

**16.** **'Controlling Officer (Budget)'** - means an officer entrusted by a Department of the Central Government with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term includes the Heads of Department and also the Administrators.

**17.** **'Chief Controller/Controller of Accounts'** - means the Head of the Accounting Organizations in the Ministries/Departments of the Central Government, set up under the scheme of departmentalization of accounts.

**18.** **'Department of the Central Government'**- means a Ministry or Department of the Central Government as notified from time to time and listed in the Allocation of Business Rules. It includes the Ministry of Parliamentary Affairs, the President's Secretariat, the Vice-President's Secretariat, and the Cabinet Secretariat.

**19.** **'Departmental Estimate'** - is an estimate of income and expenditure of a department in respect of financial year submitted by the estimating officer to the Finance Ministry.

**20.** **'Disbursing Officer'. –** means a Head of Office and also any other Gazetted Officer so designated by a Department of the Central Government, a Head of Department or an Administrator, to draw bills and make payments on behalf of the Central Government. The term shall also include a Head of Department or an Administrator where he himself discharges such function.

**21.** **'Estimating Officer' -** means a departmental officer responsible for preparing a departmental estimate.

**22.** **'Excess Grant' –** Excess grant means the expenditure incurred over and above the appropriation authorised through the original/supplementary grant, that requires regularization by obtaining excess grant from the Parliament under Article 115 of the Constitution.

**23.** **'Finance Ministry'**- means the Ministry of Finance in the Union Government.

**24.** **'Head of Department' -** means an officer declared as such by Government. (A list of Heads of Departments is given in the Delegation of Financial Powers Rules).

**25.** **'Financial Adviser'**- means an officer appointed by Government in a Ministry/ Department to look after the matters related to financial advice, budget/ accounts, expenditure control/ audit etc. for and on behalf of Finance Ministry.

**26.** **'New Service' –** As appearing in Article 115(1)(a) of the Constitution, means expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.

**27.** '**New Instrument of Service'-** means relatively large expenditure arising out of expansion of an existing activity.

**28.** **'Parliament-** means the Parliament of India comprising of two Houses of Lok Sabha and Rajya Sabha.

**29.** **'Outcome Budget'-** is the document prepared and presented annually to the Parliament, reflecting the purposes and objectives for which funds were provisioned, the cost of various programmes and activities proposed for achieving these objectives and quantitative projection of the work performed and services rendered under each programme and activity.

**30.** **'Primary unit of appropriation' –** means a primary unit of appropriation referred to in Rule 8 of the Delegation of Financial Powers Rules, 1978. It is the lowest unit of classification denoting the objects of expenditure.

**31.** **'Public Account'**- means the Public Account of India referred to in Article 266(2) of the Constitution. Disbursements from the Public Account are not subject to vote by the Parliament, as they are not moneys issued out of the Consolidated Fund of India.

**32.** **'Public Accounts Committee' -** is a Committee constituted by the Lok Sabha for the examination of the reports of the Comptroller and Auditor General of India relating to appropriation accounts of the Central Government, the Finance accounts of the Central Government or such other accounts or financial matters as are laid before it or which the Committee deems necessary to scrutinize.

**33.** **'Reappropriation' -** means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section of the grant or charged appropriation.

**34.** **'Revised Estimate' -** is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipated for the remainder of the year.

**35.** **'Supplementary Demands for Grants'-** means supplementary demands laid before the Parliament, showing the estimated amount of further expenditure necessary in a financial year over and above the appropriation authorized. The supplementary demands may be token, technical or cash.

**36.** **'Vote on Account' -** means a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of new financial year, pending completion of the procedure relating to voting of the demand for grants and the passing of the Appropriation Act.

**37.** **'Voted expenditure' -** means expenditure which is subject to the vote of Lok Sabha. It is to be distinguished from 'charged' expenditure, which is not subject to vote, even though it can be discussed in the Parliament.

**38.** **'Finance Minister'-** Finance Minister refers to Finance Minister of Union Government.

## IMPORTANT CONSTITUTIONAL PROVISIONS RELATED TO BUDGET

Financial business in Parliament consists of the Budget comprising General Budget, Demands for Grants, Vote on Account, Supplementary Demands for Grants, Appropriation Bill and the Finance Bill. The Constitutional provisions that shape and guide the budgeting system and process are outlined in brief as under-

**Article 112- Annual Financial Statement**

It provides that in respect of every financial year the President shall cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, referred to as the "annual financial statement''. The estimates of expenditure shall show separately expenditure charged upon the Consolidated Fund of India; and other expenditure (voted) proposed to be made from the Consolidated Fund of India. The statement shall also distinguish expenditure on revenue account from other (capital) expenditure.

**Article 113- Procedure in Parliament with respect to Estimates.**

It provides that estimates relating to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, even though these can be discussed in either House of Parliament. The estimates relating to the 'voted' portion shall be submitted in the form of demands for grants, and the House of the People shall have power to assent, refuse or reduce the amount specified therein. No demand for a grant shall be made except on the recommendation of the President.

**Article 114- Appropriation Bills.**

After the passing of the demands under Article 113, Appropriation Bill is introduced in the Lok Sabha to provide for appropriation out of the Consolidated Fund of India to meet the requirements relating to (a) the grants so made by the House of the People; and (b) the expenditure charged on the Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament. Further, subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of this article.

**Article 115- Supplementary, Additional or Excess Grants.**

If the amount authorized through appropriation for a particular service is found to be insufficient for the purposes in that year or when a need has arisen during the financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, a supplementary demands for grants proposal shall be made before the Parliament. However, if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, demand for such excess, as the case may be, is to be laid before both the Houses of Parliament for authorizing (subject to the report of the Public Accounts Committee) expenditure incurred in excess.

**Article 116- Vote on account, Vote of credit and Exceptional Grant.**

The House of the People shall have power relating to-

(a) Vote on Account- to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending completion of the parliamentary procedure.

(b) Vote of Credit- to make a grant for meeting an unexpected demand upon the 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 an annual financial statement;

(c) Exceptional Grant- to make provision for an exceptional grant that does not form part of the current service of any financial year;

Parliament shall have power to authorize by law withdrawal of moneys from the Consolidated Fund of India for the above purposes.

**Article 117- Special provisions as to Financial Bills.**

A Bill or amendment making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 110 shall not be introduced or moved except on the recommendation of the President and a Bill making such provision shall not be introduced in the Council of States.

**Article 265- Taxes not to be imposed save by authority of law.**

No tax shall be levied or collected except by authority of law.

**Article 266- Consolidated Funds and Public Accounts of India and of the States.**

Subject to the provisions of article 267 and the provisions of this Chapter with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India , all loans raised and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of India".

All other public moneys received by or on behalf of the Government of India shall be credited to the Public Account of India.

No moneys out of the Consolidated Fund of India shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution.

**Article 267- Contingency Fund.**

Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament by law under article 115 or article 116.

Similarly, the Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of the State".

**Article 275- Grants from the Union to certain States.**

Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States. Provided, that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

**Article 280- Finance Commission.**

The President shall, within two years from the commencement of Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission. It shall be the duty of the Commission to make recommendations to the President relating to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

(d) any other matter referred to the Commission by the President in the interests of sound finance.

The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

**Article 281- Recommendations of the Finance Commission.**

The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together, with an explanatory memorandum, as to the action taken thereon, to be laid before each House of Parliament.

**Article 292- Borrowing by the Government of India.**

The executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such limits, if any, as may be so fixed.

**Article 150- Form of accounts of the Union and of the States.**

The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

**Article 151- Audit reports.**

The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.

**Article 109- Special procedure in respect of Money Bills.**

A Money Bill shall not be introduced in the Council of States. After a Money Bill has been passed by the House of the People it shall be transmitted to the Council of States for its recommendations and the Council of States shall within a period of fourteen days from the date of receipt of the Bill return the Bill to the House of the People with its recommendations and the House of the People may thereupon either accept or reject all or any of the recommendations of the Council of States.

**Article 110- Definition of "Money Bills''.**

A Bill shall be deemed to be a Money Bill if it contains only provisions dealing with all or any of the following matters, (a) the imposition, abolition, remission, alteration or regulation of any tax; (b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India; (c) the custody of the Consolidated Fund or the Contingency Fund of India, the payment of moneys into or the withdrawal of moneys from any such Fund; (d) the appropriation of moneys out of the Consolidated Fund of India; (e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or increasing of the amount of any such expenditure; (f) the receipt of money on account of the Consolidated Fund of India or the public account of India or the custody or issue of such money or audit of the accounts of the Union or of a State; or (g) any matter incidental to any of the matters specified in sub-clauses (a) to (f).

If any question arises whether a Bill is a Money Bill or not, the decision of the Speaker of the House of the People thereon shall be final, and the certificate of the Speaker of the House of the People signed by him that it is a Money Bill, shall be endorsed on every Money Bill when it is transmitted to the Council of States under article 109, and when it is presented to the President for assent under article 111.

The detailed original text of the above and other Budget related Constitutional provisions are at **Annexure-1**.

# CHAPTER 1

# INTRODUCTION TO THE BUDGET

## 1.1 Budget

1.1.1 Although the Constitution does not mention the term 'Budget', Article 112 says that the President shall, in respect of every financial year, cause to be laid before both the Houses of Parliament, the House of People (Lok Sabha) and the Council of States (Rajya Sabha), a statement of the estimated receipts and expenditure of the Government for that year. This statement is known as the 'Annual Financial Statement'.

1.1.2 The financial year for the Union and the State Governments in India is from 1st April to 31st March. Each financial year is, therefore, spread over two calendar years. The period of financial year as 1st April to 31st March was introduced in India from 1867. Prior to that, the financial year in India used to commence on 1st May and ended on 30th April (L.K. Jha Committee's Report of the Committee on Change in Financial Year).

1.1.3 Presently, the Union Budget of India is presented each year on the 1st February or any other suitable date by the Finance Minister to the Parliament.

## 1.2 FEATURES OF BUDGET

1.2.1 Budget preparation in India is an iterative process between the Ministry of Finance and line Ministries/Departments.

1.2.2 The process commences with the Budget Division in the Ministry of Finance issuing the 'Budget Circular' detailing instructions for preparing estimates.

1.2.3 Some of the salient features of Union Budget are as follows:

**a. Budget is prepared on Cash Basis:**

Whatever is expected to be actually received or paid under proper sanction during a financial year (including arrears of the past years) should be budgeted in that year.

**b. Rule of Lapse:**

All appropriations granted by the Parliament expire at the end of financial year. Unspent budget are not available for meeting the demands in the next financial year. Thus, all unutilized funds within the year 'lapse' at the end of the financial year.

**c. Realistic Estimation:**

It is essential that each Demand has realistic estimates which are required for expenditure in that year.

**d. Budget to be on Gross/Net Basis:**

Budget is prepared both on gross basis and net basis. Departments/Ministries are normally not permitted to utilize the receipts or deduct expenditure in their budget proposals. Net basis of budgeting is done in case of some Grants e.g. Ministry of Railways, Department of Posts, etc., where the departmental receipts are allowed to be utilized.

**e. Form of Estimates to correspond to Accounts:**

It is essential that the form in the budget estimates correspond to that of Government accounts as it is from these accounts that the performance of the Government is judged and estimation for subsequent year made.

**f. Estimates to be on Departmental Basis:**

Every Department prepares estimates for receipts and expenditure separately. Generally, one Demand or Grant is allocated in respect of each Ministry/ Department. In case of certain large Departments/Ministries more than one Demand for Grants is allocated.

## 1.3 Scope of Budget

1.3.1 Budget is presented to the Parliament in such form as the Finance Ministry may decide after considering the suggestions (if any) of the Estimates Committee. Broadly, the Budget documents depict information relating to receipts and expenditure for two years. They are:

i. Budget Estimates (BE) of receipts and expenditure in respect of current and ensuing financial years;

ii. For the current year through Revised Estimates (RE); and

iii. In addition, Actuals of the year preceeding the current year is also reflected.

1.3.2 Budget thus sets forth the receipts and the expenditure of the Government for three consecutive years.

1.3.3 The Annual Financial Statement shows the receipts and expenditure of Government in three separate parts under which Government accounts are maintained viz. (i) Consolidated Fund of India (ii) Contingency Fund of India and the (iii) Public Account. As per Constitutional provisions (Article 112) the Annual Financial Statement has to distinguish expenditure on revenue account from other expenditure. It, therefore, includes (i) Revenue account and (ii) Capital account.

1.3.4 The expenditure of certain categories, charged on the Consolidated Fund of India and not subject to the Vote of Parliament, are also indicated separately in the Budget. The Demands for Grants show separately the revenue and capital, and the charged and voted expenditure.

1.3.5 Estimates of receipts are classified into tax receipts, non-tax receipts, capital receipts (both Debt and Non-Debt) and also those which are on revenue account and others which are on capital account.

1.3.6 Two Statements presented to the Parliament viz. the Macroeconomic Framework Statement, the Medium-Term Fiscal Policy Statement cum the Fiscal Policy Strategy Statement under the FRBM Act, 2003, has further enhanced the scope of Budget to provide an assessment of the growth prospects of the economy, indicate the rolling targets for specific fiscal indicators as well as outline the strategic priorities of the Government in the fiscal area for the ensuing year.

## 1.4 BUDGET DOCUMENTS

1.4.1 The Union Budget is currently presented through various documents, some of which are Constitutionally/statutorily mandated, while others are explanatory documents. List of Budget documents presented to the Parliament, besides the Finance Minister 's Budget Speech, is given below:

A. Annual Financial Statement (AFS)

B. Demands for Grants (DG)

C. Finance Bill

D. Statements mandated under FRBM Act:

  i. Macro-Economic Framework Statement

  ii. Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement

E. Expenditure Budget

F. Receipt Budget

G. Expenditure Profile

H. Budget at a Glance

I. Memorandum Explaining the Provisions in the Finance Bill

J. Output-Outcome Monitoring Framework

K. Key Features of Budget

L. Implementation of Budget Announcements

M. Key to Budget documents

1.4.2 The documents shown at Serial Nos. A, B, and C are mandated by Art. 112,113 and 110(a) of the Constitution of India respectively, while the documents at Serial No. D(i) and (ii) are presented as per the provisions of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

1.4.3 Other documents at Serial Nos. E, F, G, H, I, J, K, L and M are in the nature of explanatory statements supporting the mandated documents. The "Output-Outcome Monitoring Framework" has clearly defined outputs and outcomes for various Central Sector Schemes and Centrally Sponsored Schemes with measurable indicators against them and specific targets for ensuing Financial Year.

**A. Annual Financial Statement**

The Annual Financial Statement (AFS), the document as provided under Article 112, shows the estimated receipts and disbursements of the Government of India in three parts in which Government Accounts are kept viz., (i) The Consolidated Fund of India, (ii) The Contingency Fund of India and (iii) The Public Account of India. It distinguishes the expenditure on revenue account from the expenditure on other accounts, as is mandated in the Constitution of India. The Revenue and the Capital sections together, make the Union Budget. The estimates of receipts and expenditure included in the Annual Financial Statement are for expenditure net of refunds and recoveries.

In a nutshell, the Annual Financial Statement includes the following:

Statement I: Consolidated Fund of India:

(i) Revenue Account-Receipts;

(ii) Revenue Account-Disbursements;

(iii) Capital Account-Receipts;

(iv) Capital Account-Disbursements;

Statement IA: Disbursements Charged on the Consolidated Fund of India:

It includes details of disbursements 'Charged' on the Consolidated Fund of India.

Statement II: Contingency Fund of India:

It provides details on the net position relating to the transactions under the Contingency Fund of India.

Statement III: Public Account of India

(i) Receipts

(ii) Disbursements

Statement on Receipts and expenditure of UnionTerritories without Legislature:

This is a statement giving budgetary details of tax and non-tax revenues of Union Territories without legislature along with budgeted expenditure provisions against Revenue, Capital Loans and Advances heads.

**B. Demands for Grants**

Article 113 of the Constitution mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha, be submitted in the form of Demands for Grants. The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement. Generally, one Demand for Grant is presented in respect of each Ministry or Department. However, more than one Demand may be presented for a Ministry or Department depending on the nature of expenditure. With respect to Union Territories without Legislature, a separate Demand is presented for each of such Union Territories.

Keeping in view the need for clarity, the serial number of Demands for Grants and their coverage are decided by the Budget Division. The estimates in the Demands for Grants are shown by Major Heads, and the break-up under each Major Head shows the estimates under 'charged' and 'voted', 'Revenue' and 'Capital'. Each demand normally includes the total provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, grants to States and Union Territories and also loans and advances relating to that service. Estimates of expenditure included in the Demands for Grants are for gross amounts. The receipts and recoveries taken in reduction of expenditure are shown by way of below the line entries.

The estimates of expenditure in the Demands for Grants contain those amounts for which the vote of Lok Sabha is required separately, and is called 'voted' expenditure. The estimate for 'charged' expenditure under any head for which vote of the Lok Sabha is not required, are also indicated in the Demands for Grants. When there is no estimate for expenditure under any head requiring vote of Lok Sabha, then it is not called a Demand, but it is called 'Appropriation' and included as such in the list of Demands.

### C. Finance Bill

At the time of presentation of the Annual Financial Statement before the Parliament, a Finance Bill is also presented in fulfilment of the requirement of Article 110 (1)(a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. It also contains other provisions relating to Budget that could be classified as Money Bill. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution.

It is accompanied by a Memorandum explaining the provisions to facilitate understanding of the taxation proposals made in the Finance Bill, with the provisions and their implications explained.

### D. Statements mandated under FRBM Act

i. Macro-Economic Framework Statement:

The Macro-Economic Framework Statement is presented to Parliament under Section 3 of the Fiscal Responsibility and Budget Management Act, 2003 and the rules made thereunder. It contains an assessment of the growth prospects of the economy along with the statement of specific underlying assumptions. It also contains an assessment regarding the GDP growth rate, the domestic economy and the stability of the external sector of the economy, fiscal balance of the Central Government and the external sector balance of the economy.

ii. Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement:

The Medium-Term Fiscal Policy Statement cum Fiscal Policy Strategy Statement is presented to Parliament under Section 3 of the Fiscal Responsibility and Budget Management Act, 2003. It sets out the three-year rolling targets for six specific fiscal indicators in relation to GDP at market prices, namely, ( i) Fiscal Deficit, ( ii ) Revenue Deficit, (iii) Primary Deficit (iv)Tax Revenue (v) Non-tax Revenue and (vi) Central Government Debt. The Statement includes the underlying assumptions, an assessment of the balance between revenue receipts and revenue expenditure and the use of capital receipts including market borrowings for the creation of productive assets.

## E Expenditure Budget

To understand the objectives underlying the expenditure proposed in the Demands for Grants, a brief description of the various items of expenditure on major programmes is included in this document. This statement is also known as Statement of Budget Estimates (SBE).

In the Expenditure Budget, the estimates made for a scheme/programme are brought together and shown on a net basis on Revenue and Capital basis at one place. Expenditure of individual Ministries/Departments are classified under two broad Umbrellas;

(i) Centres' Expenditures and

(ii) Transfers to States/ Union Territories (UTs). Under the Umbrella of Centres' Expenditure there are 3 sub-classifications

(a) Establishment expenditure of the Centre

(b) Central Sector Schemes and

(c) Other Central Expenditure including those on Central Public Sector Enterprises (CPSEs) and Autonomous Bodies.

The Umbrella of Transfers to States/UTs includes the following 3 sub-classifications:

(a) Centrally Sponsored Scheme

(b) Finance Commission Transfers

(c) Other Transfers to States

To understand the objectives underlying the expenditure proposed for various schemes and programmes in the Expenditure Budget, suitable explanatory notes are included in this volume.

The aforementioned classification is explained in detail in Chapter 4.

## F. Receipts Budget

Estimates of receipts included in the "Annual Financial Statement" are further explained and analyzed in the "Receipts Budget ". The document gives details of revenue receipts and capital receipts and explains the estimates. Trends of revenue receipts and capital receipts over the years and details of External Assistance received are also included.

Receipts Budget has two parts-

i. Part A-Receipts and

ii. Part B-Asset and Liability statements.

Part A contains abstract of all types of receipts alongwith their break-up and explanatory notes. There are statements on Tax, Non-Tax Revenue and Capital (Debt and Non-Debt) Receipts.

Part B contain statements of different types of assets and liabilities in the context of the overall financial position of Government. The statements on Annuity Projects, Arrears of Non-Tax Revenue, Tax revenue raised but not realized, Assets and Guarantees, as mandated under FRBM Rules, 2004 are also included. The statements are prepared on the basis of inputs given by Ministries/Departments. Various dimensions of debt profile of the Government of India are indicated in the statements on assets and liabilities in Part B.

**G. Expenditure Profile**

Earlier called the Expenditure Budget - Vol-I, the Expenditure Profile has been recast in line with the decision to merge Plan and Non Plan expenditure.

**H. Budget at a Glance**

This document shows in brief, receipts and disbursements along with broad details of tax/ non-tax revenues and other receipts and outlays by sectors, details of resources transferred by the Central Government to State and Union Territory Governments. This document also shows the revenue deficit, the gross primary deficit and the gross fiscal deficit of the Central Government.

**I. Memorandum Explaining the Provisions in the Finance Bill**

Finance Bill is accompanied by a Memorandum explaining the provisions to enable understanding of the taxation proposals made in the Finance Bill, with the provisions and their implications.

**J. Output-Outcome Monitoring Framework**

Output-Outcome Monitoring Framework (OOMF) for Central Sector Schemes (CSs) and Centrally Sponsored Schemes(CSSs) with financial outlay of ` 500 crore or more, are prepared by respective Ministries/Departments and the same is presented in the Parliament along with the Budget as a consolidated statement.

**K. Key features of the Budget (Highlights of Budget)**

Key features of the Budget indicates, inter alia, prominent achievements in various sectors of the economy, new initiatives announced in the Budget, allocation of funds made in important areas, and a summary of tax proposals.

**L. Status of Implementation of Announcements made in Finance Minister's Budget Speech**

This document indicates the action taken and action in progress on the announcements made in the Budget of previous years. The position reflected is updated to first week of January of the reporting year.

**M. Key to Budget documents**

This document contains a brief description of the Budget documents listed above.

## 1.5 SOME OTHER IMPORTANT BUDGET RELATED DOCUMENTS: Detailed Demands for Grants:

1.5.1 The Detailed Demands for Grants are prepared by the Ministries/Departments on the basis of the provisions made in the Demands for Grants.

1.5.2 The Detailed Demands for Grants are laid on the Table of the Lok Sabha, after the presentation of the Budget but before discussion on Demands for Grants commences.

1.5.3 These Detailed Demands show further break-up by objects of expenditure, provisions of programmes/organizations for which the provision is rupees one lakh or more individually. The estimates are followed by details of recoveries taken in reduction of expenditure in the accounts. In both the Demands for Grants and the Detailed Demands for Grants, totals are shown Major Head wise and Section wise (Revenue and Capital Sections), with reference to:

(i) Total provision;

(ii) Charged provision; and

(iii) Voted provision.

## 1.6 MERGER OF RAIL BUDGET WITH GENERAL BUDGET

1.6.1 Merger of Railway Budget with General Budget was one of the landmark budgetary reforms implemented from the Budget for FY 2017-18.

1.6.2 The presentation of separate Railway budget started in the year 1924, and continued after independence as a convention rather than under Constitutional provisions. The presentation of a unified budget is to bring the affairs of the Railways to centre stage and present a holistic picture of the financial position of the Government. The merger is expected to reduce the procedural requirements and instead bring into focus, the aspects of delivery and good governance. Consequent to the merger, the appropriations for Railways are, now, part of the main Appropriation Bill.

1.6.3 The arrangements for merger of Railway budget with the General budget were approved by the Cabinet with the following administrative and financial arrangements:

(i) The Railways continue to maintain its distinct entity as a departmentally run commercial undertaking as at present;

(ii) Railways retain their functional autonomy and delegation of financial powers etc. as per the existing guidelines;

(iii) The existing financial arrangements continue wherein Railways meet all their revenue expenditure, including ordinary working expenses, pay and allowances and pensions etc. from their revenue receipts;

(iv) The Capital at charge of the Railways was wiped off; and

(v) Ministry of Railways get Gross Budgetary support towards meeting part of its capital expenditure as in the past.

1.6.4 A formal and public presentation of railway budget created pressure for large public announcements on introduction of new trains and new projects without detailed analysis of their need or financial viability.

1.6.5 With the merger of Railway Budget with General Budget, the scrutiny of Railway Estimates is made in Ministry of Finance during mid-year review with focus on optimal utilisation of resources and railway infrastructure without getting into unbridled public announcements. This exercise also takes into account the performance of Railways in the previous year and during the current year for revising the target for revenue realisation and expenditure set in the budget.

1.6.6 With this specific reform, the number of Demands for Grants operated by Railways has been reduced from 16 to 1.

# CHAPTER 2

# ROLES AND RESPONSIBILITIES

## 2.1 ROLE OF PARLIAMENT

2.1.1 In India, the parliamentary control over public finances is ensured through approval of the Annual Budget. While the Government formulates the Union Budget, Parliament approves it and also enforces accountability of the Executive.

2.1.2 Articles 265, 266, 112 and 114 of the Indian Constitution outline the mechanism for parliamentary control over public purse. It provides that "no tax shall be levied or collected except by authority of law, no expenditure can be incurred except with the authorization of the Legislature; and President shall, in respect of every financial year, cause to be laid before Parliament, "Annual Financial Statement". The Parliamentary procedures relating to the budgetary process are indicated in the following paragraphs.

## 2.2 PRESIDENT'S APPROVAL

2.2.1 According to Article 204(1) of Rules of Procedure and Conduct of Business in Lok Sabha, the Budget is presented to Parliament on such date as decided by the President.

2.2.2 The Budget is presented at 11.00 am on the 1st February or any other date, as decided by the Government.

2.2.3 In the year when General Elections to Lok Sabha are held, the Budget may be presented twice, first to secure a Vote on Account for a few months and later, for the full financial year.

2.2.4 The President's approval for Budget presentation is obtained by Secretary General, Lok Sabha Secretariat after the Speaker agrees to the date suggested by the Government before the commencement of the Budget Session.

2.2.5 After the President's approval, Members are informed of the date and time of the presentation of Budget through Lok Sabha/ Rajya Sabha Bulletin Part-II.

## 2.3 SUMMARY FOR THE PRESIDENT

2.3.1 Before presentation of the Budget, President's recommendation is obtained under Article 117 (1) and 117 (3) for introduction and consideration in Lok Sabha of the :

(a) Finance Bill (along with recommendation under Article 274)

(b) Appropriation Bill (General)

2.3.2 President's approval for the Budget is obtained through "Summary for the President" along with the documents on- (i) Annual Financial Statement, (ii) Finance Bill (iii) Demands for Grants and (iv) Statements required to be laid under the FRBM Act, 2003.

2.3.3 The 'Summary for the President' also includes the direct and indirect tax proposals and miscellaneous financial provisions as proposed through the Finance Bill. The summary note is approved by the Finance Minister and Prime Minister before being taken for the President's approval, normally in the morning of the date on which Budget is presented to Parliament.

## 2.4 SUMMARY FOR THE CABINET

2.4.1 Immediately prior to the presentation of the Budget in Parliament, the Finance Minister briefs the Cabinet on the Budget proposals and the Finance Bill.

2.4.2 The Budget Division prepares a 'Summary for the Cabinet' outlining in brief the Revised Estimates proposals, the Budget proposals for the ensuing year, the estimated receipts, including the direct and indirect tax proposals and miscellaneous financial provisions, as proposed through the Finance Bill and the brief on the compliance with the relevant provisions of the FRBM Act and Rules.

2.4.3 The summary note is approved by the Finance Minister. Immediately after briefing of the Cabinet by the Finance Minister, the Budget is presented in Parliament.

## 2.5 BUDGET PRESENTATION

2.5.1 While presenting the Budget in Lok Sabha, the Finance Minister makes a speech providing details of the proposals for the new financial year regarding taxation, borrowings and expenditure plans of the Government.

2.5.2 The Budget Speech is largely a policy document which highlights the policies and programmes of the Government.

2.5.3 The Budget is laid on the Table of the Rajya Sabha soon after the Finance Minister has completed her/his budget speech in the Lok Sabha. No discussion takes place on the day the Budget is presented. Sets of Budget papers are supplied to Members after the Budget has been presented through electronic/digital mode.

2.5.4 Five copies of the Finance Minister's speech are provided to the Secretary General, Lok Sabha from the Official Gallery as soon as the Finance Minister starts reading the same.

## 2.6 GENERAL DISCUSSIONS

2.6.1 The Ministry of Parliamentary Affairs in consultation with Ministry of Finance fixes the dates for General Discussions on the Budget, subsequent to the day of presentation of the Budget.

2.6.2 The House is at liberty to discuss the budget as a whole or any question of principle involved therein, but no motion can be moved at the time of General Discussion nor the Budget is submitted to the vote of the House after the General Discussion.

2.6.3 The Finance Minister has a right to reply at the end of the discussions. The scope of discussion at this stage is confined to general examination of the Budget, policy on taxation as expressed in the Budget Speech of the Finance Minister and general schemes and structures etc. Specific points or issues can be discussed on the floor of the House when relevant Demands for Grants or the Finance Bill is taken up.

2.6.4 Officers not below the rank of Under Secretaries are assigned to cover general discussions on Budget and Finance Bill in both the Houses of Parliament. They report important points to their Heads of Divisions/Heads of Departments for preparing 'Notes' thereon. Such Notes are prepared promptly and submitted to the Finance Minister and should in no case be deferred to the following day if the discussion is not concluded on that day. "Gist of Points" raised during the day are required to be submitted to the Finance Minister. A specimen of the form to be used for submitting 'Notes' is part of Annexure I of the Handbook of Parliamentary Procedure, issued by Ministry of Finance. The Parliament Cell uploads the uncorrected version of verbatim record of Proceedings of both the Houses on the same day or following day.

## 2.7 CUT-MOTIONS

2.7.1 After the General Discussion, the Demands for Grants of individual Ministries/ Departments are taken up in Lok Sabha for discussion according to a time table decided at the meeting of Business Advisory Committee of the House and voted upon.

2.7.2 When a Demand is taken up for discussion, any Member may seek reduction in the amount of the Demand by moving any of the following types of **Cut Motions**, a notice for which should have been given by him/her earlier:

**(a)** **Disapproval of Policy Cut:** by moving "that the amount of the demand be reduced to "Rs. 1", thus representing disapproval of the policy underlying the demand. The Member giving notice of 'Disapproval of Policy Cut' indicates in precise terms the particulars of the policy which he/she proposes to discuss. The discussion is confined to specific points mentioned in the notice and is open to the member to advocate an alternative policy.

**(b)** **Economy Cut:** by moving "that the amount of the demand be reduced by a specified amount" representing the economy that can be effected. The Member giving notice of 'Economy Cut' may indicate either a lump sum reduction in the Demand or omission or reduction of an item. She/he, briefly and precisely indicates the particular matter on which discussion is sought to be raised and her/his speech has to be confined to that matter as to how economy can be effected; and

**(c)** **Token Cut:** by moving "that the amount of the demand be reduced by "Rs. 100" to ventilate a specific grievance, which is in the sphere of responsibility of the Government of India. The discussion is limited to a particular grievance specified in the motion.

2.7.3 Advance copies of Cut Motions relating to Ministry of Finance when received are sent to the Financial Adviser for preparation of briefs thereon for the Finance Minister's use.

2.7.4 Cut motions are generally replied by the administrative Minister concerned.

## 2.8 GUILLOTINE

2.8.1 On the last day of discussion on Demands for Grants, the Speaker puts all the outstanding Demands for Grants to the vote of the House. This process is known as 'Guillotine' and is a device for bringing the debate on financial proposals to an end within a specified time with the result that several Demands have to be voted by the House without discussions.

2.8.2 When time for applying the guillotine is reached, the Member or the Minister who is in attendance of the House is asked by the Speaker to resume his/her seat. Cut Motions which have been moved are immediately put to vote and disposed (negated). The Ministry of Parliamentary Affairs ensures that Ministers concerned with the Ministries/Departments whose Demands for Grants are guillotined are present in the House so that they are available to provide material/answer on points which may be raised by Members.

## 2.9 APPROPRIATION BILL

2.9.1 The Constitution under Article 114 states "no money shall be withdrawn from the Consolidated Fund of India except under Appropriation made by law". Therefore, after the Demands for Grants are voted and passed by Lok Sabha, an Appropriation Bill is introduced in the Lok Sabha seeking to "authorize payment and appropriation of the sums so voted, as well as those required for meeting the charged expenditure from and out of the Consolidated Fund of India for the services during the financial year".

2.9.2 After the Bill has been considered and passed by the Lok Sabha, it is transmitted to the Rajya Sabha for consideration and return. Appropriation Bill for withdrawal from the Consolidated Fund of India is introduced in the Lok Sabha with the prior approval of the President. For its introduction, consideration and passing on the same day, a special permission has to be sought from the Speaker.

2.9.3 The scope of debate on an Appropriation Bill relating to Demands for Grants for the financial year after remaining demands have been guillotined is restricted to important matters or administrative policy implied in the grants covered by the Bill which have not already been raised while relevant Demands for Grants were discussed in the House.

## 2.10 FINANCE BILL

2.10.1 Finance Bill is introduced by the Finance Minister immediately after the Annual Financial Statement is presented in the Lok Sabha. Being a Money Bill, it is introduced in the Lok Sabha with the President's recommendation under clause (1) of Article 117. After passing of the Appropriation Bill, Finance Bill is considered and passed by the Parliament. In the case of Finance Bill, the procedure in Rajya Sabha is the same as in the case of other Money Bills.

2.10.2 As the Finance Bill is a Secret Bill, copies thereof are not circulated to the Members two days in advance of its introduction as required under Direction 19 of 'Directions by the Speaker'.

2.10.3 Introduction of the Finance Bill cannot be opposed. Under the provisions of the Provisional Collection of Taxes Act, 1931, this Bill is required to be passed by both the Houses and receive assent of the President within 75 days of its introduction. The Speaker has held that the Finance Bill should not contain amendments to both direct and indirect tax laws if they are of a permanent nature and are not consequential upon or incidental to the taxation proposals, and for that, a separate Bill i.e. Taxation Laws Amendment Bill should be brought forward.

2.10.4 The provisions of the Bill relating to imposition of customs and central excise duties come into force immediately on the expiry of the day on which the Bill is introduced by virtue of declaration under the Provisional Collection of Taxes Act, 1931, contained in the Bill to the effect that it is expedient in the public interest that the provisions of certain clauses of the Bill shall have immediate effect. Such a provision has the force of law and it will have effect for 75 days or till the date of enactment of the Finance Bill, whichever is earlier.

2.10.5 Although there is no bar to the introduction of more than one Finance Bill containing taxation proposals in a year, yet if a second Finance Bill containing supplementary taxation proposals is introduced, it has to be preceded by Demands for Grants and the connected Appropriation Bill. In other words, the sequence in regard to Budget, as provided in Articles 112 to 115 of the Constitution has to be followed.

## 2.11 VOTE ON ACCOUNT

2.11.1 A provision has been made in the Constitution which empowers Lok Sabha to make any grant in advance in respect of the estimated expenditure for a part of the financial year pending completion of procedure for the voting of the Demands. The purpose of 'Vote on Account' is to keep Government functioning, pending voting of final budget.

2.11.2 As a convention, Vote on Account is treated as a formal affair and passed by Lok Sabha.

2.11.3 After advancement of budget cycle from last day of February, the Vote on Account is presented in the election year when interim Budget is presented.

## 2.12 ROLE OF THE EXECUTIVE IN THE BUDGET PROCESS

2.12.1 The executive authority of the Union Government is vested in the President of India who exercises this authority either directly or through officers in accordance with Constitutional provisions. However, the President has been placed under a firm Constitutional obligation to act in accordance with the advice tendered by the Council of Ministers headed by the Prime Minister, which is collectively responsible to the Parliament.

2.12.2 Each Minister holding a portfolio for formulating departmental policies is individually responsible (as part of collective responsibility) to oversee the implementation and ensure efficient working of the administrative machinery under his/her charge.

2.12.3 The roles of the different Ministries/ Departments and organizations in the Budget preparation process are briefly as under.

## 2.13 ROLE OF MINISTRY OF FINANCE

2.13.1 The finances of Government have traditionally been controlled by the Ministry of Finance. With increase in complexities in governance, select powers have been delegated to Administrative Ministries, but the Ministry of Finance continues to have the overall responsibility of co-ordination and control.

2.13.2 The Budget Division, has the responsibility for preparing the Union Budget.

2.13.3 Ministry of Finance has issued various rules and regulations on financial management and control to be followed uniformly in the Government of India.

## 2.14 ROLE OF BUDGET DIVISION

2.14.1 Functions of the Budget Division, Department of Economic Affairs, as included in the Government of India (Allocation of Business Rules), 1961 are:

i. Ways and means

ii. Preparation of Budget including supplementary/excess grants and when a proclamation by the President as to failure of Constitutional machinery is in operation in relation to a State or a Union Territory, preparation of the Budget of such State or Union Territory.

iii. Market Borrowing Programme of Central Government and Government Guaranteed Institutions.

iv. Floatation of Market Loans by Central Government and issue and discharge of Treasury bills, Cash Management.

v. Administration of the Public Debt Act, 1944 (18 of 1944).

vi. Fixation of interest rates for Central Government's borrowings and lending through NSSF.

vii. Policy regarding Accounting and Audit procedures including classification of transactions.

viii. Financial matters relating to Partition, Federal Financial Integration and Re-organisation of States.

ix. Contingency Fund of India and administration of the Contingency Fund of India Act, 1950 (49 of 1950).

x. Monitoring of budgetary position of the Central Government.

xi. Public Provident Fund Scheme.

xii. Finance Commission.

xiii. Resources of Five Year and Annual Plans.

xiv. National Deposit Scheme, Special Deposit Schemes, Compulsory Deposit Scheme, Other Deposit Schemes of the Central Government.

xv. Small Savings, including the administration of the National Savings Institute.

xvi. Duties and Powers of the Comptroller and Auditor General.

xvii. Laying of Audit Reports before the Parliament under article 151 of the Constitution.

xviii. Financial emergency.

xix. Government guarantees.

xx. Functions of the Treasurer of Charitable Endowments for India.

xxi Administration of Central Road and Infrastructure Fund Act, 2000.

2.14.2 Budget Related Functions

i. The Budget Division is headed by Joint Secretary/ Addl. Secretary (Budget).

ii. The primary responsibility of Budget Division relates to 'Scrutiny of Receipt and Expenditure Estimates' in the process of preparation of Budget Estimates for the ensuing fiscal, Revised Estimates of current fiscal, and related Statements/ Annexures of various Budget documents.

iii. On receipt of the departmental estimates, Budget Division examines the estimates item by item with due regard to the explanations furnished by the estimating officers. The recommendations, if any, of the administrative departments and the trends of actual expenditure/ receipt during the current year.

iv. In respect of expenditure estimates, Budget Division does a close scrutiny of the projections made by Departments in the context of approvals/sanctions by the competent authorities and other expenditure of emergent nature. The purpose is to enable realistic expenditure projections.

v. Budget Division also does a detailed scrutiny and making such corrections as are necessary in the classification of receipts and expenditure under the various Major Heads, Voted/ Charged, Revenue/ Capital.

vi. After the scrutiny of each departmental estimate the Budget Division adopts figures for each item included in the estimates and cause the estimates so adopted to be compiled in the form it appears in various Budget documents.

vii. Simultaneously, Budget Division communicates to the Ministry/ Department, the figures adopted in the Budget. After all the Ministry/ Department's estimates are settled and the detailed estimates are completed in all respects, the Budget Division examines the estimates as a whole in order to assess the overall/consolidated position and to carry out such changes as may be found necessary, with the approval of competent authorities.

viii. At any stage before the Budget is presented to the Parliament, Finance Ministry may make such modifications in the estimates as may be necessitated by the emergence of factors affecting the estimates so far framed. Such action is required in order to fulfill its responsibility to present the estimates as correctly as possible. The detailed processes relating to the budget making exercise are dealt with separately in Chapters III and IV of this Manual.

## 2.15 DEPARTMENT OF EXPENDITURE

2.15.1 The Department of Expenditure is concerned with expenditure related to financial policies of the government covering financial rules and regulations and delegation of financial powers, financial sanctions on issues not covered by delegated powers, review of staffing of government establishments, general principles of government accounting, capital restructuring of public sector undertakings etc.

2.15.2 Department of Expenditure administers grants part of the Finance Commission award comprising revenue deficit grants, Calamity Relief Fund (CRF), grants for local bodies, health, education and other special purpose grants.

2.15.3 Guidelines for formulation, appraisal and approval of Government funded schemes/ projects are issued/updated from time to time.

## 2.16 ADMINISTRATIVE MINISTRIES

2.16.1 Chief Accounting Authority of each Ministry/Department is responsible for the collection of revenue and control of expenditure with respect to his/her Ministry/Department.

2.16.2 The Secretary of each Ministry, being the Chief Accounting Authority for that Ministry discharges this function through and with the advice of the Financial Adviser and the Chief Controller of Accounts.

## 2.17 ROLE OF FINANCIAL ADVISERS:

2.17.1 Due to volume of work and administrative convenience, the system of integrated Financial Advisor was introduced.

2.17.2 Financial Adviser acts on behalf of the Ministry of Finance in respect of matters outside the delegated financial powers of the Administrative Ministry.

2.17.3 As per Redefined Charter for Financial Advisers issued on 1st June, 2006, Financial Advisers shall be responsible for Budget formulation. The responsibilities of the Financial Advisers also includes issues of FRBM related tasks, Expenditure and Cash Management, Project/programme formulation, appraisal, monitoring and evaluation, screening of proposals, leveraging of non-budgetary resources for sectoral development, Non tax receipts, Tax expenditure.

2.17.4 Budget-related checks by Financial Advisors

i. To ensure that the schedule for preparation of Budget is adhered to by the Ministry and the Budget is drawn up according to the instructions issued by the Budget Division from time to time the timelines and other stipulations indicated in the Budget Circular have to be closely monitored for adherence;

ii. To scrutinize budget proposals thoroughly before sending them to Ministry of Finance;

iii. To screen the proposals for Supplementary Demands for Grants;

iv. Estimates received by the Financial Adviser are to be scrutinised with regard to the correctness of accounts classification, full coverage and reasonableness of the estimates and modified to the extent necessary in the judgment of the Financial Adviser.

v. Estimates of interest and capital receipts are to be prepared in accordance with the guidelines in the Budget Circular and submitted to the Budget Division in the prescribed form.

vi. Expenditure estimates should be based on realistic assessment. For new schemes, no provision should normally be made in the Budget without completion of pre-Budget scrutiny of a project/scheme. Similarly, provisions for the North East, unless specifically exempt, should be separately indicated.

vii. It is necessary to take into account the economy instructions issued from time to time by Finance Ministry, including the need to rationalise subsidies through improvement of operational efficiency and effective direction of flow of subsidies to targeted groups. The estimates must conform and abide by the prescribed economy measures.

viii. The estimates finally recommended by the Financial Adviser should be summarised in the form of Statement of Budget Estimates (proposed)/ Expenditure Budget and eighteen (18) copies forwarded thereof.

ix. After the pre-Budget meetings are over, Financial Advisers are required to prepare the Statement of Budget Estimates (Final) as per the approved ceilings for expenditure and send them to Budget Division along with other required statements.

x. Broad guidelines for preparation of the Notes on Demands as mentioned in the Budget Circular should be followed.

xi. Statement showing items of new service/ new instrument of service is included in the Demands for Grants. Financial Advisers are required to ensure that these are sent as soon as SBE (Final) is forwarded to Budget Division.

xii. While preparing the Detailed Demands for Grants it is important to ensure that the classification, namely, major head, minor head, etc. is as per the heads of account prescribed in the List of Major and Minor Heads of Accounts.

xiii. Monthly Expenditure Plan [MEP] for the Ministries selected may be drawn up keeping in view the extant guidelines relating to release of funds, and included as an annex in the Detailed Demands for Grants.

xiv. Statement relating to Gender Budget, Child Budget, SC/ST allocation and Disclosures under FRBM Rules should be sent immediately after the SBE is finalized.

## 2.18 CONTROLLER GENERAL OF ACCOUNTS

2.18.1 CGA has the responsibility for establishing and maintaining a technically sound accounting system in the Departmentalised Accounts Offices.

2.18.2 CGA prepares an analytical report on expenditure, revenues, borrowings and the deficit for the Finance Minister every month. CGA also prepares annual Appropriation Accounts and Union Finance Accounts for presentation to the Parliament.

2.18.3 CGA maintains line item wise accounts of all the transactions involving Consolidated Fund of India, Contingency Fund of India and Public Account of India. Various subsidiary accounts such as Loan accounts, Fund accounts etc. are also maintained by these units.

2.18.4 Preparation and submission of Appropriation and Finance Accounts to the Parliament done by CGA completes the cycle of budgetary process.

2.18.5 Through Appropriation Accounts, Parliament is informed about the expenditure incurred against the appropriations made by the Parliament in the previous financial year.

2.18.6 All expenditures are duly audited and excesses or savings in the expenditure are required to be explained in the Appropriation Accounts.

## 2.19 NITI AAYOG

2.19.1NITI Aayog (National Institution for Transforming India) came into existence on 1st January, 2015 replacing erstwhile Planning

Commission. NITI Aayog serves as a Think Tank of the Government, and provides Governments at the central and state levels with relevant strategic and techinical advice across spectrum of key elements of policy. Apart from providing advice on general policy matters, NITI Aayog also helps in specific task of finalising Output Outcome Monitoring Framework (OOMF) which brings out meassurable outputs and outcomes of outlays made to difficult schemes.

## 2.20 FINANCE COMMISSION

2.20.1 Based on the recommendations of the Finance Commission from time to time, the budget provisions for a year are made after earmarking the States' share, to work out the Net Tax Revenues of the Union Government from the Gross Tax Revenues.

## 2.21 RESERVE BANK OF INDIA

2.21.1 As the banker to the Government, it has crucial role in the Monetary and Credit Policy Measures , Government Securities Market, Strengthening of Capital Market, Technology and Payment System, Development of Commercial and Co-operative Banking, Financial Institutions and Non-Banking Finance Companies etc.

2.21.2 The public debt raised by Government by issue of securities is managed by the Reserve Bank. The Reserve Bank also manages securities created and issued under any other law or rule having the force of law, provided such law or rule provides specifically for their management by the Reserve Bank.

2.21.3 Role of Public Debt Management Cell, created in the Ministry of Finance is advisory in Public Debt Management.

## 2.22 ROLE OF COMPTROLLER AND AUDITOR GENERAL OF INDIA

2.22.1 Comptroller and Auditor General of India (C&AG) plays a crucial role in parliamentary financial control. The audited Appropriation and Finance Accounts are submitted along with the audit reports of the C&AG to the President of India under Article 151 of the Constitution. These accounts and reports are then caused to be laid before the Parliament.

2.22.2 The primary function of the C&AG audit is to verify the accounts to ascertain-

i. Whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it, and

ii. Whether the assessment, collection and allocation of revenue have been properly done.

2.22.3 The C&AG also examines the accounts relating to grants and loans given by the Government to other bodies. There is also an enabling provision in the Act passed by the Union Parliament in 1971 to take up the audit of any other bodies or authorities. Constitutional provisions related to C&AG are at **Annexure 2**.

## 2.23 PARLIAMENTARY CONTROL

2.23.1 Parliamentary Control over public expenditure is not limited to the voting of moneys required by Government for carrying on the administration of the country but also extends to ensuring prudent expenditure.

2.23.2 As per Article 118 of the Constitution, each House of Parliament may make rules for regulating, subject to the provisions of Constitution, its procedure and the conduct of its business.

2.23.3 Under these provisions and in order to help it to exercise effective control over public expenditure, Lok Sabha has set up three financial Committees viz. Public Accounts

Committee, Estimates Committee and the Committee on Public Undertakings, apart from the Department Related Standing Committees which came later on. The roles and functions of these Committees and some other are described in brief in the following paragraphs.

### 2.23.4 ESTIMATES COMMITTEE

i. As per Rule 310 of the Lok Sabha, there shall be a Committee on Estimates for the examination of such of the estimates as may seem fit to the Committee or are specifically referred to it by the House or the Speaker. The functions of the Committee shall be:

(a) To report what economies, improvements in organizational efficiency or administrative reform, consistent with the policy underlying the estimates may be effected;

(b) To suggest alternative policies in order to bring about efficiency and economy in administration;

(c) To examine whether the money is well laid out with the limits of the policy implied in the estimates; and

(d) To suggest the form in which the estimates shall be presented to Parliament.

ii. The Estimates Committee may continue examination of the estimates from time to time throughout the financial year and report to the House as its examination proceeds.

### 2.23.5 DEPARTMENT RELATED STANDING COMMITTEES

i. In order to strengthen parliamentary oversight of the administration and scrutiny of budgetary proposals and Bills, a full-fledged Committee system was introduced in 1993. This system not only ensures accountability of the executive to the Parliament but also enables Parliament and the people to know about the Government's final replies to the Committee's specific recommendations.

ii. The main functions of the Committee, as laid down in Rule 270 of the Rules of Procedure and Conduct of Business in the Rajya Sabha are:

a. To consider Demands for Grants of the related Ministries/Departments and report thereon. The report shall not suggest anything of the nature of cut motions;

b. To examine Bills pertaining to the Ministries /Departments referred to the Committee by the Chairman or the Speaker, as the case may be, and present a report thereon;

c. To consider the annual reports of the Ministries/Departments and make a report thereon; and

d. To consider national basic long term policy documents presented to the Houses, if referred to the Committee by the Chairman or the Speaker, as the case may be, and make a report thereon.

### 2.23.6 PUBLIC ACCOUNTS COMMITTEE

i. As per Rule 308 of the Lok Sabha, (1) there shall be a Committee on Public Accounts for the examination of accounts showing the appropriation of sums granted by the House for the expenditure of the Government of India, the Annual Finance Accounts of the Government of India and such other accounts laid before the House as the Committee may think fit.

ii. In scrutinizing the Appropriation Accounts of the Government of India and the report of the Comptroller & Auditor General thereon, it shall be the duty of the Committee to satisfy itself:

(a) That the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged;

(b) That the expenditure conforms to the authority which governs it; and

(c) That every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.

iii. It shall also be the duty of the Committee:

(a) To examine the Statement of Accounts showing the income and expenditure of State Corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profit and loss accounts which the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation, trading or manufacturing scheme or concern or project and the report of the C&AG thereon;

(b) To examine the Statement of Accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Comptroller & Auditor General of India either under the directions of the President or by a statute of Parliament; and

(c) To consider the Report of the C&AG in cases where President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks.

iv. If any money has been spent on any service during a financial year in excess of the amount granted by the House for that purpose, the Committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendation as it may deem fit.

# CHAPTER 3

# BUDGET PROCESS

3.1 Though Union Budget is presented on 1st February or any other suitable date as decided by the Government, the process of Budget preparation commences in mid of August of previous year and continues till the end of March. On the presumption that Budget shall be presented at 11AM on 1st February or any other date as decided by the Government, the Budget Division prepares a comprehensive Schedule for carrying out the Budget preparation activities. The Schedule clearly indicates roles and responsibilities of all the stakeholders involved in the Budget preparation process.

3.2 In the year in which General Elections to the Lok Sabha are held, the interim Budget is presented to Parliament. After the General Elections are over and assumption of office by the new Government, the Regular Budget is presented to Parliament on a date as decided by the new Government.

3.3 The Budget process mainly consists of two types of activities: First, administrative process, wherein the budget along with documents are prepared in consultation with various stakeholders; secondly, legislative process wherein the Budget is passed by Parliament after discussion. In this chapter, we will discuss about the administrative process of budget preparation.

3.4 Budget for a year is prepared by the Budget Division in the Ministry of Finance broadly on the basis of detailed estimates of expenditure and receipts received from various Departments/Ministries and its own subordinate estimating authorities. The detailed estimates of expenditure are prepared by Ministries/ Departments according to their assessment of requirements for the ensuing year, keeping in view the actual requirements in the past, current year's trends of expenditure, the decisions taken by the Government which will have financial implications etc. The roles and responsibilities are mentioned **in chapter 2 of this Manual**. The following paragraphs bring out the process of estimation and their collation which leads to the preparation of Budget.

### 3.5 Budget Circular

3.5.1 Commencement of Budget process takes place with issue of the Budget Circular, normally in the month of September each year.

3.5.2 Budget Circular is issued with the purpose of providing guidance to Ministries/ Departments in framing their Revised Estimates for the current year and the Budget Estimates for the ensuing financial year. This Circular gives detailed instructions on the preparation of estimates of various types of receipts and expenditure, including the formats and statements in which the estimates are required to be furnished.

## ESTIMATES OF RECEIPTS

### 3.6 REVENUE RECEIPTS

3.6.1 Government receipts are classified under two categories:

1. Revenue Receipts which consists of Tax Revenue and Non Tax Revenue.
2. Capital Receipts which consists of debt receipts (borrowing) and Non debt Capital Receipts (disinvestment and repayment of loans & other receipts).

Non Tax Revenue estimates are called from respective Ministries/Departments and are compiled by the Budget Division. Meeting with select Ministries/Departments are organized for detailed discussion of Non tax Revenue estimates before finalization. Non-tax revenues comprise 3 components:

a. Interest received from States, UTs and other sources

b. Dividend from PSUs, RBI and other Banks & Insurance Companies

c. Other NTR.

3.6.2 For the purpose of preparing receipts estimates, all other items of revenue receipts are divided into the following categories:

(i) Taxes, duties and receipts in relation to Union Territories without legislature;

(ii) Interest receipts in respect of loans and advances sanctioned by Ministries/ Departments to State and Union territory Governments, Foreign Governments, Public Sector Enterprises and others including Government servants, interest charged to working expenses of departmental commercial undertakings, etc.;

(iii) Estimates of Revenue receipts adjustable under Major Head '1605 - External Grant Assistance' and '1606-Aid Material and Equipment'; and

(iv) All other Revenue receipts including estimates of cess, but excluding the cess collected by the Central Board of Excise and Customs and Central Board of Direct Taxes.

Receipt estimates, except for items at sub-para (ii) and (iii) above, is to be furnished to the Budget Division in the form as prescribed in the Budget Circular.

3.6.3 **Estimates of Central taxes and duties**: Estimates of Central Taxes and duties including various Cesses needs to be furnished to Budget Division as per the prescribed timelines by Department of Revenue (Central Board of Direct tax and Central Board of Indirect Tax and Customs). Tax rates related decisions and growth assumptions are primarily the basis for making Direct tax estimates. These estimates are made available to the Budget Division in the required format by the Tax Research Unit (TRU) of Central Board of Indirect Tax and Customs and Tax Policy Legislation (TPL) Division of CBDT.

3.6.4 Estimates of taxes, duties and other revenue receipts in relation to Union territory administrations is required to be furnished to Finance Ministry by various authorities as detailed in the Budget Circular, in the same form as prescribed.

3.6.5 Estimates of Interest receipts: The estimates of Interest Receipts are required to be prepared in the following groups:

(a) Interest receipts from State and Union Territory Governments;

(b) Interest receipts from foreign governments;

(c) Interest receipts from public sector financial institutions;

(d) Interest receipts from industrial and commercial enterprises, both in the public and private sectors;

(e) Interest receipts from statutory bodies (municipalities, port trusts, etc.);

(f) Interest receipts from departmental commercial undertakings;

(g) Interest receipts from other borrowers (excluding Government servants) e.g. dock labour boards, cooperative societies, educational institutions, etc.;

(h) Interest on advances to Government servants; and

(i) Other interest receipts e.g. premium on loans floated, interest on Cash Balance Investment Account - these would mainly pertain to the Department of Economic Affairs.

3.6.6 Chief Controllers of Accounts are responsible for preparing estimates of interest receipts with reference to loans outstanding against borrowers in their books including loans expected to be sanctioned during the ensuing financial year, not on what is proposed by the companies or financial institutions etc. after obtaining the approval of the Financial Adviser.

3.6.7 Realistic assessment should be made of interest due from Public Sector Undertakings and other loan recipients as also of loan repayments by them, taking into account the need to ensure that they fully discharge their current interest obligations and also clear their outstanding dues within a practical timeframe. These Statements should be furnished to the Budget Division in the form prescribed in the Budget Circular and within the date prescribed. NIL information also needs to be submitted to the Budget Division in writing without fail. The prescribed form covers both interest receipts as well as loan repayments.

3.6.8 Estimates relating to interest charged on Capital Outlay of the Departmental Commercial Undertakings should correspond to the expenditure provisions and the Chief Controllers of Accounts/Controller of Accounts while framing these estimates must ensure that this correspondence is maintained. The average rate of interest to be adopted for this purpose is advised separately by the Ministry of Finance.

3.6.9 Write off and waiver: Reliefs and concessions provided to various PSUs in the form of write off of loans, waiver of interest/guarantee fee are required to be reflected in Expenditure Budget as distinct items of expenditure with equivalent receipts assumed thereunder. Even though these are all non-cash expenditure, the receipts so assumed in such cases should also be included while furnishing receipts estimates to Budget Division.

## 3.7 Estimates of Capital Receipts

3.7.1 Estimates of Capital Receipts from Ministries/ Departments will include receipts by way of loan repayments, disinvestment of equity holdings in Public Sector Enterprises, issue of bonus shares by the PSEs in favour of Central Government, and net receipts under Public Account transactions.

3.7.2 Estimates of receipts by way of loan repayments along with estimates of interest receipts are also required to be furnished in the forms prescribed in the Budget Circular. In cases where such receipts are notional, for example due to write off of loans or re-financing through fresh loans or conversion into equity, they should be highlighted in the ‘Remarks’ column. Likewise, any modification in the terms of repayment, like extension of period of moratorium and/or repayment should also be clearly mentioned. The estimates should fully reflect the endeavours to realize the amounts due from various bodies.

3.7.3 Estimates of receipts in respect of bonus shares, issued by Government companies in favour of the Central Government, classifiable under Major Head ‘4000-Miscellaneous Capital Receipts’ is required to be furnished by the Chief Controller of Accounts in the form prescribed in the Budget Circular, with Company-wise estimates. These estimates should correspond with the provisions for related investments included on the expenditure side.

3.7.4 Estimates of disinvestment of equity holdings in Public Sector Enterprises and Dividend receipts are required to be furnished by Department of Investment and Public Asset Management (DIPAM).

## 3.8 PUBLIC ACCOUNT

3.8.1 Estimates of transactions relating to the Public Account of India are required to be furnished by the Chief Controllers of Accounts and the concerned Accounts Officers of Union Territory Governments/ Administrations both with legislatures and without legislatures in the form prescribed in the Budget Circular.

3.8.2 Preparation of the estimates should be based on detailed review of the Public Account transactions that are accounted, past trends and other information available. The estimates of receipts and disbursements should be prepared on separate sheets and should reach Budget Division by the date prescribed in the Budget Circular. The estimates relating to Group Insurance Scheme for Central Government and Union Territory employees are not required to be included in this Statement by Ministries/ Departments since these are furnished by the Chief Controller of Accounts, Ministry of Finance in a consolidated manner for the Central Government Employees and by the UT Cell of Ministry of Home Affairs for the Union Territory Government Employees.

3.8.3 Estimates relating to Public Account transactions should have adequate explanation for any major variation and nature of transaction through foot notes.

3.8.4 Ministry of Railways (Railway Board), Ministry of Defence (Finance Division) and Department of Telecommunications are required to furnish the estimates of Public Account transactions in their Cash Requirement Estimates.

3.8.5 Normally Ministries/Departments should not have any large transactions in Public Account except in areas like Provident Funds and approved Special Deposits. There should not ideally be any Net debit or credit in a year in the Public Account transactions and, therefore, will not be accepted except with full justification for such instances.

## ESTIMATES OF EXPENDITURE

## 3.9 GENERAL GUIDELINES FOR PREPARATION OF ESTIMATES OF EXPENDITURE

3.9.1 Estimates of expenditure are required to be furnished to Budget Division for pre-Budget discussions. These discussions are normally scheduled to commence around mid-October to decide the net budgetary ceilings of each Ministry/Department and are chaired by Secretary (Expenditure).

3.9.2 While formulating expenditure estimates, Ministries/Departments should review the existing Expenditure Budget in the first instance, to prioritize the activities and schemes, and identify those activities and schemes, which can be eliminated or reduced in size or merged with any other scheme. Estimates of Ministries/ Departments should conform to the projections contained in the MTEF Statement released by Ministry of Finance.

3.9.3 Departments should ensure that all schemes that have been discontinued, do not find mention in Revised Estimates of the current year. Similarly, schemes that are not to continue beyond the current year should not be included for Budget Estimates of ensuing year. A mention of the schemes discontinued or merged should be made in the notes below the Statement of Budget Estimates.

3.9.4 Under standing instructions of this Ministry, no provision should normally be made in the Budget without completion of pre-Budget scrutiny/appraisal of a project/scheme. Where, however, provision has been made without the necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained before the commencement of the financial year and passing of Budget by the Parliament.

3.9.5 While framing estimates, due note may also be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme as scheduled, constraints on spending by the spending agencies, and most importantly, the quantum of Government assistance lying with the recipients unutilized etc. with a view to minimize the scope for surrenders at a later stage.

3.9.6 The Public Accounts Committee requires that savings in a Grant amounting to `100 crore and above be explained to the Committee. The other Parliamentary Committees have also been repeatedly expressing concern over incidence of large savings in Grants.

3.9.7 Budget Division has issued instructions on the need for individual Ministry/ Department to put in place effective mechanism for realistically assessing their requirement of funds so that unwarranted surrender of savings is avoided at a later date.

3.9.8 No provision may be made in the establishment Budget for posts, which are lying vacant for one year or more. Even otherwise, provisioning for vacant posts should be made with circumspection so as to avoid chances of eventual savings due to these vacant posts not being filled up.

## 3.10 INFORMATION FOR PRE BUDGET DISCUSSIONS

3.10.1 Ministries/Departments shall submit their Budget Proposals in the form of Provisional Statement of Budget Estimates (SBE). They shall then submit the hard copies of SBEs in proper format to respective sections in the Budget Division.

3.10.2 While preparing SBE, following instructions should be strictly followed:

i. In SBEs the schemes will be depicted, up to a maximum of three levels only as given below:

   a. Umbrella Schemes

   b. Schemes

   c. Sub-Schemes

ii. All schemes would be categorized as either Centrally Sponsored Schemes or Central Sector Schemes including the provision for North East and Sikkim.

iii. If a scheme has EAP component and/or funded from a Fund in the Public Account (in case of say funding from cesses) then the components have to be separately depicted at the sub-scheme level as below:

   a. Gross Budgetary Support

   b. EAP Component

   c. Amount met from (Name of Fund)

iv. Entries related to transfer to Fund and the amount met from Fund, wherever applicable, will be shown as two separate entries in the SBEs below the schemes which are funded from it. In case the utilization of the Public Account Fund is towards a Centrally Sponsored Scheme, then transfer of the corresponding amount should be made from the major head 3601/3602 to ensure that the transfers to States are not understated.

v. Entries related to interest payments and re-payment of Principal of Government of India funded service Bonds would need to be shown separately as a line entry under the schemes from which such interest is being paid. An example comprising of all the above-mentioned scenario is shown in the table below:

| | | Actual/BE/RE/BE | | |
|---|---|---|---|---|
| IV | **Centrally Sponsored Schemes** | **Revenue** | **Capital** | **Total** |
| 7. | National Education Mission-Sarva Shiksha Abhiyan | | | |
| 7.01 | Gross Budgetary Support | | | |
| 7.03 | EAP Component | | | |
| 7.03 | Allocation from Prarambhik Shiksha Kosh | | | |
| 7.04 | Interest under EBR (e.g. HEFA) | | | |
| 7.05 | Repayment of Principal of GoI fully service Bonds | | | |
| | Total-National Education Mission-Sarva Shiksha Abhiyan | | | |
| 8. | National Programme of Mid-Day Meals in Schools | | | |
| 8.01 | Gross Budgetary Support | | | |
| 8.02 | Allocation from Prarambhik Shiksha Kosh | | | |
| 8.03 | Interest under EBR (e.g. HEFA) | | | |
| 8.04 | Repayment of Principal of GoI fully service Bonds | | | |
| | Total-National Programme of Mid-Day Meals inSchools | | | |
| 9. | Transfer to Prarambhik Shiksha Kosh (PSK)* | | | |
| 10. | Amount met from Prarambhik Shiksha Kosh (will be a negative entry)* | | | |

**Note**: Total of Sl. No. 10 will be equal to Sl. No. 7.03 and Sl. No. 8.02.

* Provisions relating ‘transfers to’ and ‘amount met from’ any reserve fund may not be made from Major Heads denoting North Eastern Areas viz. ‘2552’, ‘4552’ and ‘6552’ as these heads are used to disclose the transitory provisions, which will ultimately be re-appropriated to functional Major Heads at the time of incurring expenditure. Such provisions (‘transfers to/amount met from’) may be made under the relevant functional heads.

vi. Scheme allocation would continue to be prepared major head-wise. This information would be used to generate the DG, Part B of the SBE and the statements in Budget Profile.

vii. In case of the SBE, the Central Government expenditure has been classified into six broad categories indicated below:

A. Centre’s Expenditure:

(i) Establishment Expenditure of the Centre;

(ii) Central Sector Schemes;

(iii) Other Central Expenditure, including those on CPSEs and Autonomous Bodies;

B. Centrally Sponsored Schemes and other Transfers:

(iv) Centrally Sponsored Schemes;

(v) Finance Commission Transfers; and

(vi) Other transfers to States.

viii. In the SBE, all budget lines should be categorized into one of the six categories. In case the existing line/umbrella scheme has items which belong to more than one of the six categories, then the existing line would need to be broken up and adjusted suitably under relevant categories.

ix For instance, if there is an existing umbrella ‘Welfare of Children’ which has a central sector scheme and direct assistance to an autonomous body (i.e. untied GIA and not under the scheme), then the umbrella scheme would need to be broken up and the Central Sector Scheme would go under category ii–Central Sector Schemes, and the assistance to autonomous body would go under category iii– Other Central Expenditure. It may be noted that if grants are being given to any autonomous body under a scheme for implementing that scheme, then the line need not be broken up and would figure under the Central Sector Scheme. All SBEs should necessarily follow the above format.

3.10.4 While preparing the provisional estimates as indicated above, care must be taken to provide Budget for all committed and continuing expenditure, before including provisions for new schemes/ items of expenditure. Further, the following factors inter-alia, must be taken into consideration while preparing the estimates:

i. Latest actuals of current year along with actuals for the same period in preceding year;

ii. Actual expenditures during the previous financial year; (refers to the entire year as opposed to H1)

iii. Appropriations/re-appropriations ordered/contemplated during the remaining part of the current FY, or any sanction to expenditure issued/proposed to be issued, including on new scheme during the remaining part of the year. In case EFC/SFC/Cabinet approvals are pending then these may be clearly brought out.

iv. All pending arrears should be incorporated in SBE and in case a part of it is left out in SBE, the reason for the same need to be separately submitted.

v. Any excess expenditure incurred till date may be specifically highlighted so that the same is taken into account in Revised Estimates.

vi. Care should be also taken for including advances from Contingency Fund and the need to recoup the same.

3.10.5 Following information may also be furnished to Budget Division, along with the provisional SBEs:

i. Items of expenditure, which are matched by or linked to receipts such as externally aided projects, bonus share, cesses etc.

ii. Provision included in respect of vacant posts.

iii. Separate statement giving the committed liabilities as arrears of the Ministry/ Department, in terms of payments already due, but lying unfulfilled due to lack of budgetary provision. These are the liabilities which have neither been paid nor been provided in the Budget but are supported through a valid sanction

iv. Unspent balances (released by ministry but pending for utilisation by implementing agencies) as on 31st March of the previous financial year, 30th June and 30th September of the current financial year with all grantee/loanee bodies (other than the States) in respect of all bodies which received more than ` 1 crore grant/loan.

v. Unspent balances and pending Utilization Certificates, State-wise and scheme-wise in respect of all schemes as on 31st March of the previous financial year, 30th June and 30th September of the current financial year.

vi. Explanations for variations between BE and RE (proposed) to be given scheme-wise separately.

vii. Measures to increase user charges levied by Ministries/Departments and autonomous bodies with a view to recover costs.

viii. Efforts to recover arrears of Non-Tax revenue and whether all their CPSUs are paying dividend as per new dividend policy issued by DIPAM's O.M. No. 5/2/2016-Policy dated 27.05.2016. Actuals of last year and estimates for current year may be provided.

ix. With respect to subsidies, assumptions regarding subsidy calculations shall also be clearly indicated.

x. Details of major/important umbrella scheme may also be provided.

xi. In case of ABs covered under TSA, the details of grants-in-aid provided, the amount utilized and the amount written back to Consolidated Fund may also be provided.

### 3.11 PRE BUDGET DISCUSSIONS & FINALIZATION OF PROVISIONAL ESTIMATES

3.11.1 Budget Division prepares briefs for the pre-Budget meetings in a prescribed format, with tentative RE and BE ceilings.

3.11.2 Detailed discussions are held on various items of expenditure on the basis of trends of expenditure, absorptive capacity, Unspent Balance, status of appraisal & approval of the schemes/projects etc.

3.11.3 The requirements of funds for all categories of expenditure including various programmes and schemes, along with receipts of the Departments are discussed during the pre-Budget meetings chaired by Secretary (Expenditure).

3.11.4 Receipts of departmentally run commercial undertakings, which are netted against the gross expenditure, are also discussed in detail. All Ministries/Departments are required to submit details of all the autonomous bodies/implementing agencies for which a dedicated corpus fund has been created. Reasons for their continuance and requirement of grant-in-aid support and why the same should not be wound up should be explained.

3.11.5 Estimates initially submitted by the Departments may undergo some changes as a result of scrutiny in the Budget Division and deliberations in the pre-Budget meetings between the Secretary (Expenditure) and the Secretary or Financial Adviser of the Department concerned.

3.11.6 Expenditure estimates are provisionally finalized after Secretary (Expenditure) completes discussions with the Secretaries and Financial Advisers.

3.11.7 Consequent to pre-Budget meetings, provisional ceilings for expenditure are communicated to Ministries/Departments after the approval of Finance Minister.

3.11.8 Ministries/Departments are required to indicate the actual expenditure (net of recoveries) in the SBEs against each of the schemes for the previous year in UBIS.

### 3.12 PROVISIONS FOR NORTH EASTERN REGION AND SIKKIM:

3.12.1 All Ministries/Departments (except those specifically exempted by Ministry of Development of North Eastern Region(DoNER) are required to spend 10% of the Gross Budget Support (GBS) from their allocation under Central Sector Schemes and Centrally Sponsored Schemes for the benefit of North Eastern Region & Sikkim.

3.12.2 Budget provisions towards projects/schemes for development of North Eastern Region and Sikkim may be provided under the respective schemes/projects below the Major Head '2552-North Eastern Region' for Revenue expenditure and the Major Head '4552-Capital Outlay on North Eastern Region'/Major Head '6552- Loans for North Eastern Region' for Capital expenditure for eventual re-appropriation to appropriate functional heads of expenditure.

3.12.3 Instructions issued by Ministry of Finance vide OM No.2(1)-B(S)-2017 dated 5.5.2017 of Department of Economic Affairs (Budget Division) and 72(08)/PF II/2017 dated 5.5.2017 of Department of Expenditure [Public Finance (Central-I)] may be adhered to.

3.12.4 DoNER should send the List of Ministries/ Departments and the schemes to Budget Division, Ministry of Finance, if any, that are exempted from earmarking 10% of the budgeted allocation as a lump sum provision for NER, by due dates as prescribed in Budget Circular.

### 3.13 SPECIAL INSTRUCTIONS FOR THE COMPOSITE DEMAND FOR CIVIL 'PENSIONS':

3.13.1 Arrangements for submission of estimates for inclusion in the demand 'Pensions' is as follows:

(i) The Demand for Grant 'Pensions' is administered and controlled by the Central Pension Accounting Office (CPAO), Department of Expenditure, New Delhi. Accordingly, the Demand 'Pensions' for the ensuing financial year is prepared and compiled by the Central Pension Accounting Office.

(ii) The Accountant General will furnish to CPAO the estimates in respect of pension payments accounted for and in respect of other sub-heads to the extent operated by them. Wherever Pensionary charges are categorized as 'charged' expenditure, they should be reflected accordingly.

(iii) Director of Audit, Central Revenues will furnish to CPAO the estimates of pensions in respect of staff of the Indian Audit and Accounts Department retiring during the ensuing financial year. In doing so, estimates of Post and Railway Audit Offices which are ab-initio debited to their working expenses and budgeted for separately shall be excluded.

(iv) All other pensionary estimates prepared by the Accounts Offices of the various Ministries/ Departments and Union Territory Administrations as also by the Controller General of Defence Accounts, New Delhi, will be sent to the CPAO who will consolidate them and furnish the consolidated estimates to the Budget Division.

(v) Separate estimates of corresponding recoveries from State Governments adjustable under the Receipt major head '0071-Contributions and Recoveries towards Pension and Other Retirement Benefits' should be forwarded by the CPAO to Budget Division for incorporating them in the estimates of revenue receipts under Department of Expenditure.

**Note (1): Compassionate Fund:** The expenditure out of 'Compassionate Fund' is adjustable under the sub-head 'Payment from Compassionate Fund' under Major Head '2235-Social Security and Welfare - Other Social Security and Welfare Programmes – Other Programmes'. In furnishing the estimates for payments out of Compassionate Fund, this classification may be adopted.

**Note (2): Central Government Employees' Insurance Scheme:** This Scheme is confined to those employees only who have opted out of the Group Insurance Scheme introduced from 1st January 1982. The Department of Expenditure (Establishment Division) will furnish consolidated estimates of expenditure to the Budget Division, under advice to the CPAO.

## 3.14 ESTIMATES TO BE INCLUDED IN DEMANDS FOR GRANTS CONTROLLED BY BUDGET DIVISION:

3.14.1 In case of Interest Payments, estimates for interest on provident fund balances of employees and on various deposits in the Public Account including Reserve Funds, deposits of Commissioners of Payments and other items for inclusion in the Appropriation "Interest Payments" will be furnished by the Chief Controllers of Accounts/ Controllers of Accounts, Ministry of Railways (Railway Board) and Ministry of Defence.

3.14.2 Finance Wings of the Ministries/ Departments are advised to ensure that estimates of 'Interest Payments' are furnished by their Controllers of Accounts to Budget Division. Any changes in Revised Estimates for the current year and in Budget Estimates for the next year will also be explained suitably by the estimating authority, while furnishing estimates to Budget Division.

3.14.3 Estimates of loans to Government servants should be accompanied by a Statement indicating actual disbursements under each category of advance during the preceding three years and also actual expenditure in the first 6 months of the current financial year. The estimates and actuals may be furnished by the Budget Section of the concerned Ministry/ Department.

3.14.4 Estimates and actual expenditure upto 30th September shall be furnished to Budget Division in the form as per prescribed in the Budget Circular. The Ministries/Departments should furnish the estimates of loans to Government Servants and recoveries thereof to Ministry of Finance as per the prescribed date in the Budget Circular.

## 3.15 MATERIAL FOR STATEMENTS TO BE APPENDED TO DEMANDS FOR GRANTS:

3.15.1 Statement showing items of new service for which provision is made in BE of the ensuing financial year should be furnished to Ministry of Finance.

3.15.2 Information so furnished for inclusion in Demands for Grants should exactly match the information included in the Detailed Demand for Grant of the respective Ministry/ Department.

3.15.3 Attention is invited to Department of Economic Affairs' O.M. No.F.1 (23)-B(AC)/2005 dated 25.05.2006 on Revised Guidelines on Financial Limits to be observed in determining cases relating to "New Service/ New Instrument of Service".

## 3.16 DETAILED DEMANDS FOR GRANTS:

3.16.1 Respective Ministries/Departments will prepare their Detailed Demands for Grants (DDG). The format of DDG as given in the Budget Circular may be adhered to while preparing the DDG. While preparing the Detailed Demands for Grants, it is important to ensure that the classification, namely, major head, minor head, etc. is as per the heads of account prescribed in the List of Major and Minor Heads of Account.

3.16.2 Ministries/Departments shall ensure that the totals for each Major Head and the total provisions by Revenue and Capital Sections separately for 'charged' and 'voted' included in the Detailed Demands for Grants, exactly correspond to the provisions included in the Demands for Grants which are prepared by the Budget Division. Final print order for Detailed Demands for Grants should be given only after the reconciliation is completed.

3.16.3 Major-Head number and description may be indicated at the top right corner of each page of Detailed Demands for Grants under the header line.

3.16.4 Detailed Demands for Grants will be accompanied by the following Schedules/ Statements:

i. Schedule showing the estimated strength of establishment and provisions therefor, grouped according to pay scales. The figures shown should correspond with those given for summary statement.

ii. Statement showing project-wise provision for expenditure on externally aided projects.

iii. Schedule showing broad details of non-scheme expenditure provisions of ` 25 lakhs and above.

iv. Schedule showing provisions included in BE for payment of grants-in-aid to non-Government bodies.

v. Statement showing details of individual works and projects costing ` 5 crore or above.

vi. Statement showing revised cost estimates of projects of public sector enterprises and departmental undertakings.

vii. Statement showing transfer or gift of Government properties of value exceeding ` 5 lakhs to non-Government bodies.

viii. Statement showing contributions to International bodies provided for in the Budget Estimates. This statement will include only items of contribution, membership fees to international bodies, which constitute revenue expenditure. Subscriptions to international bodies, which represent investments and are accounted for in the capital section, are to be excluded from it.

ix. Statement showing guarantee given by the Central Government and outstanding as on previous financial year.

x. Statement showing grants-in-aid exceeding ` 5 lakhs (recurring) or ` 10 lakhs (non-recurring) actually sanctioned to private institutions/ organizations/ individuals during the year

xi. Statement showing the source of funds for grantee bodies receiving grants of over

xii. ` 10 lakh per year from Consolidated Fund of India and from other sources (including external sources)

xiii. Statement showing Object Head-wise details.

3.16.5 Statement showing MEP/QEP as detailed in O.M. No. 12(13)-B(W&M)/2020 dated 25 May, 2022 of Ministry of Finance **(Annexure - 16)**.

3.16.6 Major Heads Codes shown in the Detailed Demands for Grants should correspond to the code in the main Demands for Grants.

3.16.7 Instructions issued by this Ministry in December, 1994 regarding standard numeric codification of heads of accounts may be strictly adhered to. No new sub-head/detailed head will be opened and incorporated in the Detailed Demands for Grants without getting necessary numeric codes assigned therefor from the office of the Controller General of Accounts.

**3.16.8 Detailed Demands for Grants shall be mandatorily entered by the Ministries/ Departments in the UBIS. DDG generated from UBIS would be fed into PFMS for enabling incurring of expenditure.**

**3.16.9 Uploading of Detailed Demands for Grants on Website:** Instructions have been issued by this Ministry vide O.M. No. 15(38)-B(R)/2008 dated 14.8.2008 for uploading the Detailed Demands for Grants on Website of the administrative Ministry/Department. All Ministries/Departments may upload the full details of DDG as approved by the Parliament for transparency.

### 3.17 Instructions related to allocation for SC/ ST sub-component

3.17.1 NITI Aayog, vide O.M. No.M-11011/ 8/2017-SJE dated 20.11.2017 read with O.M. No.M-11011/15/2018-SJE dated 14.1.2019 have issued comprehensive guidelines for allocation of funds for the welfare of Scheduled Castes and Scheduled Tribes. However, these guidelines are under review in NITI Ayog and fresh guidelines are expected to be issued in due course. The obligated Ministries/ Departments shall invariably keep the required percentage of allocation under SCSP and TASP, as stipulated in the NITI's guidelines ibid and even make endeavor to keep higher percentage of allocation, wherever possible.

3.17.2 Total allocation for Centrally Sponsored and Central Sector schemes of the obligated Ministries shall be taken for calculation of percentage of earmarking of funds under SCSP and TASP. Ministries/Departments may ensure that the allocation under SCSP/TASP shall not be less than Budget Estimates of previous year.

3.17.3 As decided in the meeting held on 16.11.2018 in NITI Aayog, requests for exemption from earmarking or incurring expenditure for SCSP & TASP by the obligated Ministries/Departments, if any, shall be considered by the nodal Ministries i.e. Ministry of Social Justice & Empowerment for SCSP and Ministry of Tribal Affairs for TASP with the approval of their Ministers.

3.17.4 At the time of pre-Budget meetings, a comprehensive review of progress of expenditure under SCSP (Minor Head 789) and TASP (Minor Head 796) of the obligated Ministries/Departments will be undertaken. The Ministries/ Departments will be required to feed the relevant data in UBIS for review and consideration in pre-Budget meeting.

### 3.18 DISCLOSURE STATEMENTS UNDER THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT RULES, 2004 FOR INCLUSION IN THE BUDGET

3.18.1 The following statements are presented as disclosure requirement under FRBM Act:

i. Guarantees given by the Government

ii. Tax Revenues raised but not realized

iii. Arrears of Non -Tax Revenues

iv. Asset Register

3.18.2 Instructions issued vide Budget Division's **OM No. 2/11/2015-FRBM dated 22nd July, 2015** may be referred to at the time of preparation these statements.

3.18.3 C&AG in its reports have observed disclosure statements contained inconsistencies/ discrepancies relating to arrears of non-tax revenues, loans to foreign governments, variation in closing and opening balances of physical and financial assets etc. when compared to Union Government Finance Account. In view of this observation, all Ministries/Departments are required to ensure utmost accuracy in terms of reporting of information in various documents including disclosure statements required under the Fiscal

Responsibility and Budget Management Rules, 2004. Variations, if any, with previous year's reported information on any of the disclosure statements, may be duly explained in appropriate footnotes.

3.18.4 Statement of Guarantees should be extracted from the Register of Guarantees maintained by respective Ministries/ Departments. Ministries/ Departments need to classify their guarantees into six classes as mentioned in GFR, 2017. A revised Government Guarantee Policy, 2022 has been published in May, 2022.

3.18.5 Ministries/Departments concerned will especially be responsible for ensuring that these totals also tally with the information in the Union Government's Finance Accounts.

3.18.6 Government of India has been approving Annuity projects in respect of some infrastructure development activities. Under this model, the concessionaire (private sector) is required to meet the entire upfront/construction cost (no grant is paid by the Government) and the expenditure on annual maintenance. The concessionaire recovers the entire investment and a pre-determined cost of return out of the annuities payable by the Government every year. Information in this regard should be provided in the prescribed format of Budget Circular.

3.18.7 While preparing the above statements particular attention may be paid to the following:

i. Values may be shown in crore of rupees and not in lakhs/thousands e.g. an asset valued at ` forty lakh may be shown as ` 0.40 crore.

ii. Consistency must be ensured in the information provided to Budget Division and the information that goes into the respective reports of the Comptroller and Auditor General of India on Direct and Indirect Taxes for the relevant year.

iii. While reporting Non-Tax revenue arrears, information relating to guarantee fee arrears should be reconciled.

iv. Variations, if any, with last year's reported information on any of the above statements, shall be explained in footnotes or appropriate remark portion.

v. Whenever arrears of Non-Tax revenue is more than ` 500 crore, reasons for the same may be explained in appropriate remark portion.

vi. Arrears of Non-Tax Revenue and Asset Register Statements may be submitted in UBIS only. The statements duly signed by the competent authority (with telephone number) may be forwarded to the Department of Economic Affairs.

# CHAPTER 4

# BUDGET FINALIZATION

## 4.1 BUDGET ACTIVITIES AND TIMELINES

4.1.1 In the entire process of Budget preparation commencing with issue of Budget Circular, there is a need for maintaining secrecy, accuracy and timeliness.

4.1.2 All statements, information and inputs require intensive checking with special attention given to the manually generated statements, for which an additional level of check is to be ensured. List of such statements allocated/ distributed amongst the staff and officers is circulated internally every year in the Budget Division, with the approval of JS/AS (Budget).

4.1.3 In addition, concerned Deputy Directors/ Under Secretaries in the Budget Division are required to follow up with Ministries/ Departments for the receipt of information regarding different Statements/Annexures of Budget documents for which they are responsible, ensuring that they are received and processed within the given timelines.

4.1.4 Tentative timelines for receiving information/ activity associated with the Budget and preparation/ completion of the budgetary documents/processes have been brought through Budget Activity Schedule and circulated to all concerned. A Draft Budget Activity Schedule is in **Annexure 2**.

4.1.5 Budget documents from 2021-2022 have been brought out in digital mode. The tentative activity-wise schedule for preparation of paperless Budget is provided in **Annexure 4**. Paperless Budget documents will be provided through an e-mail to Lok Sabha and Rajya Sabha Secretariat, at the earliest after the completion of Budget Speech by Finance Minister in Parliament. Lok Sabha/Rajya Sabha Secretariat will further send/ distribute the Budget documents through online mode to Members of Parliament.

## 4.2 RESPONSIBILITIES FOR BUDGET DOCUMENTS

4.2.1 Preparation and finalization of different Budget documents is currently assigned to different sections. However, these allocations are dynamic and may be changed/re-assigned as per the requirements with the approval of AS/JS (Budget). Each Director/Deputy Secretary in charge of the concerned Section in the Budget Division is responsible for keeping a close watch and personally supervise the preparation of these documents.

4.2.2 It is advised that the staff of the Budget Division fully acquaint themselves with the current year's document in relation to the allocated responsibilities **(Annexure 5)** and preferably have a check-list for each statement of each document, for which they are responsible.

## 4.3 SCRUTINY OF STATEMENT OF BUDGET ESTIMATES (SBE)

4.3.1 After the pre-Budget meetings are over, approved ceilings for expenditure, as finalised in these meetings, are communicated including ceilings for Revenue and Capital expenditure separately, on the basis of which Financial Advisers are required to prepare the Statement of Budget Estimates (Final) in the form prescribed in the Budget Circular and forward it to Budget Division.

4.3.2 A software, viz. Union Budget Information System (UBIS) has been created for submission/processing and finalization of

Statement of Budget Estimates and other Budget documents. This system is available online, which can be accessed by Ministries/ Departments for filling in the details of estimates. With the merger of Plan and Non Plan classification in Budget and accounts from Budget for 2017-2018, the Central government expenditure has been classified into six broad categories as indicated below:

**A. Centre's Expenditure**:

**(i)** **Establishment Expenditure of the Centre** will include all the establishment related expenditure of the Ministries/ Departments. The budgetary proposals for this section will include establishment expenditure on attached and subordinate offices, on various heads related to establishment viz. salaries, medical expenses, wages, overtime allowances, foreign travel expenses, domestic travel expenses, office expenses, materials and supplies, publications, advertising and publicity, training, other administrative expenses, POL, cost of ration, clothing and tentage, professional services, rent rates and taxes, royalty, pensionary charges, rewards and minor works, motor vehicles, information technology etc.

**(ii)** **Central Sector Schemes** will include all those schemes which are entirely funded by the Central government and implemented by the Central Agencies viz. Ministries/Departments or various agencies of GoI such as the autonomous bodies and other special purpose vehicles. In some cases as an exception, and with the specific prior consent of Finance Ministry (Department of Expenditure) the Central Sector schemes may be allowed to be implemented through the concerned State implementing agencies. Exceptions to this general rule shall apply to those schemes where specific approval has been given by the Department of Expenditure. The transfer of funds in such cases will be done directly to the implementing agencies and not through the State treasuries.

**(iii)** **Other Central Expenditure** will include provisions made for the Central expenditure on CPSUs, autonomous bodies etc. and other expenditure, such as interest payments, repayment of debt, contribution to international organizations etc.; This includes expenditure covered in the category of schemes or establishment expenditure. In certain cases, such as ICAR, CSIR and Atomic Energy etc. which also implement some Central Sector schemes, the provision related to the schemes will be shown in the category of the Central Sector schemes.

**B. Centrally Sponsored Schemes and other Transfers**:

**(iv)** **Centrally Sponsored Schemes** on the other hand will include the schemes as reflected in Statement 4A of Expenditure Profile and also as approved by the Competent Authority during the year. These schemes will be implemented by the State/UT governments with the sharing pattern as approved by the Government. The central share for the schemes will be routed through the State/UT treasuries as grants under various object heads, except in the case of Direct Benefit Transfers (DBT) where the functional heads could be used. In such cases, a mapping of the allocations under Centrally Sponsored schemes not routed through State treasuries will be required to work out to know the total quantum of resource transfers to the States within the Centrally Sponsored schemes.

(v) The category **Finance Commission Transfers** will only come in the demand titled "Transfers to States" under the Department of Expenditure, Ministry of Finance.

(vi) The category **Other Transfers to States** will include all other transfers to state such as those made under National Disaster Response Fund, Assistance to schemes under proviso (i) to Article 275(1) of the Constitution

**4.3.3 Expenditure Type:** Expenditure is categorized as :

- Voted Expenditure (E)
- Charged Expenditure (C)
- Recovery (Y)
- Receipt (R)

**4.3.4 Major Head Expenditure :** In case of Expenditure Type -Charged/Voted/Total, it is the major head under which expenditure is incurred/proposed. In case of Expenditure Type-Receipt, it is the major head against which the receipt is netted. In case of Expenditure Type-Recovery, it is the same as Major Head Receipt/Recovery.

**4.3.5 Major Head Receipt/Recovery:** In case of Expenditure Type-Receipt/Recovery, it is the receipt or recovery major head.

**4.3.6 PSE Category:** A PSE Category is a heading which appears by itself without any number preceding it in Part C of SBE and is a grouping for PSEs. All PSEs within a category are totalled at the end of the Category.

4.3.7 The worksheet for the Statement of Budget Estimates in the database will have one worksheet for each Demand for Grant. Each worksheet is identified separately as Dxx, where xx is the demand number. Eg: D10, D25 etc. Both the Statement of Budget Estimates and Demands for Grant provisions for individual demands is prepared in the same database worksheet. The complete worksheet functions as input as well as final output for SBEs and Demands for Grants. In addition to these two, there are other functional areas and summary areas defined within the worksheet, for intermediate calculation and further processing of other output statements.

4.3.8 It may be relevant to mention here that the NIC of Ministry of Finance conducts a comprehensive training for the officers/staff of Ministries/Departments handling the Budget work for a proper orientation and understanding of the SBE and the format in which the information is required to be sent to the Budget Division.

## 4.4 BUDGET DOCUMENTS

### 4.4.1 FINANCE MINISTER'S SPEECH:

For the preparation of Budget Speech, various Departments/Divisions in the Finance Ministry and other Departments/Ministries of the Government are required to provide the input related to Budget Speech of the Finance Minister. For checking facts and figures in the Finance Minister's speech insofar as they are referred to in other Budget documents, the same is done by the Budget Division.

### 4.4.2 KEY TO BUDGET DOCUMENTS:

(i) Editorial revisions are required to be carried out wherever required;

(ii) Key to Budget Document has to be added/explained as the first document; and

(iii) Index has to be reviewed/amended as per the changes made.

The practice has been to submit this document for approval during the first week of January.

### 4.4.3 DEMANDS FOR GRANTS:

(i) **Contents –** Page numbers etc. as given in the list of contents must be checked to ensure that these match with those assigned to each Demand for Grant.

(ii) **Introduction –** Necessary consequential changes are to be carried out in the introduction.

(iii) **Summary –** Revenue/Capital and Charged/ Voted expenditure is to be taken from the approved Statement of Budget Estimates while checking the 'Summary' portion.

(iv) **Demands for Grants** - Demands for Grants are to be prepared and got approved by the concerned sections of the Budget Division assigned a particular Ministry/Department. It is also the responsibility of the concerned Sections to ensure the correctness of the contents therein. However, Demand Section is required to check the Demands for Grants to ensure:

(a) Correctness of number of Demand for Grant;

(b) Nomenclature of Ministries/ Departments; and

(c) Nomenclature of Heads of Accounts.

Nomenclature is required to be checked from the List of Major and Minor Heads of Accounts (LMMHA).

(d) DG summary is tallied with individual DGs.

(v) **Statement showing details of NS/NIS –** Demands Section has the responsibility to call for information from all Ministries/ Departments and prepare the Statement on the basis of the information so furnished by concerned Ministries/ Departments.

### 4.4.4 EXPENDITURE BUDGET

i. Figures in the Expenditure Budget, are as per the Statement of Budget Estimates filled/ submitted by the respective Ministries/ Departments in the UBIS. Estimates and actual expenditure indicated in the document are, generally, net of recoveries.

ii. As an exception, details of expenditure which are met from dedicated reserve funds maintained in Public Account are shown as recoveries and indicated as negative (-) entries. Actual expenditure for the previous year are mapped from the DDG data, furnished by office of the CGA, to the line entries appearing in the Statement of Budget Estimates. This exercise is carried out in Union Budget Information System (UBIS).

iii. Revised Estimates for the current year and Budget Estimates for the next year are also required to be entered into UBIS. Write-up/Notes to the Demands together with the print proof of the SBEs have to be seen/checked by the concerned DDs/ USs/for their respective Departments/ Ministries, with reference to the final vetted copies of the SBEs/Demands for Grants received from the respective Ministries/Departments. In addition to this, the write ups/Notes to the Demands will also be checked by all Directors/ Deputy Secretaries/Additional Budget Officer in Budget Division.

iv. In Expenditure Budget, it has to be further checked that the provisions for capital investment in Public Enterprises as indicated in Part C, matches with the provisions given in Part A. Following checks are also exercised :

a. Correctness of Number/ Nomenclature of Demands for Grants relating to the Ministry/ Department;

b. Correctness of Number/ Nomenclature of Major Heads and Budget provisions;

c. If there is any scheme newly included/deleted in the RE/BE, the same has to be properly inserted/ deleted in the soft format of SBE through UBIS. This is important as some of the statements have to be compiled from the final SBEs;

d. Soft data of SBE needs to checked properly, and matching of figures from one section in the Spreadsheet to the other has to be verified;

e. If any correction is required to be made at a later stage after submission of SBE's to NIC, the same must be routed through NIC for ensuring capture of revised data in all the related statements; and

f. It should be seen that there is uniformity in the pattern/ presentation of write-ups of different Ministries/Departments.

v. Verification of following is necessary

a. Ceilings verification;

b. Verification of IEBR reflection in SBEs as per PFC II Division, verification of Charged Expenditure;

c. Verification of provisions relating to Revised Estimates to be based upon supplementary given/likely to be given;

d. Verification of Recoveries/Netted receipts;

e. Verification of provisions for North East Region;

f. Reviewing the Write up (Hard & Soft Copy);

g. Verification of the CHECK DIGIT; and

h. Deletion of line entries where no expenditure provision or actual expenditure is zero.

vi. The checks required to be carried out during the lock in period **in the Budget Press** include-

a. Verification of ceilings with detailed break-down;

b. Checking the provisions for Charged Expenditure (italics);

c. Checking on the Recoveries/Netted receipts, Review of write ups; and Deletion of zero lines.

### 4.4.5. EXPENDITURE PROFILE

Expenditure Profile gives an aggregation of various types of expenditure and certain other items across demands through different Statements. Some of the important statements are major variations between BE 2021-22 and RE 2021-22 as well as between RE 2021-22 and BE 2022-23 with brief reasons. Contributions to International bodies and estimated strength of establishment of various Government Departments and provision thereof are shown in separate Statements. A statement each, showing (i) Gender Budgeting (ii) Schemes for Development of Scheduled Castes and

Scheduled Tribes including Scheduled Caste Sub Scheme (SCSS) and Tribal Sub Scheme (TSS) allocations and (iii) Schemes for the Welfare of Children are also included in this document. It also has statements on (i) the expenditure details and budget estimates regarding autonomous bodies and (ii) the details of certain important funds in the Public Account.

Scheme expenditure forms a sizeable proportion of the total expenditure of the Central Government. The Expenditure Profile gives the total provisions for each of the Ministries arranged under various categories - Centrally Sponsored schemes, Central Sector schemes, Establishment, Other Central Expenditure, Transfer to States etc. and highlights the Budget provisions for certain important programmes and schemes. Statements showing externally aided projects are also included in the document.

### 4.4.6 RECEIPTS BUDGET

#### i. TAX REVENUE

a. Department of Revenue (CBDT and CBIC) is required to furnish the Estimates in respect of Direct Taxes and Indirect Taxes, by 7th January to the Budget Division.

b. Write up also needs to be submitted by Revenue Department for Direct/ Indirect Taxes. On receipt of estimates from CBDT and CBIC. States' share is calculated for RE (Current Year) / BE (ensuing FY) from the shareable pool, as per the percentage recommended by the Finance Commission after deducting cost of collection, as provided in Expenditure Budget.

#### ii. NON-TAX REVENUE

a. Letters are issued to the Ministries/ Departments (including UTs) calling for Non-Tax Revenue Receipts' estimates by due date as mentioned in budget circular.

b. These estimates are given to respective sections in the Budget Division i.e. Ministry/Department wise for getting the same approved from the designated Director in the Budget Division, tentatively by the end of December.

c. Estimates as approved by Director are then consolidated in the form of Statement and submitted for approval of Secretary (DEA), by the first week of January every year, for incorporation in the Receipt Budget documents.

#### iii. NON-DEBT CAPITAL RECEIPT

Repayment of loans receipts in respect of CPSEs are compiled by PD Section and in respect of States are compiled by 'States Section'. The estimated of disinvestment receipts are furnished by DIPAM.

#### iv. DEBT CAPITAL RECEIPT

**a. Market Loan:** This is worked out on the basis of Market borrowing requirements of Government. The details related to Borrowing calender of the Government and periodical notification issuance is given at **Annexure - 13**.

**b. National Small Savings Fund:** NS section compiles the information on the basis of information received from Department of Posts/CGA/ Banks. Details related to NSSF are given at **Annexure - 14**.

**c. Other Receipts -** Figures are included on the basis of information received from the concerned Ministry/Department/RBI. For example, the estimates of Funds pertaining to Railways are received from the Ministry of Railways.

d. **International Financial Institutions:** OMI and BC Division of the Department of Economic Affairs compile the information and send them to Budget Division for incorporation in the Receipts Budget, through IFU of DEA.

e. **Market Stabilization Scheme:** This is included as per the estimates provided by the RBI.

The source of information and check of various Annexures to Receipt Budget are given below:

**Annex 1 & 2- Trends in Receipts:** These are compiled on the basis of information furnished by Controller General of Accounts. Actual expenditure/receipt figures are given for 8 preceding years to current year along with Revised Estimates of current year and Budget Estimates for the ensuing year.

**Annex. 3- Reconciliation between Estimates of Receipts Shown in AFS and Receipt Budget:**This annex has two parts, A- Revenue Receipts and B - Capital Receipts. In Revenue Receipts, difference in the figures of AFS and Capital Receipts is on account of Railway Receipts/Postal Receipts/Commercial Receipts/Receipts Incidental to Market Borrowings and Write off or Waiver of Loans and Interest. On Capital Receipts side, difference in the figures of AFS and Receipts Budget is mainly on account of the figures of Public Debt Disbursement and Special Securities issued for payment of Subsidies.

**Annex 4, 4A & 4B- Statement showing State-wise Distribution of Net Proceeds of Union Taxes and Duties:** This statement is generated by States Section on the basis of Finance Commission recommendation and estimates of tax receipts.

**Annex 5- Tax Revenue raised but not realized/ Revenue Foregone under the Central Tax System:** The Statements are furnished by the Department of Revenue.

**Annex 6- Arrears of Non Tax Revenue:** The statement is compiled on the basis of estimates furnished by Ministries/Departments.

**Annex-7** – **Statement of Revenue Impact of Tax Incentives under the Central Tax System:** This Statement is provided by Department of Revenue.

**Annex-8** – S**ources and applications of National Small Savings Fund** : This is compiled by the NS section of Budget Division.

**PART - B :**

**Statement of Liability/Assets:** Actual figures are required to be shown for the year1950-51, and four preceding years to the current year, along with RE for the current year and BE for next year. Actuals up to one year earlier than current is required to be verified with the figures of last year's Capital Receipts Budget, while last year's actual has to be taken from the figures provided by the CGA.

**Details of Current Rupee Loan with the Central Government:** These are worked out on the basis of figures provided by the RBI and verified with the figures compiled in the W&M Section.

**Special Securities Converted into Marketable Securities:**These are worked out on the basis of figures provided by the RBI and checked with the figures compiled in the W&M Section.

Part B also contains Statements such as Guarantees given by the Government, Asset Register, National Small Savings Fund and

Liability on Annuity Projects, External Assistance, and Market Loans due for discharge etc.

### 4.4.7 ANNUAL FINANCIAL STATEMENT:

This is generated on the basis of information filled by different sections of Budget Division in the Union Budget Information System (UBIS). Actuals are on the basis of information provided by CGA.

### 4.4.8 KEY FEATURES OF BUDGET:

Key Features of Budget is prepared on the basis of the Finance Minister's speech and the major features of the budgetary allocations for the Ministries/Departments.

### 4.4.9 Fiscal Policy Statements under FRBM:

Two Fiscal Policy Statements under the provisions of the FRBM Act presented with the Budget are prepared on the basis of the guidelines in the FRBM Act/Rules, and has been discussed in detail in **Annexure 7** of the Manual.

## 4.5 BUDGET PRESS AND SECURITY/LOCK-IN ARRANGEMENTS

4.5.1 Finance Ministry has its own press to print the entire set of Budget papers. Entry to Budget Press is restricted in the months before the Budget is presented.

4.5.2 Employees of the press, stay in the Press along with other staff and officers who are also locked-in for the last few days. This is a part of the security measure put in place to ensure foolproof secrecy for the Budget papers.

4.5.3 During the Budget period, and in order to complete the Budget printing work in time, Manager (Press) is responsible for-

i. Timely procurement and receipt of items for printing documents;

ii. Action to ensure that all key personnel are in position;

iii. Cleanliness inside/outside Budget Press is ensured;

iv. Status of coordination work with other agencies- Fire Brigade, Delhi Police, MTNL, IB, Canteen, Hospital, setting up of CCTV, etc; and

v. Completion of Construction/ Maintenance works in and around Budget Press latest by the 30th November.

4.5.4 Security arrangements for the entire Budget period are made by the Intelligence Bureau, in consultation with the Budget Division. They are responsible for screening all the officers and staff associated with the Budget and set up an elaborate security arrangement in the Budget Division and the Budget Press to ensure secrecy of Budget related information.

## 4.6 Outcome Budget / Output-Outcome Monitoring Framework (OOMF)

4.6.1 Major Expenditure Reforms have been undertaken by the Government over the last few years. This not only includes simplification of appraisal and approval processes, but also structural changes in the process of Budget making itself, like doing away with Plan and non-Plan etc..

As a result, the cost-centres are being treated in an integrated manner, within only the statutory revenue capital framework. This enables another major structural reform, which is to bring the public schemes and projects under a Monitorable Output-Outcome Framework.

4.6.2 Since 2017-18, in addition to the financial outlays of schemes of the Ministries being indicated in the Budget document, expected outputs and outcomes of Schemes are also being presented in a consolidated Outcome Budget document, along with the Budget. These Outlays, Outputs and Outcomes are being presented to the Parliament in measurable terms, bringing in greater accountability for the agencies involved in the execution of government schemes and projects. Outlay is the amount that is provided for a given scheme or project in the Budget. Output refers to the direct and measurable product of program activities, often expressed in physical terms or units. Outcomes are the collective results or qualitative improvements brought about by the delivery of these services.

4.6.3 The document presented along with Budget contains Output-Outcome Framework for major Central Sector (CS) Schemes and CentrallySponsored Schemes (CSS) with outlay of ` 500 crore and more.

4.6.4 Output-Outcome Monitoring Framework (OOMF) shall be prepared as per the format (Appendix-XLVIII)circulated vide this Ministry's D.O. letter No. 2(33)-B(P&A)/2018 dated 13th May 2019. Ministries/Departments shall submit OOMF in the format to NITI Aayog (in English and Hindi). Necessary timeline for preparation and submission of OOMF shall be separately communicated by the NITI Aayog to all Ministries/Departments. NITI Aayog shall finalize the OOMF and forward the same to Department of Expenditure (PFC-II Division). DoE will review the targets of outputs and outcomes with reference to budgeted outlay in consultation with DMEO, NITI Aayog and forward the final document to Budget Division.

## 4.7 BUDGET IN PARLIAMENT

4.7.1 Budget Division submits/sends various letters to Parliament, signed by Finance Minister before presentation of Budget and after presentation of Budget regarding legislative business in Parliament. Timeline of related approval of budget is at **Annexure 8**.

4.7.2 Budget Division (Demands Section) is responsible for obtaining the approval of the Finance Minister on the following sets of documents to Lok Sabha/Rajya Sabha. The list of letters to be submitted to Lok Sabha/ Rajya Sabha are as follows:

**Lok Sabha**

(i) Letter to Secretary-General, informing about the President's recommendation having been obtained for consideration of the Bill in Lok Sabha;

(ii) Letter to Speaker, Lok Sabha for consideration and passing of the Bill;

(iii) Notice of Motion of Leave to introduce the Bill (to Secretary-General, Lok Sabha);

(iv) Notice of Motion for consideration and passing of the Bill (to Secretary-General, Lok Sabha);

(v) Statement of Objects and Reasons related to Bill.

**Rajya Sabha**

(i) Letter to Secretary-General, Rajya Sabha conveying the President's recommendation for consideration of the Bill in Rajya Sabha;

(ii) Letter to Chairman, Rajya Sabha for relaxation of Rule 123 for circulation of Bill two days before consideration by the Rajya Sabha;

(iii) Notice to Secretary-General, Rajya Sabha for consideration and return of the Bill.

4.7.3 Budget Division (Demands Section) obtains the 'Bill Number' for Finance Bill from Ministry of Law and Justice and communicate the same to Budget Press. If the Finance Bill to be presented to Parliament is first for the year, no number will be assigned and the title will be like **'Finance Bill, Year'.** If the Bill to be presented to Parliament is second Bill or subsequent Bill, the title will be **'Finance (Number) Bill , Year'.** This number will appear uniformly on the letters signed by Finance Minister. The same procedure is followed for Appropriation Bill.

4.7.4 The letters signed by the Finance Minister are enclosed with the President's recommendations, before the same are submitted to Lok Sabha on 1st February. Immediately after the presentation of Budget in Parliament, the following documents are submitted for approval and signature of the Finance Minister:

**Lok Sabha**

(i) 'Summary ' for President seeking the recommendation for introduction of the Appropriation Bill in Lok Sabha;

(ii) Notice for Motion for Demand-wise drawal of money from Consolidated Fund of India;

(iii) Letter to Secretary-General of Lok Sabha informing about the President's recommendation having been obtained for consideration of the Bill in Lok Sabha;

(iv) Letter to Speaker, Lok Sabha for consideration and passing of the Bill;

(v) Notice of Motion for Leave to introduce the Bill (to Secretary General, Lok Sabha);

(vi) Notice of Motion for consideration and passing of the Bill (to Secretary-General, Lok Sabha); and

(vii) Statement of Objects and Reasons related to the Bill.

**Rajya Sabha**

(i) 'Summary ' for President seeking the recommendation for introduction of the Appropriation Bill in Rajya Sabha;

(ii) Letter to Secretary-General, Rajya Sabha conveying the President's recommendation for consideration of the Bill in Rajya Sabha;

(iii) Letter to Chairman, Rajya Sabha for relaxation of Rule 123 for circulation of the Bill two days before consideration by the Rajya Sabha;

(iv) Notice to Secretary-General, Rajya Sabha for consideration and return of the Bill.

4.7.5 While the Parliament is in recess after introduction of the Budget, the following action is required to be taken by the Demand Section:

(i) Prepare List of Demand for Grants in the Budget Press. 800 copies of it are required to be provided to Lok Sabha before commencement of 2nd Session of the Budget after recess. It is prepared in two formats with following details:

| 1 | 2 | 3 | |
|---|---|---|---|
| | No. and Name of Demand | Amount of Demand for Grant to the Vote of the House | |
| | | Revenue | Capital |

(ii) Draft Appropriation Bill. It is very important to note that the date which appears in the 4th Para (Clause) of the Bill is the date of notification vide which the list of existing Demands has been updated.

(iii) Statement to the Appropriation Bill shall be in the following format.

| 1 | 2 | 3 | | |
|---|---|---|---|---|
| No. of Vote (Demand No.) | Service & Purpose | Sum Not Exceeding | | |
| | | Voted by the Parliament | Charged on the Consolidated Fund | Total |
| …… | (Name of the Demand.... Revenue Capital) | …… | …… | … … |

(iv) Before resumption of the Parliament after recess, the draft Appropriation Bill with Statement and the 'Statement of Objects and Reasons' related to bill (duly signed by the FM) is sent to the Leg-I Section of the Ministry of Law & Justice. The 'Summary' for President seeking the recommendations for introduction of the Appropriation Bill in Lok Sabha along with relevant letters is sent to Lok Sabha Secretariat.

(v) US (Demand) has to visit Leg-I Section of Ministry of Law & Justice for vetting of the Appropriation Bill and related Statement, before it is sent by them to Lok Sabha Secretariat for final vetting.

(vi) The Legislative Section-I of the Lok Sabha Secretariat also sends the draft Appropriation Bill for vetting by Demand Section before it is finally printed in the Parliament Press.

(vii) After that the Appropriation Bill is introduced in Lok Sabha on the scheduled date.

(viii) Immediately after the Bill is passed by Lok Sabha, the 'Summary' for President seeking the recommendations for introduction of the Appropriation Bill in Rajya Sabha along with relevant letters is sent to Rajya Sabha Secretariat.

(ix) After the Bill has been passed by both the Houses of Parliament, the President's Assent on the Bill is taken by the Ministry of Law & Justice.

(x) After obtaining the President's Assent, the Corresponding Act is published in the Gazette of India by the Minto Road Government Press. This is coordinated by the Ministry of Law & Justice.

(xi) On the day the Appropriation Act is published in the Gazette of India, a notification is required to be issued by Demand Section, Budget Division, both in English & Hindi version for distribution among all Financial Advisors and related offices. A Copy of this notification along with the relevant Act published in the Gazette is also uploaded on the official website of Department of Economic Affairs.

4.7.6 Similar exercise is done for the laying, passing, assenting and notifying the approval of Supplementary Demands for Grants.

4.7.7 PRESENTING THE BUDGET OF A STATE /UT (with legislature) UNDER PRESIDENT'S RULE

(i) When a State/ UT (with legislature) is placed under President's Rule by virtue of proclamation order of President of India, the powers of legislature of the State/ UT are exercised by or under the authority of Parliament.

(ii) For States, all Money Bills or other Bills to which the provisions of Article 207 of the Constitution apply are to be reserved for the consideration of the President after they are passed by the Legislature of the State;

(iii) laying of the Annual Financial Statement and other Budget Documents of the State/Union Territory (with legislature) is done before both the Houses of the Parliament Under Articles 202, 239 and 239A of the Constitution read with relevant Sections of the State Act.

(iv) Accordingly, Ministry of Home (MHA) is required to send Budget proposals for RE of the current year/Budget/ Supplementary Estimates for the relevant year, in consultation with the State under the President's Rule. This exercise is done normally in the month of November/

December, after release of expenditure ceilings, or as necessitated.

(v) Budget Estimates are checked with the corresponding expenditure ceilings released by Ministry of Finance pertaining to Demands for Grants of UT concerned.

(vi) Examining the documents, as per the requirement of the Parliament. Drafting of Appropriation Bills/ Statement of Reasons

(vii) President's Recommendation (as per constitutional requirement) to be sought before laying the Budget Documents (for both the Supplementary and Budget Estimates) in Parliament, including the Statement of Reasons and Appropriation Bills.

(viii) After obtaining President's Recommendation, the documents relating to Notices duly signed by FM shall be sent to Rajya Sabha, for consideration of the Appropriation Bill in Rajya Sabha. This is to be followed by laying in the Parliament and passing of Bills as per constitutional mandate.

(ix) Bill Section of Parliament seeks vetting of the Appropriation Bill and requests to send it directly to the Legislative Section, Ministry of Law & Justice.

(x) After the Appropriation Bill is returned by Rajya Sabha, Budget Division is to keep in touch with the Bill Section (of both Lok Sabha/Rajya Sabha) and the Legislative Branch, Ministry of Law & Justice TO GET THE PRESIDENT'S ASSENT.

(xi) Finally, the Gazette Notification issued by Ministry of Law & Justice is to be forwarded to the Finance Department of State/UT.

# CHAPTER 5

# BUDGET EXECUTION

## 5.1 Communication of Grants

5.1.1 After the Appropriation Bill relating to Budget is passed, Ministry of Finance notifies/ communicates the same to Ministries/ Departments.

5.1.2 Ministries/Departments in turn distribute the same to their subordinate formations. The distribution so made shall also be communicated to the respective Pay and Accounts Officers who shall exercise check against the allocation to each subordinate authority.

## 5.2 Distribution of Grants

5.2.1 Ministry or authority on whose behalf a Grant or Appropriation is authorised by Parliament shall distribute, where necessary, among the controlling and disbursing officers subordinate to it.

5.2.3 All Budget Controlling Officers/Drawing and Disbursing Officers will ensure that expenditure incurred is within the sanctioned amount.

## 5.3 Control of Expenditure against Budget

5.3.1 Ministries/Departments are responsible for the control of expenditure against the sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

5.3.2 It has to be ensured that

(i) expenditure is incurred for the approved purpose,

(ii) it is within the sums allotted,

(iii) it has been incurred under the authority competent to sanction it, and

(iv) due prudence has been followed in its incurrence. As Ministries have delegated their powers to lower functionaries, the basic responsibility is shifted to the particular functionary concerned, but overall responsibility remains with the administrative Ministry.

5.3.3 A Grant or Appropriation can be utilised only to cover the charges (including liabilities, if any, of the past year) which are to be paid during the financial year of the Grant or Appropriation and adjusted in the accounts of the year. No charges against a Grant or Appropriation can be authorized after the expiry of the financial year.

5.3.4 No expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund.

5.3.5 It has to be ensured that no public authority can incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from Government account unless such expenditure or transfer, as the case may be has been sanctioned by general or special orders of the Government or by any authority to which power has been delegated in this regard.

5.3.6 Government authorities have to comply with rules prescribed in the General Financial Rules and the Delegation of Financial Power Rules in all financial matters.

5.3.7 Designated controlling authorities have to ensure not only that the total expenditure is kept within the limits of the authorised grants but also that the funds allotted to spending units are expended in the public interest and on objects for which the money was provided. In order to maintain proper control, the controlling officer obtains information on not only what has actually been spent from the grants but also what commitments and liabilities have been and will be incurred against them.

## 5.4 Cash Management and Exchequer Control

5.4.1 Initially CMEC was introduced on1st April, 2006. Based on the working of the scheme, it was decided to expand and modify the scheme as detailed below. Modified Cash Management System seeks to achieve, interalia, the following objectives-

(i) Obtain greater evenness in the budgeted expenditure within the financial year, especially in respect of items entailing large sums of advance releases and transfers to corpus funds;

(ii) Reduce rush of expenditure during the last quarter, especially the last month of the financial year;

(iii) Reduce parking of funds;

(iv) Effectively monitor the expenditure pattern; and

(v) Better planning of Indicative Market Borrowing Calendar of the Central Government.

## 5.5 Revised Estimates

5.5.1 Revised Estimates are estimates of probable receipts and expenditure arrived at after mid-year review.

5.5.2 Revised Estimates are not voted by Parliament, and hence by itself does not provide any authority for expenditure. Therefore, any additional projections made in the Revised Estimates needs to be authorised for expenditure through Parliament's approval (in case of New Service/New Instrument of Service, etc) or by Re-appropriation order as per Delegation of Financial Power Rules.

5.5.3 Revised Estimates should be prepared with due care as these are important tools of fiscal management.

## 5.6 Re-appropriations

5.6.1 Re-appropriation of funds from one primary unit of appropriation to another such unit within a grant or appropriation may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates.

5.6.2 Power for re-appropriation is subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf.

5.6.3 Re-appropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred shall not be utilized in full or that savings can be effected in the appropriation for the said unit.

5.6.4 Rule 10 of Delegation of Financial Power Rules stipulates the following restrictions on re-appropriation of funds. Re-appropriation of funds cannot be made –

i. To meet expenditure which has not been sanctioned by an authority competent to sanction it;

ii. From appropriations as charged on Consolidated Fund of India to meet expenditure voted by Parliament or vice-versa;

iii. From one Grant/Appropriation to another Grant/Appropriation;

iv. To meet expenditure on a new service or new Instrument of Service

v. General restriction related to expenditure on Works( Refer DFPR Rule 10)

5.6.5 Government of India's Decision No.(6) below Rule 10 of DFPRs provides for the following:

i. Power to augment provisions through re-appropriation of funds below ` 5 crore has been delegated to administrative Ministries/Departments;

ii. Full powers for augmenting the provisions under primary units of appropriation viz. 'Salaries', 'Wages', 'Pensionary Charges', 'Medical Expenses' and 'Rent, Rates and Taxes' through re-appropriation of funds available within the same section of the Grant;

iii. Augmentation under budget heads (primary units of appropriation) of establishment related expenditure (office expenses, travel expenses, OTA, etc.) through re-appropriation require the approval of Department of Expenditure (to be processed by Personnel Division);

iv. No re-appropriation of funds from savings available under Externally Aided Project (EAP) to non-EAP purpose.

v. No re-appropriation of funds from savings available under 'Salaries' to meet expenditure under 'Non-Salaries'.

5.6.6 Without the previous consent of the Finance Ministry, no re-appropriation shall be made-

i. From and to the provision for the Secret Service expenditure;

ii. So as to augment the provision under the primary units 'Salaries', 'Wages', 'Office Expenses' and 'Other Charges', taken together for the entire Grant or Appropriation, except for the exception for the Ministry of Information and Broadcasting provided vide Note under Rule 10 (6) (b) of DFPR;

iii. from the provisions made for any specified new item of expenditure in a Grant or Appropriation for another purpose;

5.6.7 Budget Division's O.M. dated 25.5.2006 (**Annexure - 15**) prescribes the following:

i. 'New Service' has been held as referring to expenditure arising out of a policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment (as appearing in article 115(1)(a) of the Constitution of India);

ii. 'New Instrument of Services' refers to relatively large expenditure arising out of important expansion of an existing activity;

iii. Specific financial limits for determining the cases relating to 'New Service' and 'New Instrument of Service' are prescribed in the above mentioned O.M.;

Exceptions –

a. Considering the volume and nature of Government transactions, it is not possible to list out all such cases which are governed by 'New Service'/'New Instrument of Service' limits.

Broadly, normal activities like administrative expenditure including those resulting from re-organisation of Ministries/Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies, etc., assistance to foreign governments, contribution of internal bodies and fulfilment of Government guarantees are not covered/attracted by the limits of 'New Service'/'New Instrument of Service';

b. Transfers to State and Union Territory Governments are also exempt from the limits applicable to 'New Service'/'New Instrument of Service' provided the scheme is not new;

c. These limits are applicable only to expenditure which is subject to Vote of Parliament (Financial limits of NS / NIS are not applicable on expenditure charged on Consolidated Fund);

5.6.8 An application for re-appropriation of funds should ordinarily be supported by a statement in **Form GFR 4** or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning re-appropriation, the reasons for saving and excess of Rupees 1 lakh or over and the primary units (secondary units, wherever necessary), affected should be invariably stated. The authority sanctioning the re-appropriation should endorse a copy of the order to the Accounts Officer.

## 5.7 Supplementary Demand for Grants

5.7.1 Article 115 of the Constitution provides for seeking Supplementary Demands during the Financial Year if the amount authorized by parliament is found to be insufficient or a need has arisen for new service. Numbers of Supplementary Demands have not been prescribed in the Constitution.

5.7.2 On the basis of the Supplementary Demands for Grants received from various Ministries/Departments, these can be classified into three categories, Cash Supplementary, Token Supplementary and Technical Supplementary

5.7.3 Cash supplementary is over and above the original Budget provisions and results in enhancement of the allocation for the Demand/ Grant. For Example, if a sum of ` 1000 crore is sought for by a line Ministry for payment of Subsidy and the Ministry is unable to find any savings within the Demand/Grant, then the additional fund sought for, in case it is agreed to be provided, results in Cash Supplementary or enhancement of the overall allocation for the Demand/Grant.

i. Cash Supplementary impacts the fiscal/ revenue deficit.

ii. Cash Supplementary should be obtained as a last resort and after proper due diligence.

iii. Cash supplementary is required to have specific approval of Secretary (Expenditure).

5.7.4 Technical Supplementary is required for transferring the savings from one section of Grant to other. There are 4 Sections in each Demand viz., Revenue-Voted, Revenue-Charged, Capital-Voted and Capital-Charged. There are three situation when Technical Supplementary is sought viz.,

(a) surrender from one of the 4 sections mentioned above and utilizing the same in other section within the Demand,

(b) transfer of a scheme from one Demand to another Demand which will result in surrender of the amount from the Demand which has transferred the scheme and utilization of the same in the other Demand, where the scheme has been transferred,

(c ) waivers/write offs, and

(d) expenditure is proposed to be met with matching receipts and recoveries

5.7.5 Token supplementary of ` 0.01 crore is obtained when due to NS/NIS limits, approval of Parliament is required for reappropriation towards utilizing the savings within the same section of the Demand. For example, if under revenue section there are savings under a major head which is proposed to be utilized in another major head but falls within the purview of NS/ NIS limits for expenditure, the same can be made available for re-appropriation after obtaining of a Token Supplementary. Token supplementary does not alter revenue/fiscal deficit position.

5.7.6 Ministries/Departments are required to review their requirements on following broad guidelines, before firming up their proposals for Supplementary Demands for Grants:

i. Need for economy and rationalisation of expenditure;

ii. Thorough review of expenditure to explore the possibility of meeting the requirements for additionality through Token or Technical Supplementary;

iii. No new schemes and programmes, except those that are part of the Budget announcements should normally be introduced during the course of the financial year;

iv. Additional expenditure over and above the prescribed approved ceiling for individual schemes may not be ordinarily permitted;

v. If there is an amendment to the existing scheme leading to requirements for additionality, Ministries/Departments should explore and locate matching savings from other schemes/ projects in the Demand;

vi. The mandatory cuts in terms of the austerity instructions should be enforced before determining the requirements for additionality;

vii. Proposal for Supplementary Demand should be made only when the programme/scheme for which additional provision is sought has been approved by competent authority and should be limited to the funding requirements within the relevant financial year.

5.7.6 Check list and legislative procedure related to Supplementary Demand for Grants is at **Annexure 9**.

## 5.8 Excess Grants

5.8.1 It is the responsibility of Grant Controlling Authority to ensure that excess expenditure beyond limits authorized is not incurred.

5.8.2 However, if the total expenditure under a Grant exceeds the provision allowed through its original Grant and Supplementary Grant, if any, the excess requires regularization by obtaining excess Grant from the Parliament under Article 115 of the Constitution.

## 5.9 Surrender of Savings

5.9.1 Ministries/Departments should surrender the savings to the Finance Ministry, by the dates prescribed by that Ministry before the close of the financial year, alongwith all the anticipated savings noticed in the Grants or Appropriations controlled by them.

5.9.2 This is needed to ensure that the anticipated savings can be reallocated for other unanticipated expenditure requirement.

5.9.3 The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by them to the Accounts Officer, before the close of the year.

5.9.4 The savings as well as provisions that cannot be properly utilised should be surrendered to Government immediately when they are foreseen without waiting till the end of the year. No savings should be held in reserve funds for possible future excesses.

5.9.5 Rush of expenditure, particularly in the closing months of the Financial year, regarded as a breach of financial propriety and shall be avoided.

## 5.10 CHECK LIST FOR BUDGET EXECUTION

i. That there should be provision of funds authorized by competent authority fixing the limits within which expenditure can be incurred;

ii. that the expenditure incurred should conform to the relevant provisions of the Appropriation Act, the Constitution and the laws made thereunder and should also be in accordance with the financial rules and regulations framed by competent authority ;

iii. that there should exist sanction, either special or general, accorded by competent authority, authorizing expenditure;

iv. that the expenditure should be incurred with due regard to broad and general principles of financial propriety;

v. Re-appropriations should be made in accordance with the rules in Delegation of Financial Power Rules, 1978;

vi. Expenditure on a service not covered by a vote of the Parliament should not be incurred, unless the requisite funds have been arranged by obtaining an advance from the Contingency Fund of India;

vii. Drawing from Consolidated Fund of India should not be resorted to if money is not required for immediate use.

viii. Abandonment of revenue without proper sanction e.g., sale of Government property below market rates, or reduction of dues payable under a license or lease without the sanction of the competent authority in each case, should not be resorted to.

ix. Any large claim against another Government local body or other outside party should not be allowed to remain outstanding for an unduly long time.

x. Any irregularity connected with a grant-in-aid, such as neglect (i) by the sanctioning authority of conditions precedent to the grant or (ii) by the grantee of the conditions, expressed or implied, attached to the grant by the sanctioning authority.

xi. Any instance of the absence of administrative regulations and procedure sufficient to secure a proper and effective check upon monetary transactions.

## 5.11 Duties and Responsibilities of the Chief Accounting Authority

5.11.1 Secretary of a Ministry/Department who is the Chief Accounting Authority of the Ministry/ Department shall

(i) be responsible and accountable for financial management of his/her Ministry or Department.

(ii) ensure that the public funds appropriated to the Ministry or Department are used for the purpose for which they were meant.

(iii) be responsible for the effective, efficient, economical and transparent use of the resources of the Ministry or Department in achieving the stated project objectives of that Ministry or

Department, whilst complying with performance standards.

(iv) appear before the Committee on Public Accounts and any other Parliamentary Committee for examination.

(v) review and monitor regularly the performance of the programmes and projects assigned to his/ her Ministry to determine whether stated objectives are achieved.

(vi) be responsible for preparation of expenditure and other statements relating to his/her Ministry or Department as required by regulations, guidelines or directives issued by Ministry of Finance.

(vii) shall ensure that his/her Ministry or Department maintains full and proper records of financial transactions and adopts systems and procedures that will at all times afford internal controls.

(viii) shall ensure that his/her Ministry or Department follows the Government procurement procedure for execution of works, as well as for procurement of services and supplies, and implements it in a fair, equitable, transparent, competitive and cost-effective manner;

(ix) shall take effective and appropriate steps to ensure his/her Ministry or Department : -

(a) collects all moneys due to the Government; and

(b) avoids unauthorized, irregular and wasteful expenditure.

5.11.2 As per provisions contained in Appendix 10 to GFR 61 and 69, in case of an urgent requirement of expenditure attracting the provisions of New Service/New Instruments of Service and thereby supplementary demands through the approval of Parliament, the same should be referred to Ministry of Finance. The excess expenditure in such cases can be allowed by the concerned Financial Advisers only on the specific approval of Secretary (Expenditure) that the necessary funds will be made available through the next batch of Supplementary Demands for Grant.

5.12 **Devolution of shareable Taxes and Duties as per accepted recommendations of Finance Commission**

(i) Article 270 of Constitution of India stipulates that All taxes and duties referred to in the Union List, except the duties and taxes referred to in 2 [articles 268, 269 and 269A], respectively, surcharge on taxes and duties referred to in article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States

(ii) Article 279 of the Constitution of India read with Article 270 empowers the C&AG to ascertain and certify the net proceeds of taxes and duties levied and collected by the Union and shall be distributed between the Union and the States. “Net Proceeds’ mean in relation to any tax or duties, the proceeds thereof reduced by the cost of collection.

(iii) Based on the estimates for receipts received from Department of Revenue (CBDT and CBIC) and the actuals for the previous financial year received from office of the Controller General of Accounts (Finance Accounts format). Detailed working sheet showing calculation of Tax Revenue, Net Divisible

Pool of Tax, non-shareable pool of Taxes and cost of collection, etc is prepared also deducting the cost of collection and non-shareable elements from the Gross Tax Revenue portion. After applying the State-wise/tax-wise distribution formula as per accepted recommendations of Finance Commission, the resultant shareable proceeds as well as the Net to Centre portion of such proceeds, is arrived. [This procedure is also under implementation in the UBIS System].

(iv) After the Budget is passed in the Parliament, taking into account the approved estimates, the Devolution of shareable Taxes and Duties is done on monthly basis to States, as per accepted recommendations of Finance Commission. Monthly sanctions are issued (Tax-wise/State-wise) through the Union Budget Information System (UBIS) system to facilitate payment to States through PFMS/ issuance of cheques/ advices through Pay & Accounts Office and RBI. The releases are based on estimates of receipts, subject to final adjustment according to the Audit Certificate issued by C&AG. Currently, the date of devolution is 10th of each month w.e.f. the FY 2022-23. and the distribution is as per the following details:

| Sl. No | Component | % of BE/RE | Equated monthly instalments | Dates on which release is to be made |
|---|---|---|---|---|
| A | Corporation Tax & Income Tax | 15% | 3 (April to June) | 10th of Every month<br><br>(earlier it was 20th of each Month) |
| | | 50% | 7 (July to January) | |
| | | 35% | 4 (February and March) | |
| B | All Indirect Taxes | 14 Equal instalments | | |

The total estimated receipts, shareable to States are distributed into 14 instalments and distributed accordingly.

(v) Thereafter, the C&AG Certificate issued with respect to Net Proceeds for the previous year is factored in to accommodate the recommended variations in the Estimates for the current year. Finally, the Statement showing State-wise distribution of Net Proceeds of Union Taxes and Duties, as Annexure 4 for the Budget Estimates, 4A for the Revised Estimates for the current financial year and 4B showing Actuals for the previous financial period are finalized for being incorporated in the Receipts Budget.

# CHAPTER 6

# BUDGET REVIEW

## 6.1 REVIEWS UNDER FRBM ACT

6.1.1 FRBM Act, 2003 stipulates that the Central Government shall lay in each financial year before both Houses of Parliament the following Statements of fiscal policy along with the Annual Financial Statement and Demands for Grants, namely:

(a) Medium-Term Fiscal Policy Statement & Fiscal Policy Strategy Statement; and

(b) Macro-economic Framework Statement.

6.1.2 As per Section 3 of FRBM Act, 2003, Government is required to lay Medium-term Expenditure Framework Statement (MTEF) before both Houses of Parliament, immediately following the session of Parliament in which the fiscal policy statements (the Medium Term Fiscal Policy Statement, the Macro-Economic Framework Statement) were laid. MTEF shall provide three year rolling targets for the prescribed expenditure indicators (under revenue and capital section) with specification of underlying assumptions and risk involved. It also contains expenditure commitments of major policy changes involving new service, new instrument of service etc. MTEF gives a medium term perspective to Central Government finances and specifies a path for Government's fiscal consolidation. It may also provide closer integration between Budget and the FRBM Statements and facilitate expenditure planning with medium-term perspective.

6.1.3 Statement on half yearly review of the trends in receipts and expenditure: As per Section 7(1) of the Fiscal Responsibility and Budget Management Act, 2003 government monitors trend of receipts and expenditure through this statement laid in the parliament during winter and Monsoon sessions.

## 6.2 OUTCOME-OUTPUT MONITORING FRAMEWORK (OOMF)

6.2.1 From the fiscal year 2006-07, Outcome Budget has been a part of the budgetary process, wherein every Ministry presents a preliminary Outcome Budget.

6.2.2 Since 2017-18, the expected outputs and outcomes of the schemes are also being presented in a consolidated Outcome Budget document, along with the Budget.

6.2.3 These Outlays, Outputs and Outcomes are being presented to the Parliament in measurable terms, bringing-in greater accountability for the agencies involved in the execution of Government schemes and projects.

6.2.4 The Outcome Budget contains Output-Outcome Framework for major Central Sector (CS) Schemes and Centrally Sponsored Schemes (CSS) with outlay of ` 500 crore and more.

## 6.3 MONITORING AND EVALUATION

6.3.1 Development Monitoring and Evaluation Office (DMEO) as an apex Monitoring and Evaluation (M&E) office which supports the Government to achieve the national development agenda through M & E of government policies and programs.

6.3.2 DMEO was established on 18th September, 2015 as an attached office of the NITI Aayog by merging the erstwhile Program Evaluation Office and Independent Evaluation Office.

6.3.3 To ensure that DMEO is able to function independently, it has been given separate budgetary allocations and manpower in addition to complete functional autonomy.

6.3.4 DMEO's mandate involves;

i. Monitoring progress and efficacy of strategic and long-term policy and program frameworks and initiatives to help innovative improvements, including necessary mid-course corrections; and

ii. Actively monitoring and evaluating the implementation of programs and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.

iii. Technical advisory to States, under NITI Aayog's mandate of cooperative and competitive federalism.

## 6.4 MID-TERM EVALUATION OF INDIVIDUAL SCHEMES BY DIFFERENT DEPARTMENTS

6.4.1 The Cabinet Secretary had advised (December, 2002) all the Ministries/ Departments to carry out evaluation of all the ongoing schemes/ programmes/ projects which have not been evaluated so far.

6.4.2 While appraising the schemes for continuation, DoE inisists for third party independent evaluation. OM No.42(02)/PF-II/ 2014 dated 08.12.2020 may be referred to in this regard.

## 6.5 INTERNAL AUDIT

6.5.1 Concurrent examination of the accounting and financial records, of systems and procedures, and of compliance with stated management policies, are essential elements of public policy.

6.5.2 Accordingly each Ministry and Department of the Union Government has a special unit under the direct control and supervision of Financial Advisers. The important findings of this unit are submitted to the Secretaries of the Ministries concerned for necessary corrective action.

6.5.3 As per Revised Redefined Charter for Financial Advisers, the following functions in relation to Internal Audit will be carried out by the Chief Controllers of Accounts as per the guidelines issued by the Controller General of Accounts from time to time-

(i) Appraisal, monitoring and evaluation of individual schemes;

(ii) Assessment of adequacy and effectiveness of internal controls in general, and soundness of financial systems and reliability of financial and accounting reports in particular;

(iii) Identification and monitoring of risk factors including those contained in the Outcome Budget;

(iv) Critical assessment of economy, efficiency and effectiveness of service delivery mechanism to ensure value for money; and

(v) Providing an effective monitoring system to facilitate mid-course corrections.

## 6.6 C&AG AUDIT REPORTS

6.6.1 Comptroller & Auditor General of India conducts not only an accounting and compliance audit but also evaluation of the end results of the operations of Government, including considerations of economy, efficiency and effectiveness.

6.6.2 C&AG conducts Audit of Union Government Finance and Appropriation and submit audit report in terms of Article 151 of Constitution.

6.6.3 C&AG is also entrusted with the responsibility of auditing compliance with the FRBM Act and Rules by the Central Government.

6.6.4 The Public Accounts Committee (PAC) selects the subject for its consideration based on the Audit Report submitted by C&AG.

## 6.7 PUBLIC ACCOUNTS COMMITTEE

6.7.1 Committee on Public Accounts is constituted by Parliament each year for examination of accounts showing the appropriation of sums granted by Parliament for expenditure of Government of India, the annual Finance Accounts of Government of India.

6.7.2 Reports of the Comptroller and Auditor-General on Revenue Receipts mainly form the basis of the deliberation of the Committee. In scrutinising the Appropriation Accounts and the Reports of the Comptroller and Auditor-General thereon, it is the duty of the Committee to satisfy itself:

(a) that the money shown in the accounts as having been disbursed were legally available for and, applicable to the service or purpose to which they have been applied or charged;

(b) that the expenditure conforms to the authority which governs it; and

(c) that every re-appropriation has been made in accordance with the provisions made in this behalf under the rules framed by competent authority.

6.7.3 One of the duties of the Committee is to ascertain that money granted by Parliament has been spent by Government within the scope of the Demand. It considers the justification for spending more or less than the amount originally sanctioned.

6.7.4 In the event of excess expenditure, the Committee examines with reference to the facts of each case, the circumstances leading to such an excess and makes such recommendations as it may deem fit and makes recommendations

6.7.5 Government take action on the recommendations of the Committee and submit action taken notes to the Committee. The Committee then present an Action Taken Report after considering the views of the Government. The Government further submit an “Action Taken Statement” on the action taken by the Government on the “Action Taken Report” of the Committee. The Action Taken Statement is generally laid before the House without any further examination by the Committee.

# CHAPTER 7

# STRUCTURE OF GOVERNMENT ACCOUNTS

7.1 In accordance with Constitutional requirements Government accounts are maintained in the following three categories:

Part I Consolidated Fund

Part II Contingency Fund

Part III Public Account

## 7.2 CONSOLIDATED FUND OF INDIA (Part-I):

7.2.1 Under Article 266(1) of the Constitution of India, all revenues received by the Government of India, all loans raised by the Government by issue of treasury bills, loans or Ways and Means advances and all moneys received by the Government in repayment of loans shall form one consolidated fund to be titled the " Consolidated Fund of India".The Consolidated Fund of India has following two divisions-

i. Revenue Account

ii. Capital Account

7.2.2 Revenue Account-Expenditure/Receipts:

Revenue Account deals with the proceeds of taxation and other receipts classified as Revenue and expenditure met therefrom.

7.2.3 Capital Account-Expenditure/Receipts:

Capital Account deals with expenditure incurred with the purpose of either increasing the concrete assets of durable nature or of reducing recurring liabilities. It is logical otherwise to meet Capital expenditure from borrowed funds, the liabilities in respect of which are spread over a number of years, as the benefits arising from Capital expenditure flow over a period of years. Capital Account also includes various types of Capital Receipts.

7.2.4 Capital Account comprises of the following sections:

a. The section 'Receipt heads (Capital Account)' deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure;

b. The section 'Expenditure heads (Capital Account)' deals with expenditure incurred with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of Capital nature intended to be applied as set off to Capital expenditure; and

c. The sections 'Public Debt' and 'Loans and Advances', comprise of loans raised and their re-payments such as internal debt, external debt and their recoveries.

7.2.5 For budgeting purposes, distinction between Revenue expenditure and Capital expenditure is crucial. The Capital account also includes loans raised by Government and their repayments, and loans and advances lent by the Government and their recoveries.

## 7.3 CONTINGENCY FUND OF INDIA (Part-II):

7.3.1 Article 267 of the Constitution provides for constitution of the Contingency Fund and the said fund shall be placed at the disposal of the President, to enable advances to be made out of such fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament.

7.3.2 Contingency Fund is in the nature of an imprest.

7.3.3 The Central Government established its Contingency Fund under the Contingency Fund of India Act, 1950 and has also framed the 'Contingency Fund of India Rules' under Section 4 of that Act. These rules prescribe the procedure for obtaining advances from this fund and their subsequent adjustment.

7.3.4 The corpus of the Contingency Fund is created by debit to the Consolidated Fund of India, and when expenditure is incurred out of an advance from the Contingency Fund, the expenditure is booked under the same head under the 'Contingency Fund'.

7.3.5 Subsequently, with the regularization of expenditure by obtaining vote of Parliament, the amount so advanced from Contingency Fund is recouped to the corpus of the Contingency Fund by debit to the Consolidated Fund of India. The expenditure is then booked initially under the same head under the Consolidated Fund of India, as revenue or capital expenditure, as the case may be.

7.3.7 In Government accounts, Contingency Fund has a single Major Head to accommodate all transactions of the fund. The Contingency Fund of India Rules is at **Annexure 11.**

## 7.4 PUBLIC ACCOUNT (Part-III):

7.4.1 All other public moneys received by or on behalf of the Government of India are credited to the Public Account of India as empowered vide Article 266(2) of the Constitution of India.

7.4.2 Part III shows transactions relating to Debt (other than those included in Part I), 'Deposits', 'Advances', 'Remittances' and 'Suspense'.

7.4.3 Such funds, however, remain merged in the cash balance of the Central Government, (with the Reserve Bank of India as the bankers to the Government), till payments are made to those to whom the funds pertain or are utilized for general or specific purposes as in the case of Reserve Funds, or necessary adjustments are made. For example in the case of inter-Government transactions. The net funds in the Public Account are also available for financing the expenditure of Government.

7.4.4 Public Account transactions are grouped according to sectors and sub-sectors which are further sub-divided into Major Heads of Account and further down as per the accounting classification system of Government. The details of various sectors and sub sectors in the Public Account have been brought out in **Annexure 12.**

## 7.5. UNION GOVERNMENT ACCOUNTS

7.5.1 Accounts are a systematic record of various activities and functions expressed in financial terms and maintained.

7.5.2 The Constitution of India envisages the accounts of the Union and the States to be kept in such a form as the President may on the advice of the C&AG prescribe.

7.5.3 Accounts of the Union Government are prepared annually showing the receipts and disbursements for the year, surplus or deficit generated during the year and changes in Government liabilities and assets.

7.5.4 The accounts shall be prepared by Controller General of Accounts, certified by the Comptroller and Auditor General of India and along with the report of the Comptroller and Auditor General of India on these accounts, shall be submitted to the President of India, preferably within six months of close of the Financial Year, who shall cause them to be laid before each House of Parliament.

7.5.5 Major inputs provided by the accounting authorities to the Government and Public are in the form of -

i. Monthly and Annual Accounts,

ii. Finance Accounts, and

iii. Appropriation Accounts.

7.5.6 Record of transactions both receipts and expenditure by various paying and accounting authorities are consolidated by Ministries/ Departments on a monthly basis. These are rendered to the Controller General of Accounts to generate the accounts of the Government of India as a whole on a monthly basis and released. Monthly Account provides an analysis of expenditure, revenue collection, borrowings and deficit. These are on net basis.

7.5.7 Finance Accounts of Government of India (including transactions of Department of Posts and Ministries of Defence and Railways and transactions under Public Account of India of Union Territory Governments), reflect under respective Heads the annual receipts and disbursements and statement of balances for the purpose of the Union. Finance Accounts comprises of two parts- Part I and Part II. Part I presents the summarized statements in respect of Revenue, Capital, Debt, Deposit, Suspense and Remittances transactions and Contingency Fund, while Part II has detailed statements in respect of these transactions, along with other related statements. The Finance Accounts are similar to Annual Financial Statement and the receipts are net of refunds and expenditure are net of recoveries. Union Government Finance Accounts do not make fiscal adjustments.

7.5.8 Appropriation Accounts reflect the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. Appropriation accounts are on gross basis, without any kind of adjustments.

## 7.6 FEATURES OF ACCOUNTING SYSTEM

7.6.1 Government accounts in India are kept on cash basis. All appropriations lapse at the close of the financial year. Only actual receipts and payments during the year are taken into account with no outstanding liabilities or income to be accrued included.

7.6.2 Both receipts and payments are differentiated and classified in detail. Uniform classification upto Minor Head level enables financial comparisons between Union and State Government.

7.6.3 In case of those Government Departments where functions are purely or largely of a commercial nature, their accounts are maintained on commercial basis (on modified accrual accounting principles). These accounts are subsidiary to principal accounts.

7.6.4 For major government commercial departments-such as Railways, and Posts detailed capital and revenue accounts are prepared and presented separately. This enables presentation of true financial position, cost of services rendered and the return from investments.

7.6.5 Government Accounts have necessarily to comply with the budgetary structure of the country. Since Budgets in India are on an annual basis, governmental transactions are also finalized in the accounts on an annual basis.

## 7.7 CLASSIFICATION OF TRANSACTIONS

7.7.1 The Budget of Government is linked to the accounts and Government transactions accounted for under the Consolidated Fund, Contingency Fund and the Public Account of India.

7.7.2 As a general rule, classification of transactions has closer reference to functions, programmes and activities of the Government and the object of revenue or expenditure, rather than the department in which the revenue or expenditure occurs.

7.7.3 Number of classification in the Detailed Demands for Grants are not allowed to go beyond the standard six tiers indicated as under-

| | | |
|---|---|---|
| 1. | Major Head- | 4 digits (Function); |
| 2. | Sub-Major Head- | 2 digits (Sub-Function); |
| 3. | Minor Head- | 3digits (Programme); |
| 4. | Sub-Head- | 2 digits (Scheme); |
| 5. | Detailed Head- | 2 digits (Sub-Scheme); |
| 6. | Object Head- | 2 digits (Object Head or Primary Units of Appropriation) |

## 7.8 PROCEDURE FOR OPENING NEW HEADS OF ACCOUNTS:

7.8.1 As per Rule 79 of the General Financial Rules (Authority to open a new Head of Account), the List of Major and Minor Heads of Accounts of Union and States is maintained by the Ministry of Finance (Department of Expenditure – Controller General of Accounts which is authorized to open new heads of accounts on the advice of the Comptroller and Auditor General of India under the powers flowing from Article 150 of the Constitution.

7.8.2 In case of certain post budget developments wherein expenditure provision is required to be made under these heads which are not already available in the Budget, the Ministries/Departments are authorized to open new Sub-Heads/ Detailed Heads and/ Object Heads as required by them in consultation with the Budget Division of the Ministry of Finance, subject to certain conditions.

7.8.3 Normally, a new head is allowed to be opened only in cases where the Budget provision is available (for Re-appropriation to the new head) or has been obtained through a Supplementary Demands for Grant. However, in exceptional circumstances Ministries/ Departments may be permitted to open the heads in anticipation of obtaining the Budget through Supplementary Demands. The proposals for augmentation of funds through additionality or for introduction of 'New Service' may alone be included in the Supplementary Demands and not for opening new heads of accounts. Prudent application of authority may be exercised in including such proposals in Supplementary Demands for Grants.

7.8.4 In such cases, the new heads can be operated only upon obtaining the budget through Supplementary Demands for Grants. The Principal Accounts Offices may open Sub/ Detailed Heads required under the Minor Heads falling within the Public Account of India subject to the above stipulations.

# ANNEXURES

ANNEXURE - 1

## CONSTITUTIONAL PROVISIONS ON BUDGET AND BUDGET RELATED ISSUES

109. Special procedure in respect of Money Bills.—

(1) A Money Bill shall not be introduced in the Council of States.

(2) After a Money Bill has been passed by the House of the People it shall be transmitted to the Council of States for its recommendations and the Council of States shall within a period of fourteen days from the date of its receipt of the Bill return the Bill to the House of the People with its recommendations and the House of the People may thereupon either accept or reject all or any of the recommendations of the Council of States.

(3) If the House of the People accepts any of the recommendations of the Council of States, the Money Bill shall be deemed to have been passed by both Houses with the amendments recommended by the Council of States and accepted by the House of the People.

(4) If the House of the People does not accept any of the recommendations of the Council of States, the Money Bill shall be deemed to have been passed by both Houses in the form in which it was passed by the House of the People without any of the amendments recommended by the Council of States.

(5) If a Money Bill passed by the House of the People and transmitted to the Council of States for its recommendations is not returned to the House of the People within the said period of fourteen days, it shall be deemed to have been passed by both Houses at the expiration of the said period in the form in which it was passed by the House of the People.

110. Definition of “Money Bills’’.—

(1) For the purposes of this Chapter, a Bill shall be deemed to be a Money Bill if it contains only provisions dealing with all or any of the following matters, namely:—

(a) the imposition, abolition, remission, alteration or regulation of any tax;

(b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India;

(c) the custody of the Consolidated Fund or the Contingency Fund of India, the payment of moneys into or the withdrawal of moneys from any such Fund;

(d) the appropriation of moneys out of the Consolidated Fund of India;

(e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or the increasing of the amount of any such expenditure;

(f) the receipt of money on account of the Consolidated Fund of India or the public account of India or the custody or issue of such money or the audit of the accounts of the Union or of a State; or

(g) any matter incidental to any of the matters specified in sub-clauses (a) to (f).

(2) A Bill shall not be deemed to be a Money Bill by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) If any question arises whether a Bill is a Money Bill or not, the decision of the Speaker of the House of the People thereon shall be final.

(4) There shall be endorsed on every Money Bill when it is transmitted to the Council of States under article 109, and when it is presented to the President for assent under article 111, the certificate of the Speaker of the House of the People signed by him that it is a Money Bill.

112. Annual financial statement.—

(1) The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the "annual financial statement''.

(2) The estimates of expenditure embodied in the annual financial statement shall show separately—

(a) the sums required to meet expenditure described by this Constitution as expenditure charged upon the Consolidated Fund of India; and

(b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India, and shall distinguish expenditure on revenue account from other expenditure.

(3) The following expenditure shall be expenditure charged on the Consolidated Fund of India—

(a) the emoluments and allowances of the President and other expenditure relating to his office;

(b) the salaries and allowances of the Chairman and the Deputy Chairman of the Council of States and the Speaker and the Deputy Speaker of the House of the People;

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

(d) (i) the salaries, allowances and pensions payable to or in respect of Judges of the Supreme Court;

(ii) the pensions payable to or in respect of Judges of the Federal Court;

(iii) the pensions payable to or in respect of Judges of any High Court which exercises jurisdiction in relation to any area included in the territory of India or which at any time before the commencement of this Constitution exercised jurisdiction in relation to any area included in a Governor's Province of the Dominion of India;

(e) the salary, allowances and pension payable to or in respect of the Comptroller and Auditor-General of India;

(f) any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal;

(g) any other expenditure declared by this Constitution or by Parliament by law to be so charged.

113. Procedure in Parliament with respect to estimates.—

(1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, but nothing in this clause shall be construed as preventing the discussion in either House of Parliament of any of those estimates.

(2) So much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the House of the People, and the House of the People shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to a reduction of the amount specified therein.

(3) No demand for a grant shall be made except on the recommendation of the President.

114. Appropriation Bills.—

(1) As soon as may be after the grants under article 113 have been made by the House of the People, there shall be introduced a Bill to provide for the appropriation out of the Consolidated Fund of India of all moneys required to meet—

(a) the grants so made by the House of the People; and

(b) the expenditure charged on the Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament.

(2) No amendment shall be proposed to any such Bill in either House of Parliament 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 person presiding as to whether an amendment is inadmissible under this clause shall be final.

(3) Subject to the provisions of articles 115 and 116, no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with the provisions of this article.

115. Supplementary, additional or excess grants.—

(1) The President shall—

(a) if the amount authorised by any law made in accordance with120

the provisions of article 114 to be expended for a particular service for the current financial year is found to be insufficient for the purposes 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 annual financial statement for that year, or

(b) if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before both the Houses of Parliament another statement showing the estimated amount of that expenditure or cause to be presented to the House of the People a demand for such excess, as the case may be.

(2) The provisions of articles 112, 113 and 114 shall have effect in relation to any such statement and expenditure or demand and also to any law to be made authorising the appropriation of moneys out of the Consolidated Fund of India to meet such expenditure or the grant in respect of such demand as they have effect in relation to the annual financial statement and the expenditure mentioned therein or to a demand for a grant and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet such expenditure or grant.

116. Votes on account, votes of credit and exceptional grants.—

(1) Notwithstanding anything in the foregoing provisions of this Chapter, the House of the People shall have power—

(a) to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the procedure prescribed in article 113 for the voting of such grant and the passing of the law in accordance with the provisions of article 114 in relation to that expenditure;

(b) to make a grant for meeting an unexpected demand upon the 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 an annual financial statement;

(c) to make an exceptional grant which forms no part of the current service of any financial year; and Parliament shall have power to authorise by law the withdrawal of moneys from the Consolidated Fund of India for the purposes for which the said grants are made.

(2) The provisions of articles 113 and 114 shall have effect in relation to the making of any grant under clause (1) and to any law to be made under that clause as they have effect in relation to the making of a grant with regard to any expenditure mentioned in the annual financial statement and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet such expenditure.

117. Special provisions as to financial Bills.—

(1) A Bill or amendment making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 110 shall not be introduced or moved except on the recommendation of the President and a Bill making such provision shall not be introduced in the Council of States:

Provided that no recommendation shall be required under this clause for the moving of an amendment making provision for the reduction or abolition of any tax.

(2) A Bill or amendment shall not be deemed to make provision for any of the matters aforesaid by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) A Bill which, if enacted and brought into operation, would involve expenditure from the Consolidated Fund of India shall not be passed by either House of Parliament unless the President has recommended to that House the consideration of the Bill.

207. Special provisions as to financial Bills.—

(1) A Bill or amendment making provision for any of the matters specified in sub-clauses (a) to (f) of clause (1) of article 199 shall not be introduced or moved except on the recommendation of the Governor, and a Bill making such provision shall not be introduced in a Legislative Council: Provided that no recommendation shall be required under this clause for the moving of an amendment making provision for the reduction or abolition of any tax.

(2) A Bill or amendment shall not be deemed to make provision for any of the matters aforesaid by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) A Bill which, if enacted and brought into operation, would involve expenditure from the Consolidated Fund of a State shall not be passed by a House of the Legislature of the State unless the Governor has recommended to that House the consideration of the Bill.

239. Administration of Union territories.—

(1) Save as otherwise provided by Parliament by law, every Union territory shall be administered by the President acting, to such extent as he thinks fit, through an administrator to be appointed by him with such designation as he may specify.

(2) Notwithstanding anything contained in Part VI, the President may appoint the Governor of a State as the administrator of an adjoining Union territory, and where a Governor is so appointed, he shall exercise his functions as such administrator independently of his Council of Ministers.

239A. Creation of local Legislatures or Council of Ministers or both for certain Union territories.—

(1) `Parliament may by law create for the Union territory of Puducherry—

(a) a body, whether elected or partly nominated and partly elected, to function as a Legislature for the Union territory, or

(b) a Council of Ministers,

or both with such constitution, powers and functions, in each case, as may be specified in the law.

(2) Any such law as is referred to in clause (1) shall not be deemed to be an amendment of this Constitution for the purposes of article 368 notwithstanding that it contains any provision which amends or has the effect of amending this Constitution.]

239AA. Special provisions with respect to Delhi.—

(1) As from the date of commencement of the Constitution (Sixty-ninth Amendment) Act, 1991, the Union territory of Delhi shall be called the National Capital Territory of Delhi (hereafter in this Part referred to as the National Capital Territory) and the administrator thereof appointed under article 239 shall be designated as the Lieutenant Governor.

(2) (a) There shall be a Legislative Assembly for the National Capital Territory and the seats in such Assembly shall be filled by members chosen by direct election from territorial constituencies in the National Capital Territory.

(b) The total number of seats in the Legislative Assembly, the number of seats reserved for Scheduled Castes, the division of the National Capital Territory into territorial constituencies (including the basis for such division) and all other matters relating to the functioning of the Legislative Assembly shall be regulated by law made by Parliament.

(c) The provisions of articles 324 to 327 and 329 shall apply in relation to the National Capital Territory, the Legislative Assembly of the National Capital Territory and the members thereof as they apply, in relation to a State, the Legislative Assembly of a State and the members thereof respectively; and any reference in articles 326 and 329 to "appropriate Legislature" shall be deemed to be a reference to Parliament.

(3) (a) Subject to the provisions of this Constitution, the Legislative Assembly shall have power to make laws for the whole or any part of the National Capital Territory with respect to any of the matters enumerated in the State List or in the Concurrent List in so far as any such matter is applicable to Union territories except matters with respect to Entries 1, 2 and 18 of the State List and Entries 64, 65 and 66 of that List in so far as they relate to the said Entries 1, 2 and 18.

(b) Nothing in sub-clause (a) shall derogate from the powers of Parliament under this Constitution to make laws with respect to any matter for a Union territory or any part thereof.

(c) If any provision of a law made by the Legislative Assembly with respect to any matter is repugnant to any provision of a law made by Parliament with respect to that matter, whether passed before or after the law made by the Legislative Assembly, or of an earlier law, other than a law made by the Legislative Assembly, then, in either case, the law made by Parliament, or, as the case may be, such earlier law, shall prevail and the law made by the Legislative Assembly shall, to the extent of the repugnancy, be void:

Provided that if any such law made by the Legislative Assembly has been reserved for the consideration of the President and has received his assent, such law shall prevail in the National Capital Territory:

Provided further that nothing in this sub-clause shall prevent Parliament from enacting at any time any law with respect to the same matter including a law adding to, amending, varying or repealing the law so made by the Legislative Assembly.

(4) There shall be a Council of Ministers consisting of not more than ten per cent. of the total number of members in the Legislative Assembly, with the Chief Minister at the head to aid and advise the Lieutenant Governor in the exercise of his functions in relation to matters with respect to which the Legislative Assembly has power to make laws, except in so far as he is, by or under any law, required to act in his discretion:

Provided that in the case of difference of opinion between the Lieutenant Governor and his Ministers on any matter, the Lieutenant Governor shall refer it to the President for decision and act according to the decision given thereon by the President and pending such decision it shall be competent for the Lieutenant Governor in any case where the matter, in his opinion, is so urgent that it is necessary for him to take immediate action, to take such action or to give such direction in the matter as he deems necessary.

(5) The Chief Minister shall be appointed by the President and other Ministers shall be appointed by the President on the advice of the Chief Minister and the Ministers shall hold office during the pleasure of the President.

(6) The Council of Ministers shall be collectively responsible to the Legislative Assembly.

(7) (a) Parliament may, by law, make provisions for giving effect to, or supplementing the provisions contained in the foregoing clauses and for all matters incidental or consequential thereto.

(b) Any such law as is referred to in sub-clause (a) shall not be deemed to be an amendment of this Constitution for the purposes of article 368 notwithstanding that it contains any provision which amends or has the effect of amending, this Constitution.

(8) The provisions of article 239B shall, so far as may be, apply in relation to the National Capital Territory, the Lieutenant Governor and the Legislative Assembly, as they apply in relation to the Union territory of Puducherry, the administrator and its Legislature, respectively; and any reference in that article to "clause (1) of article 239A" shall be deemed to be a reference to this article or article 239AB, as the case may be.

239AB. Provision in case of failure of constitutional machinery.—

If the President, on receipt of a report from the Lieutenant Governor or otherwise, is satisfied—

(a) that a situation has arisen in which the administration of the National Capital Territory cannot be carried on in accordance with the provisions of article 239AA or of any law made in pursuance of that article; or

(b) that for the proper administration of the National Capital Territory it is necessary or expedient so to do,

the President may by order suspend the operation of any provision of article 239AA or of all or any of the provisions of any law made in pursuance of that article for such period and subject to such conditions as may be specified in such law and make such incidental and consequential provisions as may appear to him to be necessary or expedient for administering the National Capital Territory in accordance with the provisions of article 239 and article 239AA.

239 B. Power of administrator to promulgate Ordinances during recess of Legislature.—

(1) If at any time, except when the Legislature of the Union territory of Puducherry is in session, the administrator thereof is satisfied that circumstances exist which render it necessary for him to take immediate action, he may promulgate such Ordinances as the circumstances appear to him to require: Provided that no such Ordinance shall be promulgated by the administrator except after obtaining instructions from the President in that behalf: Provided further that whenever the said Legislature is dissolved, or its functioning remains suspended on account of any action taken under any such law as is referred to in clause (1) of article 239A, the administrator shall not promulgate any Ordinance during the period of such dissolution or suspension.

(2) An Ordinance promulgated under this article in pursuance of instructions from the President shall be deemed to be an Act of the Legislature of the Union territory which has been duly enacted after complying with the provisions in that behalf contained in any such law as is referred to in clause (1) of article 239A, but every such Ordinance—

(a) shall be laid before the Legislature of the Union territory and shall cease to operate at the expiration of six weeks from the reassembly of the Legislature or if, before the expiration of that period, a resolution disapproving it is passed by the Legislature, upon the passing of the resolution; and

(b) may be withdrawn at any time by the administrator after obtaining instructions from the President in that behalf.

(3) If and so far as an Ordinance under this article makes any provision which would not be valid if enacted in an Act of the Legislature of the Union territory made after complying with the provisions in that behalf contained in any such law as is referred to in clause (1) of article 239A, it shall be void.

265. Taxes not to be imposed save by authority of law.—No tax shall be levied or collected except by authority of law.

266. Consolidated Funds and public accounts of India and of the States.—

(1) Subject to the provisions of article 267 and to the provisions of this Chapter with respect to the assignment of the whole or part of the net proceeds of certain taxes and duties to States, all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of India", and all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State".

(2) All other public moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the State, as the case may be.

(3) No moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in this Constitution.

267. Contingency Fund.—

(1) Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under article 115 or article 116.

(2) The Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of the State" into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the Governor of the State to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State by law under article 205 or article 206.

**Distribution of Revenues between the Union and the States**

268. Duties levied by the Union but collected and appropriated by the States.—

(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected—

(a) in the case where such duties are leviable within any Union territory, by the Government of India, and

(b) in other cases, by the States within which such duties are respectively leviable.

(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

269. Taxes levied and collected by the Union but assigned to the States.—

(1) Taxes on the sale or purchase of goods and taxes on the consignment of goods shall be levied and collected by the Government of India but shall be assigned and shall be deemed to have been assigned to the States on or after the 1st day of April, 1996 in the manner provided in clause (2).

Explanation.—For the purposes of this clause,-

(a) the expression "taxes on the sale or purchase of goods" shall mean taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce;

(b) the expression "taxes on the consignment of goods" shall mean taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce.

(2) The net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.

(3) Parliament may by law formulate principles for determining when a sale or purchase of, or consignment of, goods takes place in the course of inter-State trade or commerce.

270. Taxes levied and distributed between the Union and the States.—

(1) All taxes and duties referred to in the Union List, except the duties and taxes referred to in articles 268 and 269, respectively, surcharge on taxes and duties referred to in article 271 and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States in the manner provided in clause (2).

(2) Such percentage, as may be prescribed, of the net proceeds of any such tax or duty in any financial year shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax or duty is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed in the manner provided in clause (3).

(3) In this article, “prescribed” means, —

(i) until a Finance Commission has been constituted, prescribed by the President by order, and

(ii) after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission.

271. Surcharge on certain duties and taxes for purposes of the Union.—Notwithstanding anything in articles 269 and 270, Parliament may at any time increase any of the duties or taxes referred to in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part of the Consolidated Fund of India.

272. [Taxes which are levied and collected by the Union and may be distributed between the Union and the States.]—Rep. by the Constitution (Eightieth Amendment) Act, 2000, s .4.

273. Grants in lieu of export duty on jute and jute products.—

(1) There shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of the States of Assam, Bihar, Orissa and West Bengal, in lieu of assignment of any share of the net proceeds in each year of export duty on jute and jute products to those States, such sums as may be prescribed.

(2) The sums so prescribed shall continue to be charged on the Consolidated Fund of India so long as any export duty on jute or jute products continues to be levied by the Government of India or until the expiration of ten years from the commencement of this Constitution whichever is earlier.

(3) In this article, the expression “prescribed” has the same meaning as in article 270.

275. Grants from the Union to certain States.—(1) Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States:

Provided that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of a State such capital and recurring sums as may be necessary to enable that State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of the Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State:

Provided further that there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the State of Assam sums, capital and recurring, equivalent to—

(a) the average excess of expenditure over the revenues during the two years immediately preceding the commencement of this Constitution in respect of the administration of the tribal areas specified in Part I of the table appended to paragraph 20 of the Sixth Schedule; and

(b) the costs of such schemes of development as may be undertaken by that State with the approval of the Government of India for the purpose of raising the level of administration of the said areas to that of the administration of the rest of the areas of that State.

(1A) On and from the formation of the autonomous State under article 244A,—

(i) any sums payable under clause (a) of the second proviso to clause (1) shall, if the autonomous State comprises all the tribal areas referred to therein, be paid to the autonomous State, and, if the autonomous State comprises only some of those tribal areas, be apportioned between the State of Assam and the autonomous State as the President may, by order, specify;

(ii) there shall be paid out of the Consolidated Fund of India as grants-in-aid of the revenues of the autonomous State sums, capital and recurring, equivalent to the costs of such schemes of development as may be undertaken by the autonomous State with the approval of the Government of India for the purpose of raising the level of administration of that State to that of the administration of the rest of the State of Assam.

(2) Until provision is made by Parliament under clause (1), the powers conferred on Parliament under that clause shall be exercisable by the President by order and any order made by the President under this clause shall have effect subject to any provision so made by Parliament:

Provided that after a Finance Commission has been constituted no order shall be made under this clause by the President except after considering the recommendations of the Finance Commission.

279. Calculation of “net proceeds”, etc.—

(1) In the foregoing provisions of this Chapter, “net proceeds” means in relation to any tax or duty the proceeds thereof reduced by the cost of collection, and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the Comptroller and Auditor-General of India, whose certificate shall be final.

(2) Subject as aforesaid, and to any other express provision of this Chapter, a law made by Parliament or an order of the President may, in any case where under this Part the proceeds of any duty or tax are, or may be, assigned to any State, provide for the manner in which the proceeds are to be calculated, for the time from or at which and the manner in which any payments are to be made, for the making of adjustments between one financial year and another, and for any other incidental or ancillary matters.

280. Finance Commission.—

(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

(d) any other matter referred to the Commission by the President in the interests of sound finance.

(4) The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

281. Recommendations of the Finance Commission.—The President shall cause every recommendation made by the Finance Commission under the provisions of this Constitution together with an explanatory memorandum as to the action taken thereon to be laid before each House of Parliament.

282. Expenditure defrayable by the Union or a State out of its revenues.—The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

283. Custody, etc., of Consolidated Funds, Contingency Funds and moneys credited to the public accounts.—

(1) The custody of the Consolidated Fund of India and the Contingency Fund of India, the payment of moneys into such Funds, the withdrawal of moneys there from, the custody

of public moneys other than those credited to such Funds received by or on behalf of the Government of India, their payment into the public account of India and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by law made by Parliament, and, until provision in that behalf is so made, shall be regulated by rules made by the President.

(2) The custody of the Consolidated Fund of a State and the Contingency Fund of a State, the payment of moneys into such Funds, the withdrawal of moneys there from, the custody of public moneys other than those credited to such Funds received by or on behalf of the Government of the State, their payment into the public account of the State and the withdrawal of moneys from such account and all other matters connected with or ancillary to matters aforesaid shall be regulated by law made by the Legislature of the State, and, until provision in that behalf is so made, shall be regulated by rules made by the Governor of the State.

284. Custody of suitors' deposits and other moneys received by public servants and courts.—All moneys received by or deposited with—

(a) any officer employed in connection with the affairs of the Union or of a State in his capacity as such, other than revenues or public moneys raised or received by the Government of India or the Government of the State, as the case may be, or

(b) any court within the territory of India to the credit of any cause, matter, account or persons, shall be paid into the public account of India or the public account of State, as the case may be.

292. Borrowing by the Government of India.—The executive power of the Union extends to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such limits, if any, as may be so fixed.

293. Borrowing by States.—

(1) Subject to the provisions of this article, the executive power of a State extends to borrowing within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by the Legislature of such State by law and to the giving of guarantees within such limits, if any, as may be so fixed.

(2) The Government of India may, subject to such conditions as may be laid down by or under any law made by Parliament, make loans to any State or, so long as any limits fixed under article 292 are not exceeded, give guarantees in respect of loans raised by any State, and any sums required for the purpose of making such loans shall be charged on the Consolidated Fund of India.

(3) A State may not without the consent of the Government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the Government

of India or by its predecessor Government, or in respect of which a guarantee has been given by the Government of India or by its predecessor Government.

(4) A consent under clause (3) may be granted subject to such conditions, if any, as the Government of India may think fit to impose.

356. Provisions in case of failure of constitutional machinery in States.—

(1) If the President, on receipt of a report from the Governor of a State or otherwise, is satisfied that a situation has arisen in which the Government of the State cannot be carried on in accordance with the provisions of this Constitution, the President may by Proclamation—

(a) assume to himself all or any of the functions of the Government of the State and all or any of the powers vested in or exercisable by the Governor or any body or authority in the State other than the Legislature of the State;

(b) declare that the powers of the Legislature of the State shall be exercisable by or under the authority of Parliament;

(c) make such incidental and consequential provisions as appear to the President to be necessary or desirable for giving effect to the objects of the Proclamation, including provisions for suspending in whole or in part the operation of any provisions of this Constitution relating to any body or authority in the State:

Provided that nothing in this clause shall authorise the President to assume to himself any of the powers vested in or exercisable by a High Court, or to suspend in whole or in part the operation of any provision of this Constitution relating to High Courts.

(2) Any such Proclamation may be revoked or varied by a subsequent Proclamation.

(3) Every Proclamation under this article shall be laid before each House of Parliament and shall, except where it is a Proclamation revoking a previous Proclamation, cease to operate at the expiration of two months unless before the expiration of that period it has been approved by resolutions of both Houses of Parliament:

Provided that if any such Proclamation (not being a Proclamation revoking a previous Proclamation) is issued at a time when the House of the People is dissolved or the dissolution of the House of the People takes place during the period of two months referred to in this clause, and if a resolution approving the Proclamation has been passed by the Council of States, but no resolution with respect to such Proclamation has been passed by the House of the People before the expiration of that period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the Proclamation has been also passed by the House of the People.

(4) A Proclamation so approved shall, unless revoked, cease to operate on the expiration of a period of six months from the date of issue of the Proclamation:

Provided that if and so often as a resolution approving the continuance in force of such a Proclamation is passed by both Houses of Parliament, the Proclamation shall, unless revoked, continue in force for a further period of six months from the date on which under this clause it would otherwise have ceased to operate, but no such Proclamation shall in any case remain in force for more than three years:

Provided further that if the dissolution of the House of the People takes place during any such period of six months and a resolution approving the continuance in force of such Proclamation has been passed by the Council of States, but no resolution with respect to the continuance in force of such Proclamation has been passed by the House of the People during the said period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the continuance in force of the Proclamation has been also passed by the House of the People:

Provided also that in the case of the Proclamation issued under clause (1) on the 11th day of May, 1987 with respect to the State of Punjab, the reference in the first proviso to this clause to "three years" shall be construed as a reference to five years.

(5) Notwithstanding anything contained in clause (4), a resolution with respect to the continuance in force of a Proclamation approved under clause (3) for any period beyond the expiration of one year from the date of issue of such Proclamation shall not be passed by either House of Parliament unless—

(a) a Proclamation of Emergency is in operation, in the whole of India or, as the case may be, in the whole or any part of the State, at the time of the passing of such resolution, and

(b) the Election Commission certifies that the continuance in force of the Proclamation approved under clause (3) during the period specified in such resolution is necessary on account of difficulties in holding general elections to the Legislative Assembly of the State concerned:

Provided that nothing in this clause shall apply to the Proclamation issued under clause (1) on the 11th day of May, 1987 with respect to the State of Punjab.

357. Exercise of legislative powers under Proclamation issued under article 356.—

(1) Where by a Proclamation issued under clause (1) of article 356, it has been declared that the powers of the Legislature of the State shall be exercisable by or under the authority of Parliament, it shall be competent—

(a) for Parliament to confer on the President the power of the Legislature of the State to make laws, and to authorise the President to delegate, subject to such conditions as he may think fit to impose, the power so conferred to any other authority to be specified by him in that behalf;

(b) for Parliament, or for the President or other authority in whom such power to make laws is vested under sub-clause (a), to make laws conferring powers and imposing duties, or authorising the conferring of powers and the imposition of duties, upon the Union or officers and authorities thereof;

(c) for the President to authorise when the House of the People is not in session expenditure from the Consolidated Fund of the State pending the sanction of such expenditure by Parliament.

(2) Any law made in exercise of the power of the Legislature of the State by Parliament or the President or other authority referred to in sub-clause (a) of clause (1) which Parliament or the President or such other authority would not, but for the issue of a Proclamation under article 356, have been competent to make shall, after the Proclamation has ceased to operate, continue in force until altered or repealed or amended by a competent Legislature or other authority.

360. Provisions as to financial emergency.—

(1) If the President is satisfied that a situation has arisen whereby the financial stability or credit of India or of any part of the territory thereof is threatened, he may by a Proclamation make a declaration to that effect.

(2) A Proclamation issued under clause (1)—

(a) may be revoked or varied by a subsequent Proclamation;

(b) shall be laid before each House of Parliament;

(c) shall cease to operate at the expiration of two months, unless before the expiration of that period it has been approved by resolutions of both Houses of Parliament:

Provided that if any such Proclamation is issued at a time when the House of the People has been dissolved or the dissolution of the House of the People takes place during the period of two months referred to in sub-clause (c), and if a resolution approving the Proclamation has been passed by the Council of States, but no resolution with respect to such Proclamation has been passed by the House of the People before the expiration of that period, the Proclamation shall cease to operate at the expiration of thirty days from the date on which the House of the People first sits after its reconstitution unless before the expiration of the said period of thirty days a resolution approving the Proclamation has been also passed by the House of the People.

(3) During the period any such Proclamation as is mentioned in clause (1) is in operation, the executive authority of the Union shall extend to the giving of directions to any State to observe such canons of financial propriety as may be specified in the directions, and

to the giving of such other directions as the President may deem necessary and adequate for the purpose.

(4) Notwithstanding anything in this Constitution—

(a) any such direction may include—

(i) a provision requiring the reduction of salaries and allowances of all or any class of persons serving in connection with the affairs of a State;

(ii) a provision requiring all Money Bills or other Bills to which the provisions of article 207 apply to be reserved for the consideration of the President after they are passed by the Legislature of the State;

(b) it shall be competent for the President during the period any Proclamation issued under this article is in operation to issue directions for the reduction of salaries and allowances of all or any class of persons serving in connection with the affairs of the Union including the Judges of the Supreme Court and the High Courts.

## CONSTITUTIONAL PROVISIONS RELATED TO UNION TERRITORIES (THE GOVERNMENT OF UNION TERRITORIES ACT, 1963)

28. Procedure in Legislative Assembly with respect to estimates.¯

(1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of the Union territory shall not be submitted to the vote of the Legislative Assembly of the Union territory, but nothing in this sub-section shall be construed as preventing the discussion in the Legislative Assembly of any of those estimates.

(2) So much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the Legislative Assembly, and the Legislative Assembly shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to a reduction of the amount specified therein.

(3) No demand for a grant shall be made except on the recommendation of the Administrator.

30. Supplementary, additional or excess grants.¯

(1) The Administrator shall—

(a) if the amount authorised by any law made in accordance with the provisions of section 29 to be expended for a particular service for the current financial year is found to be insufficient for the purposes 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 annual financial statement for that year, or

(b) if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before the Legislative Assembly of the Union territory, with the previous approval of the President, another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the Union territory with such previous approval a demand for such excess, as the case may be.

(2) The provisions of sections 27, 28 and 29 shall have effect in relation to any such statement and expenditure or demand and also to any law to be made authorising the appropriation of moneys out of the Consolidated Fund of the Union territory to meet such expenditure or the grant in respect of such demand as they have effect in relation to the annual financial statement and the expenditure mentioned therein or to a demand for a grant and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of the Union territory to meet such expenditure or grant.

50. Relation of Administrator and his Ministers to President.¯ Notwithstanding anything in this Act, the Administrator and his Council of Ministers shall be under the general control of, and comply with such particular directions, if any, as may from time to time be given by, the President.

## CONSTITUTIONAL PROVISIONS RELATED TO THE JAMMU AND KASHMIR REORGANISATION ACT, 2019

13. Applicability of article 239A of Constitution. —On and from the appointed day, the provisions contained in article 239A, which are applicable to "Union territory of Puducherry", shall also apply to the "Union territory of Jammu and Kashmir".

42. Procedure in Legislative Assembly with respect to estimates.—

(1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of Union territory of Jammu and Kashmir shall not be submitted to the vote of the Legislative Assembly, but nothing in this sub-section shall be construed as preventing the discussion in the Legislative Assembly of any of those estimates.

(2) So much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the Legislative Assembly, and the Legislative Assembly shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to a reduction of the amount specified therein.

(3) No demand for a grant shall be made except on the recommendation of the Lieutenant Governor.

74. Authorisation of expenditure by President.—Where the Legislative Assembly is dissolved, or its functioning as such Assembly remains suspended, on account of an order under section 73, it shall be competent for the President to authorise, when the House of the People is not in Session, expenditure from the Consolidated Fund of the Union territory of Jammu and Kashmir pending the sanction of such expenditure by Parliament.

## CONSTITUTIONAL PROVISIONS RELATED TO 'THE GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI ACT, 1991'

22. Special provisions as to financial Bills.—

(1) A Bill or amendment shall not be introduced into, or moved in, the Legislative Assembly except on the recommendation of the Lieutenant Governor, if such Bill or amendment makes provision for any of the following matters, namely:—

(a) the imposition, abolition, remission, alteration or regulation of any tax;

(b) the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of the Capital;

(c) the appropriation of moneys out of the Consolidated Fund of the Capital;

(d) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of the Capital or the increasing of the amount of any such expenditure;

(e) the receipt of money on account of the Consolidated Fund of the Capital or the Public Account of the Capital or the custody or issue of such money or the audit of the accounts of the Capital:] Provided that no recommendation shall be required under this sub-section for the moving of an amendment making provision for the reduction or abolition of any tax.

(2) A Bill or amendment shall not be deemed to make provision for any of the matters aforesaid by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licences or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body for local purposes.

(3) A Bill which, if enacted and brought into operation, would involve expenditure from the Consolidated Fund of the Capital shall not be passed by the Legislative Assembly unless the Lieutenant Governor has recommended to that Assembly the consideration of the Bill.

27. Annual financial statement.—

(1) The Lieutenant Governor shall in respect of every financial year cause to be laid before the Legislative Assembly, with the previous sanction of the President, a statement of the estimated receipts and expenditure of the Capital for that year, in this Part referred to as the "annual financial statement".

(2) The estimates of expenditure embodied in the annual financial statement shall show separately— (a) the sums required to meet expenditure described by this Act as expenditure charged upon the Consolidated Fund of the Capital; and (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the Capital, and shall distinguish expenditure on revenue account from other expenditure.

(3) Notwithstanding anything contained in any law for the time being in force, the following expenditure shall be expenditure charged on the Consolidated Fund of the Capital:— (a) the emoluments and allowances of the Lieutenant Governor and other expenditure relating to his office as determined by the President by general or special order; (b) the charges payable in respect of loans advanced to the Capital from the Consolidated Fund of India including interest, sinking fund charges and redemption charges, and other expenditure connected therewith; (c) the salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly; (d) expenditure in respect of the salaries and allowances of Judges of the High Court of Delhi. (e) any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal; (f) any other expenditure declared by the Constitution or by law made by Parliament or by the Legislative Assembly to be so charged.

28. Procedure in Legislative Assembly with respect to estimates.—

(1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of the Capital shall not be submitted to the vote of the Legislative Assembly, but nothing in this sub-section shall be construed as preventing the discussion in the Legislative Assembly of any of those estimates.

(2) So, much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the Legislative Assembly, and the Legislative Assembly shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to a reduction of the amount specified therein.

(3) No demand for a grant shall be made except on the recommendation of the Lieutenant Governor.

29. Appropriation Bills.—

(1) As soon as may be after the grants under section 28 have been made by the Legislative Assembly, there shall be introduced a Bill to provide for the appropriation out of the Consolidated Fund of the Capital of all moneys required to meet— (a) the grants so made by the Assembly, and (b) the expenditure charged on the Consolidated Fund of the Capital but not exceeding in any case the amount shown in the statement previously laid before the assembly.

(2) No amendment shall be proposed to any such Bill in the Legislative Assembly 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 the Capital and the decision of the person presiding as to whether an amendment is inadmissible under this sub-section shall be final.

(3) Subject to the other provisions of this Act, no money shall be withdrawn from the Consolidated Fund of the Capital except under appropriation made by law passed in accordance with the provisions of this section.

30. Supplementary, additional or excess grants.—

(1) The Lieutenant Governor shall,— (a) if the amount authorised by any law made in accordance with the provisions of section 29 to be expended for a particular service for the current financial year is found to be insufficient for the purposes 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 annual financial statement for that year, or (b) if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before the Legislative Assembly, with the previous sanction of the President, another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly with such previous sanction a demand for such excess, as the case may be.

(2) The provisions of sections 27, 28 and 29 shall have effect in relation to any such statement and expenditure or demand and also to any law to be made authorising the appropriation of moneys out of the Consolidated Fund of the Capital to meet such expenditure or the grant in respect of such demand as they have effect in relation to the annual financial statement and the expenditure mentioned therein or to a demand for a grant and the law to be made for the authorisation of appropriation of moneys out of the Consolidated Fund of the Capital to meet such expenditure or grant.

31. Votes on account.—

(1) Notwithstanding anything in the foregoing provisions of this Part, the Legislative Assembly shall have power to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion of the procedure prescribed in section 28 for the voting of such grant and the passing of the law in accordance with the provisions of section 29 in relation to that expenditure and the Legislative Assembly shall have power to authorise by law the withdrawal of moneys from the Consolidated Fund of the Capital for the purposes for which the said grant is made.

(2) The provisions of sections 28 and 29 shall have effect in relation to the making of any grant under sub-section (1) or to any law to be made under that sub-section as they have effect in relation to the making of a grant with regard to any expenditure mentioned in the annual financial statement and the law to be made for the authorisation of appropriation of moneys, out of the Consolidated Fund of the Capital to meet such expenditure.

32. Authorisation of expenditure pending its sanction by Legislative Assembly.— Notwithstanding anything in the foregoing provisions of this Part, the Lieutenant Governor may authorise such expenditure from the Consolidated Fund of the Capital as he deems necessary for a period of not more than six months beginning with the date of the constitution of the Consolidated Fund of the Capital, pending the sanction of such expenditure by the Legislative Assembly.

**ANNEXURE - 2**

## CONSTITUTIONAL PROVISIONS RELATING TO THE COMPTROLLER & AUDITOR GENERAL OF INDIA

148 Comptroller and Auditor-General of India.—

(1) There shall be a Comptroller and Auditor-General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court.

(2) Every person appointed to be the Comptroller and Auditor-General of India shall, before he enters upon his office, make and subscribe before the President, or some person appointed in that behalf by him, an oath or affirmation according to the form set out for the purpose in the Third Schedule.

(3) The salary and other conditions of service of the Comptroller and Auditor- General shall be such as may be determined by Parliament by law and, until they are so determined, shall be as specified in the Second Schedule:

Provided that neither the salary of a Comptroller and Auditor-General nor his rights in respect of leave of absence, pension or age of retirement shall be varied to his disadvantage after his appointment.

(4) The Comptroller and Auditor-General shall not be eligible for further office either under the Government of India or under the Government of any State after he has ceased to hold his office.

(5) Subject to the provisions of this Constitution and of any law made by Parliament, the conditions of service of persons serving in the Indian Audit and Accounts Department and the administrative powers of the Comptroller and Auditor-General shall be such as may be prescribed by rules made by the President after consultation with the Comptroller and Auditor-General.

(6) The administrative expenses of the office of the Comptroller and Auditor- General, including all salaries, allowances and pensions payable to or in respect of persons serving in that office, shall be charged upon the Consolidated Fund of India.

149. Duties and powers of the Comptroller and Auditor-General.—The Comptroller and Auditor-General shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament and, until provision in that behalf is so made, shall perform such duties and exercise such powers in relation to the accounts of the Union and of the States as were conferred on or exercisable by the Auditor-General of India immediately before the commencement of this Constitution in relation to the accounts of the Dominion of India and of the Provinces respectively.

150. Form of accounts of the Union and of the States.—The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India, prescribe.

151. Audit reports.—

(1) The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament.

(2) The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

279. Calculation of "net proceeds", etc.

(1) "Net proceeds" means in relation to any tax or duty the proceeds thereof reduced by the cost of collection, and for the purposes of those provisions the net proceeds of any tax or duty, or of any part of any tax or duty, in or attributable to any area shall be ascertained and certified by the Comptroller and Auditor-General of India, whose certificate shall be final.

ANNEXURE - 3

## DIPAM GUIDELINE FOR DIVIDEND

F. No. 5/2/2016-Policy
Government of India
Ministry of Finance
Department of Investment & Public Asset Management
(DIPAM)
*******

Block-14, CGO Complex,
Lodhi Road, New Delhi.
Dated: 27th May, 2016

**OFFICE MEMORANDUM**

**Subject: Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs )- regarding**

The undersigned is directed to refer to the above mentioned subject and to enclose herewith a copy of the "Guidelines on Capital Restructuring of CPSEs". These guidelines are in line with the focus of the Government on adopting a comprehensive approach for efficient management of its investment in CPSEs, as announced in Budget 2016-17.

2. The Administrative Ministries/Departments are requested to take necessary action for compliance of the above guidelines by CPSEs under their respective administrative control. A copy of the guidelines has also been uploaded on DIPAM's website i.e. www.divest.nic.in

3. This issues with the approval of the Hon'ble Finance Minister.

Sd/-
(G. Parthasarathi)
Deputy Secretary to the Govt. of India
Tel.: 24366523
E-mail: parthasarthi.g@nic.in

**Encl.: As above.**

To,
Secretaries to the Ministries/Departments of Government of India
**(As per List enclosed)**

**Subject: Investment Management of CPSEs- Guidelines on Capital Restructuring of Central Public Sector Enterprises (CPSEs).**

**Background**

Department of Public Enterprises (DPE), Department of Expenditure & Department of Economic Affairs in the Ministry of Finance have issued guidelines from time to time on issue of bonus shares, buyback of shares, splitting of shares and dividend. As announced in the Budget 2016-17, the Government is adopting a comprehensive approach for efficient management of its investment in CPSEs by addressing inter-related issues, such as capital restructuring, dividend, bonus shares, etc.

2. The resource management issues for a CPSE needs to be looked into in the context of the focus of the Government to, inter-alia, spur economic growth through efficient management of GoI's investment in CPSEs. It is, therefore, imperative that Government of India's interests as a majority shareholder investor in a CPSE are duly represented through the nominee 'official director' on the Board of the company. The nominee directors should discharge their responsibility to ensure efficient allocation of GoI's investment in CPSEs for growth and economic development. It may require that an appropriate view is taken by the Department/Administrative Ministry in such financial matters before the board meetings in line with this approach.

3. In the above background, the guidelines on these subjects need to be rationalized so as to comprehensively capture the various aspects of capital restructuring of CPSEs. Accordingly, in supersession of guidelines issued earlier, the following consolidated guidelines on general principles and mechanism for capital restructuring of CPSEs is issued as below:

**4. Applicability:**

4.1 These guidelines shall apply to all corporate bodies where Government of India and/or Government controlled one or more body corporate have controlling interest [hereinafter would be referred to as Central Public Sector Enterprises (CPSEs) for these guidelines ].

4.1.1 Body corporate shall include body incorporated under the provisions of the Companies Act, 1956 or the Companies Act, 2013, or under any other Act as may be applicable except Limited Liability Partnership.

4.1.2 Controlling interest means control over the composition of the Board of Directors; or exercise or control over more than one-half of the total share capital or able to exercise more than 50 per cent voting rights in the meeting of the members, Board of Directors or any other similar executive structure, e.g., Governing Body, Executive Committee, etc.

4.1.3 A body corporate in which Government of India and/ or CPSEs including their subsidiaries controls the composition of the Board of Directors; or exercises or controls more than one-half of the total share capital shall be deemed to be a body controlled by Government of India.

4.2 These guidelines for payment of dividend, issue of bonus shares and buyback of shares shall not apply to the body corporate which is prohibited from distribution of profits to its members, e.g. companies set up under section 8 of the Companies Act, 2013 or under extant provisions of any other Act or which has accumulated losses.

4.3 The guidelines for payment of dividend shall be applicable from financial year ending on or after 31st March, 2016 and the guidelines for issue of bonus shares, buyback and splitting of shares shall be applicable from financial year starting 1st April, 2016 or thereafter.

4.4 CPSEs shall ensure compliance of these guidelines by taking up this matter as an agenda item along with a compliance note in the Board meeting of the company convened for finalization and approval of its annual account. Requisite approval of shareholders/ members shall be obtained in the AGM/ EGM to be held immediately thereafter.

## 5. Payment of Dividend

5.1 Department of Expenditure vide its O.M. Nos. 7(5)E-Coord/2004 and O.M No. 7(2)E-Coord/2005 dated 27/09/2004 and 23/11/2005 respectively & Department of Economic Affairs vide O.M. 3(3)-B(S)/2015 dated 05/01/2016 have issued guidelines on dividend payout by CPSEs. However, it is observed that CPSEs are not restructuring their capital by issue of bonus shares to maintain healthy balance in capital and net-worth. Declaration of dividend at reasonable rate on a regular interval boosts investor's confidence. Although dividend is paid on paid up share capital, dividend payout should be seen with reference to return to shareholder's money, i.e. net-worth. Hence, return on net-worth in the form of dividend is a desirable parameter for increasing the investor's confidence in the company. Moreover, return on net-worth needs to be compared with alternative investment opportunities available to the investors. Hence there is a felt need for a clear dividend policy and CPSEs need to take a decision on dividend within a clearly articulated framework/guidelines of the Government.

5.2 In supersession of earlier guidelines, every CPSE would pay a minimum annual dividend of 30% of PAT or 5 % of the net-worth, whichever is higher subject to the maximum dividend permitted under the extant legal provisions.

5.3 Nonetheless, CPSEs are expected to pay the maximum dividend permissible under the Act under which a CPSE has been set up, unless lower dividend proposed to be paid is justified after the analyses of the following aspects on a case to case basis at the level of Administrative Ministry/Department with the approval of Financial Advisers.

(i) Net-worth of the CPSE and its capacity to borrow;
(ii) Long-term borrowings;
(iii) CAPEX/Business Expansion needs;
(iv) Retention of profit for further leveraging in line with the CAPEX needs; and
(v) Cash and bank balance.

5.4 The analysis should confirm that the retention of funds augmenting its net-worth is being optimally leveraged to ensure higher investment by the CPSEs. The report for exemption, if any, in this regard will be submitted by the CPSEs through their Administrative Ministry to Secretary, Department of Economic Affairs and Secretary, Department of Investment and Public Asset Management (DIPAM) before the end of second quarter of the financial year. .

## 6. Buyback of shares:

6.1 The DPE had issued guidelines vide O.M. No. DPE/14(24)2011-Fin. Dated 26th March, 2012 regarding buyback of shares. These guidelines only provides that if a CPSE decides to buy back its own shares from the shareholders using surplus cash, Department of Disinvestment (DoD) on behalf of major shareholders may tender/offer equity on behalf of Government of India. It further provides that CPSEs will amend their Articles of Association to provide for buyback of shares, provided such provision does not exist in their Articles of Association.

6.2. It has been observed that CPSEs are not looking into the merit based capital restructuring including the option of buyback of shares if they do not have plans to deploy surplus funds optimally for business purposes. Although CPSEs have been set for specific purpose, some of them are not able to deploy the cash/bank balances for viable business expansion. In such cases, buyback of shares improves investors' confidence in the company and is likely to help the company to raise capital in future when it requires funds for expansion/ diversification for growth. Thus, it supports their market capitalization, which is in the overall long term interest of the company.

6.3. In supersession of earlier guidelines, every CPSE shall look into and analyse/ deliberate in first Board meeting after the closure of the financial year the following parameters for the purpose of buyback:

(i) Cash and Bank balance;
(ii) Capital Expenditure and business expansion as committed with reference to the CAPEX incurred in the last 3 years;
(iii) Net-worth [Free reserves and paid-up capital, including other reserves (if any)];

(iv) Long term borrowing and further capacity to borrow on the basis of its 'Net worth';
(v) Any other financial commitments in the near future;
(vi) Business/other receivables and contingent liabilities, if any; and
(vii) Market price/book value of share.

6.4 Based on this analysis, it needs to be clearly brought out that surplus cash and bank balance with the CPSE shall be considered for restructuring of capital through buyback. However, every CPSE having net-worth of atleast **Rs. 2000 crore** and cash and bank balance of over Rs. **1000 crore** shall exercise the option to buy-back their shares.

## 7. Issue of Bonus Shares:

7.1 The Department of Public Enterprises had issued guidelines on issue of bonus shares by Public Sector Undertakings vide O.M. No. DPE/12(6)/95-Fin. Dated 10th November 1995 and O.M. No. DPE/13(21)-Fin. Dated 25th November, 2011 respectively. These guidelines provide that each Administrative Ministry may direct the CPSEs under their respective control that enterprises having reserves in excess of three times of their paid up capital should immediately consider the scope for issuing bonus shares to Government of India and pro-rata to other existing shareholders if partial disinvestment had occurred so far.

7.2 The Department of Expenditure had issued O.M dated 24th September, 2004 providing for that all profit-making companies must also consider issuing bonus shares to the Government. Subsequently, the Department vide its O.M. dated 23rd November 2005 stipulated that PSEs having large cash/free reserves and sustainable profitability will issue bonus shares. The Department of Economic Affairs vide its O.M. dated 5th January, 2016 provides that CPSEs with large cash/free reserves and sustainable profits may issue bonus shares.

7.3 The Government has from time to time underlined the desirability that CPSEs should capitalize a portion of their large reserves by issuing ***bonus shares*** to the existing shareholders. The issue of *bonus shares* helps in bringing about a balance between paid up capital & accumulated reserves and elicits good public response to equity issues of the public enterprises and its market capitalisation.

7.4 In supersession of all guidelines issued earlier, every CPSE should look into and analyze/ deliberate in their Board meeting/ Finance Committee, the issue of bonus shares when their defined reserves and surplus are equal to or more than **5 times** of its paid up equity share capital. In case, if it is decided not to issue bonus shares, the nominee 'official director' shall ensure that the board analyses the justification for the decision, and reasons for the same be recorded specifically.

7.5 However, every CPSE shall issue bonus shares if their defined reserves and surplus is equal to or more than **10 times** of its paid up equity share capital.

7.6 Defined reserves and surplus would mean free reserves, the share premium account, and the capital redemption reserve account.

**8 Splitting of Shares:**

8.1 Department of Expenditure vide its O.M. No. 7(2)/E-Coord/2005 dated 23rd November, 2005 provides that companies with high market price of shares will consider stock splits. However, it does not state when a CPSE needs to consider stock splits and simply mentions that CPSEs with high market price of share will consider splitting of shares.

8.2 It has been endeavor of the government to encourage participation of small investors in the capital market so as to increase the depth of the market, liquidity and trading volume of the shares. However, high price of shares sometimes acts as a deterrent for the investors to invest in the company. In view of this, the Board of the CPSEs needs to discuss and decide on the desirability of splitting the share.

8.3. However, a CPSE where market price or book value of its share exceeds **50** times of its face value will split-off its shares appropriately provided its existing face value of the share is equal to or more than Rs. 1.

**9. Miscellaneous Provisions:**

9.1 Net-worth as referred to in the above guidelines would have the same meaning as defined in the Companies Act, 2013, as amended from time to time.

9.2 The above guidelines on payment of dividend, bonus shares, buyback and splitting of shares would be subject to the provisions of the Act under which a CPSE has been set up, as amended from time to time and any other extant regulations/rules.

9.3 In case, any CPSE is not able to comply with any of the above guidelines, specific exemption has to be obtained from DIPAM, Ministry of Finance, Government of India through their Administrative Ministry/Department. The Administrative Ministry will ensure the compliance of these guidelines and refer proposals for exemption(s) to the DIPAM alongwith their opinion/comments and concurrence of the Financial Adviser in the matter.

9.4 The Department of Public Enterprises (DPE) which conducts an annual survey may consider an appropriate modification, if required, in their existing format to adequately capture various aspects of the above guidelines for the efficient management of GoI's investment in CPSEs. The findings of the Survey may also be suitably incorporated in its annual publication on "Public Enterprises Survey".

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**ANNEXURE - 4**

## BUDGET ACTIVITY SCHEDULE

**Date of Budget Presentation (Anticipated as per Cabinet approval):**
**1st February, xxxx at 11 a.m.**

| S. No | Budget Activity | Tentative Dates |
|---|---|---|
| 1. | Issue of Budget Circular to all Ministries/Departments regarding framing of estimates of receipts and expenditure, time schedule, etc. | 16th September, xxxx (Completed) |
| | **A. Expenditure Estimates and Other Preparatory Activities** [Revised Estimates (RE) and Budget Estimates (BE)] | |
| 2. | Pre-Budget meetings taken by Finance Secretary and Secretary (Expenditure) to discuss RE and BE ceilings [**Action: Budget Division**] | 12th October to 12th November, xxxx (To be completed) |
| 3. | Processing of Actuals for incorporation in Budget Volumes [**Action: All Ministries/Budget Division**] | 3rd December, xxxx (To be completed) |
| 4. | Finalizing Ceilings & communication thereof to Ministries/Departments [**Action: Budget Division**] | 13th December, xxxx |
| 5. | Feeding of UBIS lines with Provisional figures of RE & BE [**Action: Budget Division & Administrative Ministry**] | 20th December, xxxx |
| 6. | Output Outcome Monitoring Framework to be received from Ministries/Departments after vetting by Department of Expenditure **[Action: Department of Expenditure/NITI Aayog]** | 27th December, xxxx |
| 7. | Receipt of advance GDP Estimates [**Action: CSO**] | 7th January, xxxx |
| 8. | Receipt of advance GDP Growth rate numbers from Economic Division [**Action: CEA**] | 7th January, xxxx |
| 9. | Receipt of internal and Extra-budgetary resources (IEBR) of Central PSUs' [**Action: PFC-II Division**] | 7th January, xxxx |
| 10. | Finalisation of Extra-budgetary Resources of Ministries/ Departments [**Action: Budget Division**] | 11th January, xxxx |

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| **B. Receipts Budget** | | |
| 11. | Processing and finalisation of estimates of recoveries of loans and advances and interest receipts rendered by Ministries/ Departments<br>[**Action: Budget Division**] | 16th Dec, xxxx (Provisional) & 7th January, xxxx (Final) |
| 12. | Processing and finalisation of estimates of Non-Tax Revenue Receipts rendered by Ministries/ Departments and Secretary (EA) level meetings on PSU Dividends/Non-Tax receipts with select Ministries/Departments<br>[**Action: Budget Division**] | 16th December, xxxx (Provisional) & 7th January, xxxx (Final) |
| 13. | Processing and finalisation of estimates of Public Account transactions including NSSF rendered by Ministries and finalisation of Capital receipts (excluding those relating to transfers/withdrawal from Reserve Funds, the details of which are available in Final SBEs)<br>[**Action: Budget Division**] | 6th December, xxxx |
| 14. | (a) Receipts of Estimates of Tax Revenue (RE & BE)<br>(b) Re-confirmation/Modification if any, of tax-Revenue Estimates (RE & BE)<br>[**Action: Department of Revenue – TRU/TPL**] | 16th December, xxxx (Provisional) 10th January, xxxx (Final) |
| 15. | Statement of Revenue Impact of Tax Incentives under the Central Tax System to be finalized<br>[**Action: Department of Revenue – TRU/TPL**] | 11th January, xxxx |
| **C. Activities/Meetings under direct Guidance of Hon'ble Finance Minister** | | |
| 16. | Formation of Budget Group under Chairpersonship of FM<br>[**Action: Budget Division**] | 1st December, xxxx |
| 17. | Finance Minister's Meetings with Stake Holder/ Groups/Chambers of Commerce/Associations, etc.<br>[**Action: Economic Division**] | 15th November, to 17th December, xxxx |
| 18. | Finance Minister's Meeting with Parliamentary Consultative Committee<br>[**Action: Budget Division**] | Last week of December xxxx (exact date to be finalized by FM Office) |
| 19. | Pre-Budget Meeting of FM with State Finance Ministers | Last week of December xxxx (exact date to be finalized by FM Office) |

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| 20. | 'Implementation of Budget Announcements' – to be finalized<br>**[Action: DEA – Admin. Division]** | 20th December, xxxx |
| **D. Gross Budgetary Support (GBS) Related Activities** | | |
| 21. | Resources forecast by Finance Ministry in respect of externally aided projects of Centre and States<br>[**Action: Budget Division & CAAA**] | 10th December, xxxx |
| 22. | Receipts of SBEs (Final) from Ministries along with write-up<br>[**Action: Budget Division**] | 7th January, xxxx |
| **E. Other Budget Related Activities** | | |
| 23. | Assessment of borrowings<br>[**Action: Budget Division**] | 14th January, xxxx |
| 24. | Proposals for Finance Bill<br>[**Action: TRU/TPL of Department of Revenue/All concerned Ministries**] | As per **Annexure-1** |
| 25. | Finalization of Complete Finance Bill (Both in Hindi and English)<br>**[Action: CBDT/CBIC/Legislative Department]** | 24th January xxxx |
| 26. | Finalization of the Memorandum explaining the provisions in the Finance Bill<br>**[Action: CBDT/CBIC/Legislative Department]** | 27th January xxxx |
| **F. 'Lock in' of Budget Press [Starting 28th January, xxxx]** | | |
| 27. | Finalisation of Finance Minister's Budget Speech | 28th January, xxxx |
| 28. | Finalization of FRBM Documents<br>[**Action: Budget Division**] | 28th January, xxxx |
| 29. | Preparation of Summary for the Cabinet<br>[**Action: Budget Division**] | 28th January, xxxx |
| 30. | Obtaining approval of the PM on the '**Summary for the President'** | 31st January, xxxx |
| 31. | President's recommendation under Articles 112, 115 & 117 of the Constitution | 1st February, xxxx |
| 32. | Cabinet Meeting | 1st February, xxxx |
| 33. | Presentation of Budget in Lok Sabha | 1st February, xxxx |
| 34. | Introduction of the Finance Bill in Lok Sabha | 1st February, xxxx |
| 35. | Laying of Budget Documents in the Rajya Sabha | 1st February, xxxx |
| 36. | Printing of Budget Documents | As per **Annexure-2** |

**Budget schedule for TPL/TRU Divisions in the Department of Revenue:**

| SI No. | Activity | Time Schedule |
|---|---|---|
| **1.** | All Budget Discussions to be completed and approvals of FM (including consultation with PM, if any) obtained and preparation of files to start | 31st December, xxxx to 7th January, xxxx |
| **2.** | Finalization of Statement of Revenue Impact of Tax Incentives Under the Central Tax System | 10th January, xxxx |
| **3.** | Detailed Estimates of Tax receipts to be sent to Budget Division | 10th January, xxxx |
| **4.** | All Files to reach Law Ministry | 3rd January, xxxx to 10th January, xxxx<br>**Total 8 days** |
| **5.** | Drafting, Collation etc. | To be completed by 20th January, xxxx |
| **6.** | Law Ministry to give print ready version of the Finance Bill/Memorandum explaining provisions of Finance Bill | 25th January, xxxx |
| **7.** | Print Orders for Finance Bill | 1st February, xxxx |
| **8.** | Budget Presentation | 1st February, xxxx |

**Printing Schedule for Budget Documents:**

| SI No. | Document | Printing Schedule |
|---|---|---|
| **1.** | Finance Bill, 2022 | 1st February, xxxx |
| **2.** | Budget Speech | 31st January, xxxx |

## ANNEXURE 5

## ROLES AND RESPONSIBILITIES OF VARIOUS SECTION OF BUDGET DIVISION

| Sr. No. | Sections | Other Work |
|---|---|---|
| 1. | **ACCOUNTS**<br><br>**List of demands:**<br>1. Civil Pensions<br>2. Department of Posts<br>3. Department of Telecommunications<br>4. Defence Services (Revenue)<br>5. Defence Services (Capital)<br>6. Defence Services (Miscellaneous)<br>7. Defence Pensions<br>8. Railways | 1. Accounting classification<br>2. Vetting of Accounting Procedure<br>3. Operation of approved funds in respect of external assistance drawn by CAAA before C&AG concurrence;<br>4. Government Accounting Standards proposed by C&AG<br>5. Administering Public Accounts, including National Defence Fund (other than fixing interest rates), etc.<br>6. GFR and DFPR related issues<br>7. All issues related to administration, Collection & Transfer of Cesses<br>8. Administration of Central Road and Infrastructure Fund.<br>9. Distribution/allocation of resources from National Investment Fund.<br>10. Mapping of previous year's actuals (coordination with all sections)<br>**Statement of Expenditure Profile**<br>**Statement No./Name**<br>**1**-Summary of Expenditure<br>**2A**-Statement of Major Variations of Expenditure between BE and RE of the current year<br>**2B**- Statement of Major Variations of Expenditure between RE of the current year and BE of the next year<br>**3**-Expenditure of Ministries and Department<br>**14-**Expenditure charged on the Consolidated Fund of India<br>**15**- Major Reserve Funds operated in Public Account<br>**17**-Reconciliation between Expenditure shown in Demands for Grants, Annual Financial Statement and Budget Profile Statement<br>**Railways Statements** |
| 2. | **BUDGET ADMINISTRATION**<br>**List of demands :**<br>1. Ministry of Housing & Urban Affairs<br>2. Department of Chemicals & Petrochemicals<br>3. Department of Fertilisers<br>4. Department of Pharmaceuticals<br>5. Ministry of Home Affairs<br>6. Police<br>7. Cabinet<br>8. M/o Personnel, Public Grievances and Pensions<br>9. Central Vigilance Commission<br>10. M/o I &B | 1. Internal administration of Budget Division, including PDMC & Budget Press<br>2. Estimation/allocation of Secret Expenditure<br>3. Nomination for domestic/ foreign training<br>4. Finalization of Key to Budget document<br><br>**Statement of Expenditure Profile**<br>**Statement No./Name**<br>**4C**-Other Central Expenditure<br>**4D-** Other transfers<br>**9**-Grants in Aid to Private Institutions/Organisations /Individuals<br>**21**-Contribution to International Bodies<br>**23**-Budget Provisions under "Grants-in-aid-Salaries" |

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| **3.** | <u>**DEMAND**</u><br><br>**List of demands :**<br>1. Department of Health & Family Welfare<br>2. Deptt. of Health Research<br>3. Department of AYUSH<br>4. Department of School Education & Literacy<br>5. Department of Higher Education<br>6. Ministry of Women and Child Development<br>7. Ministry of Social Justice & Empowerment<br>8. Ministry of Minority Affairs<br>9. Ministry of Tribal Affairs<br>10. Department of Disability Affairs | 1. Issuing the Budget Circular<br>2. Finalising list of Demands as per the Allocation of Business Rules<br>3. Format of Demands for Grants as per the Estimates Committee/ Public Accounts Committee<br>4. Compilation of Demands for Grants of all the Ministries/Departments<br>5. Corrections in Detailed Demands for Grants after the Demands for Grants are passed by Parliament<br>6. Opening of new subhead/s, detailed head/s and object head/s of accounts in Detailed Demands for Grants<br>7. Preparation of main Appropriation Bills<br>8. Preparing Vote on Account, if required.<br>9. Finance Bill/Memorandum explaining provisions of Finance Bill- Coordination with M/o Law & Justice/DoR<br>10. Gender Budgeting<br>11. Work related to TCE as per Treasurer Charitable Endowment Act, 1890<br>12. Periodic updation of Budget Manual/Section level SoPs<br>**Statement of Expenditure Profile**<br>**Statement No./Name**<br>**12**-Allocations for the Welfare of Children<br>**13**-Gender Budget<br>**16**-Budget Provisions by Heads of Accounts<br>**22**-Estimated strength of Establishment and provisions thereof |
| **4.** | <u>**FRBM**</u><br><br>**List of demands :**<br>1. Delhi<br>2. Puducherry<br>3. J&K<br>4. Ladakh<br>5. Chandigarh<br>6. Dadra & Nagar Haveli and Daman & Diu<br>7. Andaman and Nicobar Islands<br>8. Lakshadweep<br>9. Department of Public Enterprises<br>10. Department of Investment & Public Asset Management | 1. Administration of FRBM Act/Rules<br>2. Medium-term Expenditure Framework (MTEF)<br>3. Disclosure Statements under the FRBM Act/Rules (Tax revenue raised but not realized/Assets Register etc.)<br>4. Review of trends in receipts and expenditure<br>5. Annual borrowing permission to UTs with Legislature<br>6. Budget Statistics (Receipts/Expenditure/debt/deficit) Compilation & Analysis<br>7. Inputs for Credit Rating Agencies<br>8. Medium Term Fiscal Policy Strategy Statement<br><br>**Statement of Expenditure Profile**<br>**Statement No./Name**<br>**5**-Transfers to Union Territories with Legislature |
| **5.** | <u>**NATIONAL SAVINGS**</u><br><br>**List of demands :**<br><br>1. Ministry of Youth Affairs & Sports<br>2. Ministry of Culture<br>3. M/o Tourism<br>4. M/o Corporate Affairs<br>5. M/o Planning | 1. Policy and administration of all Government Small Savings Schemes and related issues<br>2. Administration of NSSF<br>3. Administration of NSI<br>4. Compilation and analysis of statistics on small savings<br>5. Investment in special securities of the Central Government/State Governments<br>6. Receipt Budget (Statements related to small savings)<br>7. Administration of SCWF<br>8. Fixing of RoI on small saving schemes |

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| **6.** | **PLANNING & ALLOCATION**<br><br>**List of demands :**<br>1. Department of Agriculture & Cooperation<br>2. Department of Agricultural Research & Education<br>3. Department of Animal Husbandry, Dairying<br>4. Deptt. of Fisheries<br>5. Department of Food & Public Distribution<br>6. M/o Food Processing Industries<br>7. Department of Consumer Affairs<br>8. Ministry of Water Resources, River Development & Ganga Rejuvenation<br>9. Ministry of Road Transport & Highways<br>10. Ministry of Ports, Shipping & Waterways<br>11. Ministry of Civil Aviation<br>12. Ministry of Cooperation | 1. Gross Budgetary Allocation/Communication of RE/BE ceilings<br>2. Issues concerning Central Sector and Centrally Sponsored Scheme<br>3. Externally Aided Projects<br>4. Issues related to EBR<br>5. Outcome Budget<br>6. SC/ ST/ NER allocation<br>7. Processing of recommendations relating to Union Budget<br><br>**Statement of Expenditure Profile**<br>**Statement No./Name**<br>**4A**-Centrally Sponsored Schemes<br>**4B**-Central Sector Schemes<br>**10A**-Allocation for welfare of Scheduled Castes<br>**10B**- Allocation for welfare of Scheduled Tribes<br>**19**-Externally Aided Projects<br>**27**-Extra Budgetary and other Resources (Government fully serviced bonds and NSSF Loan) (with NS Section) |
| **7.** | **PUBLIC DEPOSIT**<br><br>**List of demands :**<br>1. Department of Commerce<br>2. Department of Industrial Policy & Promotion<br>3. Ministry of Steel<br>4. Ministry of Textiles<br>5. Ministry of Micro, Small and Medium Enterprises<br>6. Ministry of Mines<br>7. Ministry of Labour<br>8. Department of Heavy Industry<br>9. M/o Skill Development & Entrepreneurship | 1. Fixation of Interest rate on Loans and Advances sanctioned by Central Government to States/Union Territory Governments; Public Sector Enterprises, Commercial Departments; and on advances to the Government servants for purchase of conveyance, HBA, etc.;<br>2. Rates of interest on administered interest rates including GPF, Special Deposit Scheme, Employees Provident Fund (EPF), Coal Mines Provident Fund, National Defence Fund, etc.<br>**3.** Recovery of Principal and Interest on all Government loans<br>4. Recoveries of Loans and Advances, with interest, including from Public Sector Units/ Financial Institutions.<br>**5.** Computerization of Budget work, including that relating to NTR<br>**6.** Administration of PD Act, 1844 & G S Act, 2006<br>7. Compilation, Monitoring and review of NTR<br>8. Compilation/monitoring and disclosure of Statement of arrears of NTR (as required under FRBM Act/rules)<br>9. Coordination of legal matters & court cases of Budget Division<br>10. Issues concerning CPSEs<br>11. Issues related to IEBR<br>12. Receipt Budget Coordination (Statements related to NTR)<br><br>**Statement of Expenditure Profile**<br>**Statement No./Name**<br>**8-**Departmental Commercial Undertakings: Net Budgetary Support for Revenue Expenditure<br>**11**-Allocations for the North Eastern Areas<br>**20**-Grants and Loans to Foreign Government<br>**25**-Resources of Public Enterprises<br>**26**-Investment in Public Enterprises |

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<tr><td>8.</td><td><u>REPORT & COORDINATION</u><br><br>List of demands :<br>1. Law & Justice<br>2. Election Commission<br>3. Supreme Court of India<br>4. President<br>5. Vice President<br>6. Rajya Sabha<br>7. Lok Sabha<br>8. Ministry of Parliamentary Affairs<br>9. Union Public Service Commission<br>10. Indian Audit and Accounts</td><td>1. Administration of the C&AG (Duties, Powers and Conditions of Service) Act, 1971<br>2. Entrustment/re-entrustment of audit of Non-Government Bodies and Authorities to the C&AG of India under Section 20(1) of the C&AG's (DPC) Act, 1971<br>3. Processing Audit reports of the C&AG of India relating to the Accounts of the Union Government and laying them in both houses of Parliament in pursuance of Article 151 of the Constitution of India after obtaining approval of the President of India<br>4. Coordination work on PAC Report, PAC paras and other Parliamentary Committees<br>5. Miscellaneous Reports of the Budget Division<br>6. Coordination of Parliament Issues<br>7. Intra-division Coordination Matters<br>8. Pre-Budget Meetings Coordination<br>9. Security and other arrangements inside the quarantine zone.<br>10. Grievance redressal<br>11. Pre-independence Government obligations and financial settlement with Pakistan.<br>12. Implementation of Budget Announcements document (coordination with Admn. Division, DEA)<br>Statement of Expenditure Profile<br>Statement No./Name<br>6- Allocation under the Object Head Grants for Creation of Capital Assets<br>7-Statement of Subsidies and Subsidies related Schemes<br>24-Assistance given to Autonomous and Grantee Bodies</td></tr>
<tr><td>9.</td><td><u>STATES</u><br>List of demands :<br>1. Transfers to State Governments<br>2. Ministry of Development of North Eastern Region<br>3. Ministry of Power<br>4. Ministry of New & Renewable Energy<br>5. Ministry of Petroleum & Natural Gas<br>6. Department of Rural Development<br>7. Ministry of Panchayati Raj<br>8. Department of Land Resources<br>9. Ministry of Drinking Water and Sanitation<br>10. M/o Coal</td><td>1. Constitution of Finance Commission and processing of its reports.<br>2. State related issues<br>3. Common Pool of Resources for North Eastern Region.<br>4. Presentation of Budget/ Supplementary Demands for Grants in respect of States under President's Rule.<br>5. Release of States' share of Central Taxes & duties.<br>6. Receipt Budget Coordination (Statements of tax receipts including summary statement, trend analysis, reconciliation, States share of tax revenue in revenue etc.)<br><br>Statement of Expenditure Profile<br>Statement No./Name<br>18- Total Transfer of Resources to States/UTs</td></tr>
<tr><td>10.</td><td><u>SUPPLEMENTARY DEMAND</u><br><br>List of demands:<br>1. Ministry of Environment & Forests<br>2. Department of Atomic Energy<br>3. Department of Science & Technology<br>4. Department of Scientific & Industrial Research<br>5. Department of Biotechnology<br>6. Ministry of Earth Science<br>7. Department of Space<br>8. Ministry of Electronics & Information Technology<br>9. M/o External Affairs<br>10. M/o Statistics & Prog. Implementation</td><td>1. Presentation of Supplementary Demands for Grants<br>2. Presentation of Demands for Excess Grants<br>3. Government Guarantees<br>4. Work related to Contingency Fund of India<br>5. Receipt Budget (Statement of guarantees given by Govt., Liability on annuity projects etc.)</td></tr>
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| | | |
|---|---|---|
| **11.** | **<u>WAYS & MEANS</u>**<br><br>**List of Demands:**<br><br>1. Department of Economic Affairs<br>2. Department of Financial Services<br>3. Department of Expenditure<br>4. Department of Revenue<br>5. Direct Taxes<br>6. Indirect Taxes<br>**7.** Repayment of Debt<br>**8.** Interest Payment | 1. Receipt Budget Coordination (Statements of Capital receipts/ Govt. debt/liabilities)<br>2. Market Borrowings<br>3. Monitoring of ways & Means Position of GoI<br>4. Administration of Special Bonds issued by the Government of India (viz. Savings Bonds/ Relief Bonds), etc.<br>5. Electoral Bonds Scheme/Sovereign Gold Bond Scheme<br>6. Cash Management Guidelines |
| **12.** | **<u>Public Debt Management Cell (PDMC)</u>** | 1. Planning of market borrowings of GoI, other domestic borrowing activities of GoI through specific products, including Sovereign Gold Bond issuance.<br>2. MIS on Central Government liabilities, including Internal Debt, contingent Liabilities and NSSF.<br>3. Monitor cash balances of the Government, improve cash forecasting and promote efficient cash management practices.<br>4. Foster a liquid and efficient market for Government securities.<br>5. Analyse and advise concerned Divisions of DEA on the proposals of External borrowing as regards cost, tenure, currency, hedging requirements etc. and monitor development in foreign exchange markets. (**Note:** External borrowing proposals would, however, continue to be negotiated by MI and BC Divisions and AAA Division will continue to provide requisite back office support.)<br>6. Develop an Integrated Debt Database system (IDMS) as a Centralized data base for all liabilities of GoI, on a near real time basis.<br>7. Advise on matters related to Investment, Capital Market operations, Guarantee proposals, administration of interest rates on Small savings, and various loans and advances given by GoI.<br>8. Undertake requisite market interface with various stake holders, including Government departments, Central Bank, investors, primary dealers, financial market regulators, market participants, etc. to carry out assigned functions efficiently.<br>9. Undertake such research work, including those relating to new products development, market development, risk management, debt sustainability assessment, and other debt management functions, as and when required by Ministry of Finance.<br>10. Undertake requisite preparatory work for PDMA.<br>11. Legislation : Government Securities Act, 2006 |

- Above work allocation is subject to change

## ANNEXURE 6

## MANUALLY GENERATED STATEMENTS / DATA

| Statement | Title of the Statement | Checklist |
|---|---|---|
| (1) | (2) | (4) |
| 2A | Statement of Major Variations of Expenditure between BE and RE of current year | This statement is to be compiled manually from Expenditure Budget by carefully scrutinizing major items of expenditure<br>These statements are based on classification of functional Major Head.<br>For. Exp for Health ,allocation under Major Head 2202 are taken not provisions of 3601/3602 |
| 2B | Statement of Major Variations of Expenditure between RE of current year and BE of next year | |
| 6 | Allocation under the Object Head Grants for creation of Capital Assets | Information is required to be obtained from all Ministries/Departments.<br>The grand total of the statement tallies with the total of such provisions made in all DDGs of Ministries/Departments.<br>Actuals should be matched with actuals provided by CGA, any difference should be brought to the notice of concerned ministry/department for correction. |
| 7 | Statement on Subsidies and Subsidy related schemes | This statement may need to be compiled from Expenditure Budget after thorough scrutiny of line entries.<br>Actuals should be matched with actuals provided by CGA, any difference should be brought to the notice of concerned ministry department for correction. |
| 8 | Departmental Commercial Undertakings – Net Budgetary Support for Revenue Expenditure | This statement shows the commercial/functional viability of departmentally run commercial undertakings functioning in Government.<br>Inputs for this statement is taken from specific SBEs.<br>Cross checking with receipt budget (Non Tax Revenue) |
| 9 | Grants in Aid to Private Institutions/Organisations/Individuals | Information is to be called for from Ministries/Departments. |
| 10A | Schemes for Scheduled Castes | These statements are compiled from the inputs provided by Ministries/Departments.<br>A separate letter from JS(Budget) may need to be issued in the last week of December.<br>Any major variation needs to be scrutinized<br>Figures should be in crore.<br>Ensure Ministries/Departments obligated should provide inputs |
| 10B | Schemes for Scheduled Tribes | |
| 12 | Allocations for the Welfare of Children | |
| 13 | Gender Budget | |
| 15 | Statement showing position of Major Reserve Funds operated in the Public Account | This statement is compiled from Expenditure Budget after thorough scrutiny of line entries. |

| | | |
|---|---|---|
| 17 | Reconciliation between Expenditure shown in Demands for Grants, AFS and Expenditure Profile Statement 16 | Though this statement is system generated, this requires manual checking from all SBEs/DGs. |
| 19 | Externally Aided Projects | Inputs for this statement is provided by office of the CAA&A |
| 20 | Grants and Loans to Foreign Governments | Details of expenditure provisions made under MHs 3605 and 7605 are shown in this statement |
| 21 | Contribution to International Bodies | May need to be compiled from the inputs provided by all Ministries/Departments |
| 22 | Estimated strength of Establishment and provision therefor | Compiled from the inputs provided by all Ministries/Departments, except Defence Services. |
| 24 | Assistance given to Autonomous/Grantee Bodies | Information is required to be called for from all Ministries/Departments and statement compiled.<br><br>Any major variation needs to be scrutinized<br><br>Figures should be in crore. |
| 28 | Railway Statements | Information for this statement is provided by Ministry of Railways. |

SYSTEM GENERATED STATEMENTS /DATA FROM SBE.

| Statement | Title of the Statement | Checklist |
|---|---|---|
| (1) | (2) | (4) |
| 1 | Summary of Expenditure | This statement shows the total of expenditure provisions made in all SBEs. The totals are verifiable from Statements 3, 4A, 4B, 4C & 4D. |
| 3 | Expenditure of Ministries/Departments | This statement indicates total expenditure provision made in each SBE with details of different categories of expenditure like establishment, CS, CSS, etc. |
| 4A | Centrally Sponsored Schemes | This statement highlights the allocations made towards CSS in different Demands for Grants.<br><br>Needs to be verified from individual SBE |
| 4B | Central Sector Scheme | This statement highlights the allocations made towards CS in different Demands for Grants. |
| 4C | Other Central Expenditure | These two statements bring out provisions made/classified in all Demands for Grants for 'Other Central Expenditure' and 'Other Transfers'. |
| 4D | Other Transfers | |
| 5 | Transfer to Union Territories with Legislature | This statement highlights the provisions made in different DGs for releases to UTs with Legislature. (Mostly from MH 3602 and 7602) |

| | | |
|---|---|---|
| 11 | Allocation for North Eastern Areas | This statement brings out details of expenditure provisions made under MHs 2552, 4552 and 6552 in all Demands for Grants<br>Should be cross verified from Statement 16 |
| 14 | Expenditure Charged on the Consolidated fund of India | This shows the provisions for charged expenditure in different Demands/Appropriations.<br>Should be verified from DG Summary. |
| 16 | Budget Provision by Head of Account | This Statement shows Major Head-wise provisions in all Demands/Appropriations for Revenue and Capital separately. |
| 18 | Transfer of Resources to States and Union Territories with Legislature | Brings out the total resources transferred to States and Union Territories through various Demands for Grants, excluding State's share of Union taxes and duties. |
| 23 | Budget Provision under 'Grants-in-aid Salaries | Compiled from the inputs provided by all Ministries/Departments |
| 25 | Resources of Public Enterprises | (i) Compiled from the inputs provided by all Ministries/Departments as Part C of SBE<br>(ii) Cross checked with information provided by PFC 2<br>(iii) Check that No CPSC is appearing in two demands. |
| 26 | Investment in Public Enterprises | Checked from individual Demands for Grants on the provisions made for investments in Public Enterprises.<br>Cross checked with information provided by PFC 2 |

ANNEXURE 7

## GUIDELINES FOR PREPARATION OF FRBM STATEMENTS

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 was enacted with a view to provide a legislative framework for reduction of deficit and debt, of the Central Government to a sustainable level so as to ensure inter-generational equity in fiscal management and long term macro-economic stability. The FRBM Act, 2003 and the FRBM Rules, 2004 made under the Act have come into force with effect from 5th July, 2004. As per FRBM Act, following two statements are prepared for submission to Parliament along with Budget:

i. Macro-Economic Framework Statement

ii. Medium Term Fiscal Policy cum Fiscal Policy Strategy Statements

### i. Macro-Economic Framework Statement:

As per the FRBM Act, the Macro-economic Framework Statement shall contain an assessment of the growth prospects of the economy with specification of underlying assumptions. The format of the Macro Economic Framework Statement as prescribed in the FRBM Rules is as under-

- Overview of the Economy- This paragraph shall contain a synoptic analysis of trends in growth rates, prices, output, external sector, money and capital markets. Information on key macro-economic indicators will be presented in the format appended.
- GDP Growth- This paragraph shall contain an analysis of trends in overall GDP growth and its sectoral composition.
- External Sector- Under this paragraph, trends in exports, imports, foreign exchange reserves, current account balance and balance of payments shall be presented.
- Money, Banking and Capital Markets- This paragraph shall present an account of the trends in money supply, bank deposits and credit and developments in the capital market.
- Central Government Finances- Under this paragraph, an analysis of trends in revenue collections and expenditure shall be presented. Trends in important fiscal deficit and debt indicators shall be presented. Trends in Central Government finances shall be presented in the format appended.
- Prospects- Based on the trends in major sectors presented in the previous sections, an assessment shall be made regarding the growth prospects, along with the underlying assumptions.

### ii. Medium Term Fiscal Policy cum Fiscal Policy Strategy Statements

This Document mainly contains following

a. **Fiscal Indicators -** Rolling Targets as a Percentage of GDP: this table indicated fiscal indicators for given years.

**b**. Fiscal Policy and Fiscal Outlook for given years:

The paragraphs mainly consists of following

- Tax Policy- In the sub-paragraph on tax policy, major changes proposed to be introduced in direct and indirect taxes in the ensuing financial year will be presented. It shall contain an assessment of income tax exemption limits and how far it relates to per capita income, principles regarding tax exemptions and target group for exemptions.
- Expenditure Policy- Under expenditure policy, major changes proposed in the allocation of expenditure shall be indicated. It shall also contain an assessment of principles regarding the benefits and target group of beneficiaries.
- Government Borrowings, Lending and Investment- In this sub-paragraph on Government borrowings, the policy relating to internal debt, external debt, Government lending, investments and other activities; including principles regarding average maturity structure, bunching of repayments, etc. shall be indicated.
- Contingent and Other Liabilities- Any change in the policy on contingent and other liabilities and in particular guarantees which have the potential budgetary implications shall be indicated.
- Pricing of Administered Goods- Any change proposed in the pricing of administered products, including the progress towards market-based principles shall be spelt out.

**c. Strategic Priorities for the Ensuing Year:**

- Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.
- The broad principles underlying the expenditure management during the ensuing year shall be spelt out.
- Priorities relating to management of public debt proposed during the ensuing year shall be indicated.

ANNEXURE 8

## BUDGET IN PARLIAMENT

* - Subject to the provisions of the Provisional Collection of Taxes Act, 1931 (XVI of 1931) which enjoins that some of the provisions of the Finance Bill shall take immediate effect.

| | | |
|---|---|---|
| 1. | General Discussion (1st phase) in both Houses of Parliament | As per Business |
| 2. | Finance Minister's reply to the General Discussion (in Lok Sabha and Rajya Sabha) | As per Business |
| | Both Houses adjourn for approximately one month from mid-February to enable the Department-Related Parliamentary Standing Committees to consider the Demands for Grants of different Ministries/Departments and prepare their Reports. | |
| 3. | Laying of reports of Standing Committees in Lok Sabha by Lok Sabha Secretariat | As per Business |
| | **Demands for Grants** | **Indicative Dates** |
| 4. | Notice to Secretary-General, Lok Sabha for making of Demands and forwarding of list of Demands of voted Grants to Lok Sabha | March |
| 5. | Discussion and voting on the Demands for Grants of selected Ministries in Lok Sabha | As per Business |
| 6. | Voting of remaining Demands for Grants through Guillotine In Lok Sabha | As per Business |
| | **The Appropriation Bill** | **Indicative Dates** |
| 7. | Forwarding of the draft Bill to Legislative Department | 2nd week of February |
| 8. | Summary for the President for introduction and consideration of the Appropriation Bill | 1st week of February |
| 9. | Notices for introduction and consideration and passing of the Appropriation Bill in Lok Sabha. | As per Business |
| 10. | Passing of the Appropriation Bill | 3rd week of March |
| 11. | Repeat action as at 53 above for Rajya Sabha | 3rd week of March |
| 12. | Consideration and passing of the Appropriation Bill by Rajya Sabha and its return to Lok Sabha. | 3rd week of March |
| | **Finance Bill** | **Indicative Dates** |
| 13. | President's recommendation for amendments to the Finance Bill | As per Business |
| 14. | Speech by Finance Minister in Lok Sabha at the start of consideration of the Finance Bill | As per Business |
| 15. | Consideration and passing of Finance Bill in Lok Sabha | 3rd week of March |
| 16. | Consideration of the Finance Bill in Rajya Sabha | 3rd/4th week of March |
| 17. | Finance Minister's reply in Rajya Sabha, Passing and return of the Finance Bill by Rajya Sabha | 3rd/4th Week of March |
| 18. | President's assent to the Appropriation Bill and Finance Bill | 4th week of March |

ANNEXURE 9

## CHECK LIST AND LEGISLATIVE PROCESS RELATED TO PRESENTATION OF BUDGET UNDER STATE RULES

### 9. States Section

9.1 Process for presenting the Budget of a State under the President's Rule.

a. A copy of the proclamation order of President of India indicating imposition of President's Rule in a State/UT (with legislation) is obtained;

b. Ministry of Home Affairs (MHA) is requested to send Budgetary proposals for RE of the current year/Budget Estimates for the ensuing year, in consultation with the State under the President's Rule. This exercise is done normally in the month of November/December, after release of expenditure ceilings, or as desired;

c. Estimates for Supplementary Demands for Grants for the current year/Budget Estimates of ensuing year (for the State) to be received through MHA, which shall be duly authenticated by Governor/Head of the State/UT(with legislation) and also with the approval Secretary/MHA;

d. Budget Estimates are checked with the corresponding expenditure ceilings released by Ministry of Finance pertaining to Demands for Grants of State/UT;

e. The documents are examined, as per the requirement of the Parliament. Drafting of Appropriation Bills along with Statement of Reasons are drafted;

f. President's Recommendation (as per constitutional requirement) to be sought before laying the Budget Documents (for both the Supplementary and Budget Estimates) in Parliament, including the **Statement of Reasons** and **Appropriation Bills.** Accordingly, a NOTE for PRESIDENT is sent through JS(B) à SEA àFM;

g. Approval upto the level of FM may be obtained on the NOTE for PRESIDENT for Rajya Sabha also to be taken at the time when the NOTE for Lok Sabha is being processed;

h. Simultaneously, the documents relating to Notices, duly signed by FM for laying the Budget Documents in Parliament addressed to Rajyasabha/LokSabha are to be got signed from FM (in view of the short time available with FM);

i. Briefing/Presentation on Budget to be given to Union Finance Minister, by the Finance Department of State/UT through AS&FA/MHA (on a convenient date available with FM);

j. Confirmation of the date of laying Budget Documents in Parliament is checked with the provisional calendar of sittings issued by Ministry of Parliamentary Affairs;

k. Vetting of the connected Appropriation Bill to be done by visiting Legislative Section, Ministry of Law & Justice;

l. Soft-copy of the Budget Speech and other Budget Documents to be obtained from Finance Department of State/UT. Budget Speech (Bilingual form) is printed in Budget Press, North Block after obtaining due approval from FM;

m. Logistic arrangements to arranging 20 No. of labourers from Ad-IV Section of Department of Economic Affairs, and from CRPF for getting the security arrangements for the big TRUCK to carry the Budget Documents to the Parliament. Security passes to be obtained from Parliament Security Cell/Parliament Cell, DoE of North Block. Request for Anti Sabotage Certification from Delhi Police. Gate Entry Passes for the day of laying and discussions of Budget from Parliament (LS/RS) for officers of Finance Department of State/UT, and Senior Officers of Budget Division;

n. Official Gallery passes for officers of Finance Department of State/UT, and Senior Officers of Budget Division, Ministry of Finance to be obtained through Parliament Cell;

o. Bill Section of Parliament seeks vetting of the Appropriation Bill with a request to send it directly to the Legislative Section, Ministry of Law & Justice. Budget documents are laid in the Parliament;

p. Coordination with the officers of Finance Department of the concerned State/UT during Parliamentary discussions. Inputs on Budget/SDG to FM are to be facilitated are land accordingly;

q. After the Appropriation Bill is passed in Lok Sabha, President's Recommendation is again sought for consideration of the **Appropriation Bill** in Rajya Sabha through, a NOTE for PRESIDENT to be moved by JS(B) à SEA àFM;

r. After obtaining President's Recommendation, the documents relating to Notices duly signed by FM shall be sent to Rajya Sabha, for consideration of the **Appropriation Bill** in Rajya Sabha;

s. Bill Section of Parliament seeks vetting of the Appropriation Bill and requests Budget Division to send it directly to the Legislative Section, Ministry of Law & Justice;

t. After the Appropriation Bill is returned by Rajya Sabha, Budget Division is to keep in touch with the Bill Section (of both Lok Sabha/Rajya Sabha) and the Legislative Branch, Ministry of Law & Justice TO GET THE PRESIDENT'S ASSENT; and

u. Finally, the Gazette Notification issued by Ministry of Law & Justice is to be forwarded to the Finance Department of State/UT.

ANNEXURE 10

## CHECK LIST AND LEGISLATIVE PROCESS RELATED TO PREPARATION AND PRESENTATION OF SUPPLEMENTARY BUDGET

1. The Supplementary Demand for Grants shall be presented to the Parliament in a number of batches as decided by the Ministry of Finance, Department of Economic Affairs. Data for preparation of Supplementary Demands for Grants is called for from the Ministries/Departments The Supplementary Demand for Grants shall normally consist of requirements of the following nature :-

   a. Cases where advances from Contingency Fund of India have been granted, which are required to be recouped to the Fund.

   b. Payment against a court decree, which cannot be postponed; and

   c. Cases of additional requirement of funds for making immediate payments, which can be met by re-appropriation of savings in the Grant but attract the limitation of New Service / New Instrument of Service.

   d. All applications for supplementary grants or appropriations

   e. In cases where the approved Revised Estimates would result in excess over the sanctioned provision in the Grant. The excess is separately assessed for the Revenue expenditure, Capital expenditure, the Voted expenditure and the Charged expenditure included in the Grant. Thus the Supplementary Demands will be required in cases where additional provision is required over and above the original budget provision.

2. Ministries/Departments are required to review their requirements on the following broad guidelines, before firming up their proposals for the supplementary demands for grants:

   a. Need for economy and rationalisation of expenditure;

   b. A thorough review of expenditure to explore the possibility of meeting the requirements for additionality through Token or Technical Supplementary;

   c. No new schemes and programmes, except those that are part of the Budget announcements should normally be introduced during the course of the financial year;

   d. Additional expenditure over and above the prescribed approved ceiling for individual schemes may not be ordinarily permitted;

   e. If there is an amendment to the existing scheme leading to requirements for additionality, Ministries/Departments should explore and locate matching savings from other schemes/ projects in the Demand;

   f. The mandatory cuts in terms of the austerity instructions should be enforced before determining the requirements for additionality;

g. The proposal for Supplementary Demand should be made only when the programme/ scheme for which additional provision is sought has been approved by competent authority and should be limited to the funding requirements within the relevant financial year.

Apart from the above measures the Ministries/Departments should carefully review the supplementary demands proposal to ensure that-

a. Demand Number and Headings are correctly entered;

b. Classification of Expenditure is made correctly viz., Capital/ Revenue / Major Head Number/Nomenclature.

c. Ensuring the forwarding/submission of a Nil Proposal to the Budget Division, if there is no proposal for supplementary demand.

d. Public Accounts Committee has been repeatedly commenting adversely on the increasing incidence of obtaining Supplementary Demands which at times are much higher than the original budget provisions, and thereby indicating at defects in budgeting. Similarly, there are instances of obtaining large provisions through Supplementary demands but surrendering at the close of the financial year, and therefore needs to be watched very carefully before making any demands for additionality through the Supplementary Demands for Grants.

3. Examination of Supplementary Demands for Grants

On receipt of an application for a supplementary grant, the Finance Ministry will review the position of the grant of appropriation as a whole with reference to the known actual expenditure of the year (to date) and the actual and estimates for previous years. If after this examination, the Finance Ministry comes to the conclusion that it should be possible for the Administrative Department to meet the expenditure from within the sanctioned grant either from normal savings or by special economics or in the last resort by judicious postponement of other expenditure or in the last resort by judicious postponement of other expenditure, the Administrative Department will be so informed and no supplementary demand will be presented to Parliament. If, on the other hand, the Finance Ministry considers that a supplementary grant will be necessary, a demand will be placed before Parliament.

4. Each Supplementary Demand for Grants is submitted after examination by Budget division as explained above, with suggested supplementary for consideration and approval of Secretary (Expenditure). After approval of Secretary(Expenditure), consolidated Supplementary Demands for Grants is prepared.

5. Check list for printing of Supplementary Demands for Grants

a. Budget Press printouts should be cross checked with the Approved Supplementaries.

b. Presentation protocol should be maintained same as Demand for Grants for exp. Charged Expenditure must be shown in Italics.

c. In case of voted expenditure it should be clearly mentioned that Supplementary Grant is being obtained and in case of Charged expenditure it should be clearly mentioned that Supplementary Appropriation is being obtained.

d. Write up or narration for each Supplementary must be precise, unambiguous and without any abbreviations.

e. To maintain uniformity following 'Suffix Sentences' are suggested;

**Cash Supplementary**

'………. This will entail cash outgo.' OR

'……As savings of ____ crore are available within the ______Section of the Grant this will entail cash outgo of ____ crore.

**Technical Supplementary**

…… As an equivalent amount will be surrendered from the _____ Section of the Grant, there will be no cash outgo.

**Token Supplementary**

…….. As savings are available within the same section of the grant, a token supplementary is sought.

f. In case of Contingency Fund of India Advance, the same must be indicated in the write-up. CFI Advances must be regularized WITHOUT FAIL.

g. All supplementary proposals should be sent with detailed background material for requirements during the parliamentary discussion.

h. Approved Draft of Supplementary must be VETTED by the concerned Ministries/ Departments.

i. Items requiring to be reported to Parliament must be carefully reviewed and sent within the prescribed timelines.

j. Major Heads and their nomenclature must be correctly indicated as per List of Major and Minor Heads of Account maintained by CGA.

k. In case of enhanced recoveries the same should be clearly mentioned in the Supplementary Demands for grants and similarly, in case of additional receipts or surrenders from other Demands due to transfer of work from that Ministry, the same should be indicated in the write-up.

l. Limits up to which expenditure can be met by re-appropriation of savings in a Grant subject to report to Parliament as laid down in MOF's OM No. F.1(23)-B(AC)/2005 dated 25.5.2006, should be scrupulously followed.

m. All the corrections/changes in the approved Supplementaries must be routed through US/DD of Supplementary Demands Section only.

6. Format of Supplementary Demands for Grants

a. Introductory Notes

a brief note is prepared on the nature of Cash/Technical/Token Supplementary to briefly describe the supplementary proposals to Parliament and Public.

**b. Content**

Content briefly indicate the nature of expenditure in the Demand for which Supplementary is being obtained along with the page number. Demand wise Supplementary Demands describing Revenue and Capital Expenditure [Original + Supplementary Grant and Total] is also shown.Contains details of Major Head wise Supplementary Demand revenue and capital; and each Demand contains a brief write-up explaining the purpose of the supplementary demand.

c. Annexure

Annexure as reported by the Ministries/Departments are included for reporting to Parliament. Any order for re-appropriation, issued during a financial year, which has the effect of increasing the budget provision under a sub-head or standard object head by more than the limit specified in Budget Division's OM No. F.1(23)-B(AC)/2005 dated May 25, 2006 or as mentioned in the Delegation of Financial Power Rules, is required to be reported to Parliament along with the final batch of the Supplementary Demands for Grants. This information is also called for from the Ministries/Departments by the Budget Division.

7. **Legislative Business connected with the Supplementary Demands for Grants**

a. Approval of Finance Minister is obtained for the consolidated Supplementary Demands for Grant, briefly indicating the Cash, Technical and Token Supplementary Demands (Format is same as Introductory Notes and is required to be prepared by the SD Section of Budget Division).

b. Summary of Proposals is approved by Finance Minister for seeking recommendations of President of India for making the Demands in the Parliament.

c. After President recommends the making of Demand in the Parliament, necessary notices for Discussion, Introduction, Consideration, Voting and Passing of the Demands are issued to Speaker, and the Secretary General, Lok Sabha.

d. Notices are also issued by Budget Division duly indicating the intention of Finance Minister to table the Supplementary Demand for Grants in Lok Sabha/Rajya Sabha.

e. A brief for FM is prepared by Budget Division to enable FM to facilitate reply to the Members of Parliament.

f. A copy of the Appropriation Bill is sent to Ministry of Law and Justice along with the Schedules for vetting purposes.

g. Finance Minister tables the Supplementary Demand for Grants both in Lok Sabha and Rajya Sabha on the appointed day. Parliament Section, Ministry of Finance prepares the necessary address as per the prescribed format.

h. Thereafter the Supplementary Demands are taken up for discussion in Lok Sabha.

i. In the meanwhile, Law Ministry sends the draft copy of the Appropriation Bill to Budget Division for vetting purposes.

j. The same is sent back to Lok Sabha Secretariat after vetting in the Supplementary Demands section.

k. On conclusion of the Discussions on the Supplementary Demand, FM replies on the discussion, after which the Supplementary Demands for Grants is put to the vote of Lok Sabha.

l. Thereafter the connected Appropriation Bill is put for (a) Introduction, (b) Consideration & (c) Passing by the Lok Sabha. [Speech as per normal template is prepared by Parliament Section, Ministry of Finance].

m. Budget Division gets a copy of the Appropriation Bill passed by Lok Sabha and seeks Hon'ble President's recommendations for making the Demand to Rajya Sabha.

n. After discussions and reply by Finance Minister, the Bill is put for consideration and Return by Rajya Sabha (necessary speeches for returning of Bill, etc is prepared by Parliament Section, Ministry of Finance).

o. The Bill is then sent to President by Lok Sabha Speaker for necessary assent.

p. After the assent of President, the Bill becomes an Act of Parliament and is published in the Official Gazette.

q. After publication in the Official Gazette, necessary notification is issued by Budget Division to this effect. Expenditure as per the Supplementary Demands for Grants can be incurred by Ministries/Departments only after the completion of this entire process of Parliamentary approvals.

ANNEXURE 11

## CONTINGENCY FUND OF INDIA RULES

**SRO 1358.** - In exercise of the powers conferred by Section 4 of the Contingency Fund of India Act, 1950 (XLIX of 1950), the Central Government hereby makes the following rules:-

### CONTINGENCY FUND OF INDIA RULES

1. These rules may be called the Contingency Fund of India Rules.

2. The Contingency Fund of India shall be held on behalf of the President by the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs.

3. An amount equivalent to forty per cent of the Fund corpus shall be placed at the disposal of Secretary, Ministry of Finance, Department of Expenditure for the purpose of meeting unforeseen expenditure, and beyond this limit, all further Contingency Fund releases shall be made with the approval of Secretary to the Government of India, Department of Economic Affairs, after the approval of Secretary to the Government of India, Department of Expenditure.

4. Subject to the provision of Rule 5 below, all applications for advances from the Fund shall be made to the Secretary to the Government of India, Ministry of Finance, Department of Expenditure. The applications shall give –

    (i) brief particulars of the additional expenditure involved,

    (ii) the circumstances in which provision could not be included in the budget,

    (iii) why its postponement is not possible,

    (iv) the amount required to be advanced from the Fund with full cost of the proposal for the year or part of the year, as the case may be, and

    (v) the grant or appropriation under which supplementary provision will eventually have to be obtained.

5. Applications for advances required shall be made to the Secretary to the Government of India, Department of Expenditure and applications for advances of new loans shall be made to the Secretary to the Government of India, Department of Economic Affairs, in the manner provided for in rule 4.

6. Advances from the Fund shall be made for the purpose of meeting unforeseen expenditure including expenditure on a new service not contemplated in the annual financial statement.

7. A copy of the order sanctioning the advance, which shall specify the amount, the grant or appropriation to which it relates and given brief particulars by sub-heads and units of appropriation of the expenditure for meeting which it is made, shall be forwarded by the Ministry of Finance to the Audit and Accounts Officers concerned.

8. (1) All expenditure so financed shall be regularised through the Supplementary Estimates presented to Parliament unless such advance has been resumed to the Contingency Fund in accordance with the provisions of sub-rule (2).

**NOTE 1.** -While presenting to Parliament Estimates for expenditure financed from the Contingency Fund, a note to the following effect shall be appended to such Estimates :-

'A sum of Rs. ………………………… has been advanced from the Contingency Fund in ………………………and an equivalent amount is required to enable repayment to be made to that Fund.'

**NOTE 2.** -If the expenditure on a new service not contemplated in the Annual Financial Statement can be met, 'wholly or partly' from savings available within the authorized appropriation, the note appended to the Estimates submitted shall be in the following form :-

'The expenditure is on a new service. A sum of Rs. …………………..has been advanced from Contingency Fund in ………………. and an equivalent amount is required to enable repayment to be made to that Fund.' The amount, viz., Rs. …………………………. can be found by re-appropriation.

'A part of that amount, viz., Rs. ……………………… of savings within the grant and a token vote only is now required, viz., Rs. ……………………. only.

a vote is required for the balance

(2) As soon as Parliament has authorized additional expenditure by means of a Supplementary Appropriation Act, the advance or advances made from the Contingency Fund, whether for meeting the expenditure incurred before the Supplementary Estimates were presented to the Parliament or after they were so presented, shall be resumed to the Fund to the full extent of the appropriation made in Act.

8. A. If in any case, after the order sanctioning an advance from the Contingency Fund has been issued in accordance with Rule 7 and before action is taken in accordance with Rule 8, it is found that the advance sanctioned will remain wholly or partly unutilized, an application shall be made to the sanctioning authority for cancelling or modifying the sanction, as the case may be.

8. B. All advances sanctioned from the Contingency Fund to meet expenditure in excess of the provision for the service included in an Appropriation (Vote on Accounts) Act shall be resumed to the Contingency Fund as soon as the Appropriation Act in respect of the expenditure on the service for the whole year, including the excess met from the advances from the Contingency Fund has been passed.

8. C. If during an Election year, two Budgets are presented to the Parliament, all advances, sanctioned from the Contingency Fund of India during the period between the presentation of first and second Budgets or during the period between the presentation of the second Budget and the passing of the connected Appropriation Act to meet expenditure on a service not included in an Appropriation (Vote on Account) Act and the advances outstanding at the end of the preceding financial year

being advances the estimates for which are included in the second Budget, shall be resumed to the Contingency Fund as soon as the Appropriation Act in respect of the expenditure on the service for the whole year has been passed.

**NOTE.** -A suitable explanation regarding the advance and the recoupment thereof shall be incorporated in the "Notes on Demands for Grants". Wherever required, such a case will be included in the statement of 'New Service' / 'New Instrument of Service' appended at the end of the demands.

9. A copy of the order resuming the advance, which shall give a reference to the number and date of the order in which the original advance was made and to the Supplementary Appropriation Act referred to in Rule 8, shall be forwarded by the Ministry of Finance and the Financial Officers concerned, in addition, to the Audit and Accounts Officers concerned. In addition, the Ministry of Finance shall forward copies of such orders to the Accountant General, Central Revenues, and the Director of Railways Audit if pertaining to the Railways.

10. An account of the transactions of the Fund shall be maintained by the Ministry of Finance in Form 'A' annexed to these rules.

11. Actual expenditure incurred against advances from the Contingency Fund shall be recorded in the account relating to the Contingency Fund in the same details as it would have been shown if it had been paid out of the Consolidated Fund.

ANNEXURE 12

## DIVISIONS UNDER PUBLIC ACCOUNT- DEPOSITS & ADVANCES, REMITTANCES, SMALL SAVINGS, NSSF AND VARIOUS OTHER FUNDS AND THE ACCOUNTING GUIDELINES RELATED TO PUBLIC ACCOUNTS

The Public Account of India has been divided into following Sectors and Sub Sectors-

Sector- I: Small Savings, Provident Funds etc.

Sector- J: Reserve Funds.

(a) Reserve Funds Bearing Interest; and

(b) Reserve Funds Not Bearing Interest.

Sector- K: Deposits and Advances.

(a) Deposits Bearing Interest;

(b) Deposits Not Bearing Interest; and

(c) Advances.

Sector- L: Suspense and Miscellaneous.

Sector –M: Remittances.

**Small Savings, Provident Funds etc:**

All Deposits under small savings schemes are credited to the ‘National Small Savings Fund’ (NSSF), established in the Public Account of India with effect from 1.4.1999. All withdrawals by the depositors are made out of the accumulations in the Fund. Balance in the Fund is invested in special Government Securities as per norms decided from time to time by the Central Government. States’ share of net collections under small savings (deposits minus withdrawals by subscribers) schemes under each State and Union Territory (with legislature) is advanced to the concerned State/Union Territory as investment in its special Securities and the balance if any, is invested in special Central Government Securities (forming part of the internal debt of the Government of India).

**Reserves and Reserve Funds:**

There are a number of Reserve Funds in the Deposit Section of the accounts of the Union Government, which have been created for specific and well defined purposes and are fed by contributions or grants from the Consolidated Fund of India or from outside agencies. The method of accounting applied to the three different classes of Reserve Funds is as follows-

1. **Funds Accumulated From Grants Made By Another Government:**

   The grants from another Government in the first instance be taken to the relevant head in the Deposit Section of the accounts of the Government to which the grant is made.

The expenditure from the grants accumulated in the fund, where the Government making the grant has not reserved any control to itself, will be entered in the relevant Service head of expenditure while an equivalent amount will be transferred to the corresponding Revenue head of account by debit to the Major/Minor Head to which the grants were originally taken. In cases where the other Government desires to retain some measure of control over expenditure from the grants made by it the procedure will be as laid down in category 3 below.

2. **Reserve Funds Fed By The Consolidated Fund Of India:**

The amounts voted by the legislature for transfer to the Reserve Fund are taken to the Deposit head reserved for the purpose. A second vote for the expenditure from the fund is not necessary but in order to bring the expenditure from the fund into the Appropriation Accounts, it should be accounted for under the relevant Service head and an equivalent amount transferred from the Deposit head concerned and shown as a deduct entry under the Service head concerned. Where, however, the legislature does not desire to retain any detailed control over the expenditure from the fund, the expenditure may be adjusted by direct debit from the fund.

3. **Funds Fed By Grants By Outside Agencies:**

The grants received from an outside agency will be taken to the appropriate head in the Deposit Section of account. In cases where outside agencies retain control over expenditure from the grants made by them, the expenditure from these funds is adjusted directly against the Deposit head under which the grants have been credited. If the outside agencies exercise no such control, then the expenditure will be entered under the relevant Service Major Head while an equivalent amount will be transferred to the corresponding Revenue head of account by debit to the Deposit head.

These principles and procedures do not apply to certain Reserve Funds, which are governed by special arrangements.

**Deposits:**

In the case of moneys received to be held as deposits with Government, it should be satisfied that these moneys can be properly credited to the Public Account of India by virtue of statutory provision or general or special orders of Government, since no item should be credited as deposit which should otherwise be credited as revenue receipt or in reduction of ordinary expenditure of the Government. It has to be ensured that the balances in deposit accounts are correctly carried over from year to year and that any deposit remaining unclaimed for such period as may be prescribed Government are duly credited as revenue receipts of the Government.

**Advances:**

Government occasionally makes loans and advances to public and quasi-public bodies and to individuals, some under special laws and others for special reasons or as a matter of recognized policy. The Accounts officers are required to see that the conditions of repayment of a loan or advance are complied with by the debtor and should exercise a close watch over repayment of principal and realization of interest, if any.

**Suspense and Miscellaneous Accounts:**

Under Suspense heads are recorded all such transactions as are ultimately removed either by payment or recovery in cash or by book adjustments. Unless otherwise provided for by rules, the use of Suspense heads for provisional adjustment of transactions ultimately adjustable under ordinary Revenue and Service heads should be avoided. It has to be ensured by the accounting authorities responsible-

1. That the unadjusted balance under these heads continue to represent bonafide assets or liabilities of Government capable of being realized or settled, as the case may be, and

2. That the satisfactory action towards such realization or settlement is being taken by officers responsible therefore.

All balances suspense heads must be reviewed at short intervals and in reviewing the balances it should be secured that no item remains unadjusted longer than is reasonably necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case, as prescribed by the Controller General of Accounts in consultation with the C&AG.

**Remittances:**

In the case of Remittance transactions, it should be seen that debits and credits are cleared either by receipt or payment in cash or by book adjustment under the relevant Service or Revenue heads of accounts, or are paired off by corresponding credits or debits within the same or in another accounting circle. An important part of the accounting responsibility is the scrutiny of balances from month to month in order to effect their early clearance and to determine the accuracy of the outstandings at the end of the year.

**ANNEXURE 13**

## BORROWING CALENDAR AND ISSUANCE OF PERIODICAL NOTIFICATIONS

**Borrowings**: Borrowing is a loan taken by the government and falls under capital receipts. Usually, Government borrows through issue of government securities called G-secs and Treasury Bills.

A Government Security (G-Sec) is a tradable instrument issued by Government. It acknowledges the Government's debt obligation. Such securities are short term (usually called Treasury Bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more.

Funds are mobilised by the Government to meet its fiscal needs in the form of Debt receipts as capital receipts. Dated securities are the predominant instruments used for financing fiscal deficit. These are issued through auctions as per two half-yearly issuance calendars covering the period April-September and October-March, respectively, in every financial year.The Auctions are conducted by RBI on its electronic platform called the E-Kuber, the Core Banking Solution (CBS).

The quantum of borrowingis decided in the meetings of the High level Monitoring Group on Cash and Debt Management (MGCDM) of the Central Government held half yearly intervals in the month of March and September i.e. before beginning of the H1 and H2 of the financial year and based on the deliberations an Indicative Market Borrowing calendar is released simultaneously by RBI and the Government with an objective to maintain transparency & keep the market participants well informed beforehand and to take them on board for the success of the Government's borrowing programme. The borrowing is equated in weekly tranches and be spread under 2/5/7/10/14/30 and 40 year tenors. The rates are either fixed or floating and on Yield or Price based auction. Yield-based auction is conducted when a new G-Sec is introduced.

Subsequently, based on the Market borrowings calendar, PDMC and RBI proposes/recommend the security selection for inclusion in the weekly borrowing notification.The Notification is released after obtaining the approval of the JS(Budget), after the market hours on every Monday subject to preponement/postponement in case of falling of a holiday on the scheduled day; simultaneously a press communiqué is released by RBI and Budget Division (W&M Section) byuploading ofthe same on their websites. Also the Notification is sent with digital signature to Government Pressthrough e-gazette portal for publication in the Gazette of India. The auction is conducted on every Friday and the result is posted on RBI's Website.

The Government in consultation with RBI also carries out the switch and buyback of own securities with an objective to ease out the redemption pressure in the following years. The auctions are conducted by RBI. These operations are carried out in the 3rd/4th weeks of the month. The Government has also an option to exercise greenshoe option to retain an additional subscription of ₹ 2,000 crore against each security indicated in the auction on the advice of RBI.

**Treasury bills** or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India to bridge the gap between receipts and payments and are presently issued in three tenors, namely, 91 day, 182 day and 364 day. Treasury bills are zero coupon securities and pay no interest. They are issued at a discount and redeemed at the face value at maturity. The size of borrowing throughT bills issuance is decided on quarterly basis and press release is issued by RBI after obtaining the Government's approval. Notification for T bills is released by RBI on every Friday and the auction is conducted on every Wednesday subject to preponement/postponement in case of falling of a holiday on the scheduled day.Apart, Government of India, in consultation with RBI had introduced a new short-term instrument, known as Cash Management Bills (CMBs) or nonstandard T bills, to meet the temporary mismatches in the cash flow of the Government of India. The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.

**Laying of Statement on Market Borrowing**– In pursuance of the recommendations of the Public Accounts Committee (3rd Lok Sabha) in their 2nd Report, the statement on Market Borrowing for previous year is laid in both Houses of the Parliament annually in the monsoon session. Before laying the statement, vetting is sought from RBI. Once RBI vets the data, the statements are submitted for the approval of MOS (Finance) for laying in the Parliament.

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**ANNEXURE 14**

## NATIONAL SMALL SAVINGS FUND

The Government of India has a basket of savings schemes which cater to the needs of small savers. These schemes are directly administered by the Ministry of Finance in Government of India and are operated through the countrywide network of Post Offices and select bank branches. The net proceeds from these schemes are invested in Central and State Government securities through loans extended to them at pre-prescribed interest rates.

2. The Small Savings Schemes include Sukanya Samriddhi Account Scheme, Post Office Savings Accounts, Time Deposits, Recurring Deposit, Kisan Vikas Patra, Senior Citizens' Savings Scheme and Public Provident Fund, etc. These were introduced at different points of time starting from 1873 to develop the habit of thrift in people, cater to the savings requirements of specific sections of the population and generate resources for investment by Government in the country's development. Currently, twelve such schemes are operating. The rate of interest on small savings schemes has technically been aligned with G-Sec rates of similar maturity and are reviewed quarterly.

**Arrangement of investment of NSSF corpus**

3. Till 31.03.1999, the share of States in the net proceeds of these Government Saving Schemes was being passed on to them as loan from Government of India directly from the Consolidated Fund of India. After 1.04.1999, the same was done through a Public Account Fund called National Small Savings Fund (NSSF) set up on the recommendations of the R V Gupta Committee (1999).

4. After 11.11.2011, as per the decisions taken on the recommendations of the Shyamala Gopinath Committee on Comprehensive Review of National Small Savings Fund, State Governments were allowed to take loans (either 50% or 100%) from net small savings collections realized from within their territorial jurisdiction. Surpluses (Balance cash of previous financial year plus amount received on redemption of Central and State Government securities) in the NSSF were invested equally between the Central Government and the State Government securities.

5. From FY 2016-17, based on approval of Union Cabinet, all states and UTs (with legislature) except Arunachal Pradesh, Madhya Pradesh, Kerala and NCT of Delhi were excluded from loans of NSSF, and NSSF corpus is being invested in various Public Agencies like as Food Corporation of India, etc.

6. From 01.04.2022, Govt. of Arunachal Pradesh has opted out from the operation of NSSF and currently, NSSF loan is being extended to only three States / UT i.e. Madhya Pradesh, Kerala and NCT of Delhi.

ANNEXURE 15

# CLARIFICATION ON THE FINANCIAL LIMITS FOR 'NEW SERVICE/NEW INSTRUMENT OF SERVICE'

*No.F.1 (23)-B (AC)/2005*
Government of India
Ministry of Finance Department
of Economic Affairs *(Budget Division)*

*New Delhi, the 25th May, 2006.*

**OFFICE MEMORANDUM**

***Subject: Revised Guidelines on Financial Limits to be observed in determining cases relating to 'New Service'/'New instrument of Service'.***

In accordance with the commitment made in the Fiscal Policy Strategy Statement (Budget 2005-06) under the mandate of the Fiscal Responsibility and Budget Management (FRBM) Legislation and in pursuance of the approval of Public Accounts Committee (2005-2006) in the twenty-third report (Fourteenth Lok Sabha) on the proposal for review of Financial Limits to be observed in determining the cases relating to 'NEW SERVICE'/'NEW INSTRUMENT OF SERVICE' for reappropriation of funds (Annex), which has the concurrence of the C&AG, the following revised guidelines for re-appropriation of funds are hereby conveyed, in modification of this Ministry's Office Memorandum No. F.7 (15)-B(RA)/82 dated 13th April, 1982.

**2. Definition of the terms 'New Service'/'New Instrument of Service' and its application:**

(i) 'New Service': As appearing in article 115(1)(a) of the Constitution of India, this has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Parliament earlier, including a new activity or a new form of investment.

(ii) 'New Instrument of Service': Refers to relatively large expenditure arising out of important expansion of an existing activity.

(iii) While using these terms and applying the financial limits as indicated in the Annex, it needs to be noted that no expenditure can be incurred from the Consolidated Fund of India on a 'New Service'/'New Instrument of Service' without prior approval of Parliament through supplementary demands for grants. Further, the determination of these financial limits will be with reference to Primary Unit of Appropriation.

(iv) Where in an emergent case of 'New Service'/'New Instrument of Service' it is not possible to wait for prior approval of Parliament, the Contingency Fund of India can be drawn upon for meeting the expenditure pending its authorisation by Parliament. Recourse to this arrangement should normally be taken only when Parliament is not in session. Such advances are required to be recouped to the Fund by obtaining a Supplementary Grant in the immediate next session of Parliament. However, when Parliament is in session, a Supplementary Grant should preferably be obtained before incurring any expenditure on a 'New Service'/ 'New Instrument of Service'. That is to say, recourse to Contingency Fund of India should be taken only in cases of extreme urgency; in such cases the following procedure recommended by the Sixth Lok Sabha Committee on Papers Laid on the Table in their 4th Report should be observed:

"As far as possible, before such withdrawal is made, the concerned Minister may make a statement on the floor of the Lok Sabha for information giving details of the amount and the scheme for which the money is needed. In emergent cases, however, where it is not possible to inform the Members in advance, the withdrawal may be made from the Contingency Fund and soon thereafter a statement may be laid on the Table of the Lok Sabha for the information of the Members".

It has been suggested by the Rajya Sabha Secretariat that the above procedure may also be observed in Rajya Sabha.

3. **Checks to be observed by the Ministries/Departments to ensure compliance of the provisions of this Office Memorandum are as under:**

(i) By Integrated Finance Division/Budget Unit: A specific certificate should be recorded in each case involving augmentation of sanctioned provision on receipt of related proposals, to the effect that the proposed augmentation attracts/does not attract financial limits of 'New Service'/ 'New Instrument of Service'.

(ii) By PAOs: Each expenditure sanction to be examined by PAOs from the 'New Service'/ 'New Instrument of Service' angle keeping in view the financial limits indicated in the Annex.

(iii) Where any doubt arises about the application of financial limits of 'New Service'/ 'New Instrument of Service', the PAO would seek decision from CCA/FA of appropriate jurisdiction.

4. **Circumstances for obtaining Supplementary grants for expenditure qualifying as 'New Service'/ 'New Instrument of Service' and the reporting procedure thereof are as follows:**

(i) if sufficient savings are available within the same section of the relevant grants for meeting additional expenditure to the extent mentioned in column 2 of the annex, re-appropriation can be made, subject to report to Parliament,

(ii) The Report to Parliament should ordinarily be made through the ensuing batch of Supplementary Demands for Grants, failing which by adding an Annex in the Detailed Demands of the Ministry/ Department for the ensuing year.

(iii) A suitable write-up of such cases where possible, may also be made in the Notes on Demands for Grants of the Ministry/Department.

(iv) Mere depiction of augmented provisions in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement to incur expenditure. In cases where the financial limits of 'New Service'/ 'New Instrument of Service' are attracted, approval of Parliament may be obtained for incurring such expenditure through supplementary demands for grants.

(v) The provisions in the 'Vote on Account' are not intended to be used for expenditure on any 'New Service'. In cases of urgency, expenditure on a 'New Service' during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund in the manner recommended by the Sixth Lok Sabha Committee on the Papers Laid on the Table already referred to in para 2(iv) of this OM. Such advances will be resumed to the Contingency Fund on enactment of Appropriation Act in respect of expenditure for the whole year.

5. **Exceptions:**

(i) Having regard to the volume and nature of Government transactions, it is not possible to list out all such cases which are not attracted by 'New Service'/ 'New Instrument of Service' limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure - including that resulting from re-organization of Ministries/ Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies, etc. assistance to foreign Governments, contributions to international bodies and fulfillment of Government guarantee on its invocation) are not attracted by the limits of 'New Service'/'New Instrument of Service'.

(ii) Transfers to State and Union Territory Governments are also exempt from these limits provided the scheme is not new.

(iii) Further, these limits are applicable only to expenditure which is subject to Vote of Parliament.

**6. Doubtful cases:**

In case of disagreement between the Integrated Finance Wing and Pay and Accounts Office, the Ministry/ Department may send a self-contained communication to the Budget Division, Ministry of Finance bringing out the specific point of doubt incorporating their Financial Adviser's views thereon. The decision taken by the Budget Division in the matter will be final.

**7. Conclusion:**

While agreeing to the revision of norms for re-appropriation of funds as annexed, the Public Accounts Committee in its twenty-third report (Fourteenth Lok Sabha) has concluded by stating as under:

"The committee also expects the Financial Advisors of the Ministries/Departments to ensure that there is no violation in implementation of the said revised norms for re-appropriation of funds and any slackness in complying with the said norms is strictly dealt with".

8. Hindi version will follow.

Dakshita Das

**(Dakshita Das)**
***Director (Budget)***

*To,*

1. All Ministries/Departments of the Government of India.
2. Financial Commissioner (Railways), Financial Adviser (DS), Member Finance (Telecom) and all other Financial Advisers.
3. Finance Secretaries of Union Territory Administrations (Chandigarh, Andaman and Nicobar Islands, Dadra and Nagar Haveli and Lakshadweep).
4. Controller General of Accounts, Controller General of Defence Accounts and Chief Controllers of Accounts.

*Copy forwarded for information to:*

1. Lok Sabha Secretariat (PAC) Branch/Rajya Sabha Secretariat.
2. Comptroller and Auditor General of India and all Directors of Audit/Accountants General.
3. Finance Secretaries of all State and Union Territory Governments.

Dakshita Das

**(Dakshita Das)**
***Director (Budget)***

Annex to Ministry of Finance O.M. No. F.1(23)-B(AC)2005 dated 25.05.2006

**Financial limits to be observed in determining the cases relating to 'NEW SERVICE/'NEW INSTRUMENT OF SERVICE'**

| Nature of transaction | Limits upto which expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament | Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund |
|---|---|---|
| 1 | 2 | 3 |
| **I. CAPITAL EXPENDITURE** | | |
| **A. Departmental Undertakings** | | |
| (i) Setting up a new undertaking, or taking up a new activity by an existing undertaking. | ... | All cases |
| (ii) Additional investment in an existing undertaking | Above Rs.2.50 crore but not exceeding Rs. 5 crore. | Above Rs. 5 crore |
| **B. Public Sector Companies/Corporations** | | |
| (i) Setting up of a new Company, or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company | | All cases |
| (ii) Additional investment in/loans to an existing company | | |
| (a) Where there is no Budget Provision | Above Rs.50 lakhs but not exceeding Rs.1 crore | Above Rs. 1 crore |
| (b) Where Budget Provision exists for investment and/or loans<br>Paid up capital of the Company | | |
| (i) Upto Rs. 50 crore | 20% of appropriation already voted or Rs.10 crore, whichever is less | Above 20% of appropriation already voted or Rs.10 crore, which ever is less. |
| (ii) Above Rs.50 crore | 20% of appropriation already voted or Rs.20 crore, whichever is less | Above 20% of appropriation already voted or Rs.20 crore, which ever is less. |
| **C. All bodies or authorities within the administrative control/management of Central Government or substantially financed by the Central Government.** | | |
| Loans | Upto 10% of the appropriation already voted or Rs.10 crore, whichever is less | More than 10% over the appropriation already voted by Parliament or Rs.10 crore, whichever is less |

**Note:** *Where a lumpsum provision is made for providing 'Loans' under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament, in the case of lumpsum provision of loans to States, the State-wise distribution should be reported to Parliament.*

| Nature of transaction | Limits upto which expenditure can be met by reappropriation of savings in a Grant subject to report to Parliament | Limits beyond which prior approval of Parliament is required for expenditure from the Consolidated Fund |
|---|---|---|
| 1 | 2 | 3 |
| **D. Expenditure on new Works (Land, Buildings and/or Machinery)** | Above Rs.50 lakhs but not exceeding Rs. 2.5 crore or not exceeding 10% of the appropriation already voted, whichever is less. | Above Rs.2.5 crore or above 10% of the appropriation already voted. |
| **II REVENUE EXPENDITURE** | | |
| **E. Grants-in-aid to any body or authority** | ... | All cases |
| *Note: Where a lumpsum provision is made for providing grants-in-aid under a particular scheme, the details of substantial apportionment (10% of lumpsum or Rs. 1 crore, whichever is higher) should be reported to Parliament. In the case of lumpsum provision of grants to States, the State-wise distribution should be reported to Parliament.* | | |
| **F. Subsidies** | | |
| (i) New Cases | ... | All cases |
| (ii) Enhancement of provision in the existing appropriation | Upto 10% of the appropriation already approved by the Parliament or Rs.10 crore, whichever is less | More than 10% of the appropriation already voted by Parliament or Rs.10 crore, whichever is less |
| Payments against cess collections | Limits as applicable to grants-in-aid to statutory or public institutions will apply | All cases |
| New Commissions or Committees of Enquiry | ... | Above Rs.20 lakhs (total expenditure) |
| **G. Write off of Government loans** | Above Rs.50,000 but not exceeding Rs.1 lakh (individual cases) | Above Rs.1 lakh (individual cases) |
| **H. Other cases of Government expenditure** | Each case to be considered on merits. | |
| **I. Posts**<br>**Railways**<br>**Defence** | The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence | The aforesaid limits, including those relating to Works expenditure, will also apply to these Departments subject to considerations of security in the case of Defence Services Estimates. |

*Note 1: For investment in Ordnance Factories, the limit of Rs.5 crore mentioned in item A (ii) will be applicable with reference to investment in all the factories as a whole.*

*Note 2: Civil Works, which do not form part of any project of the departmental undertakings (Ordnance Factories) should be treated as ordinary Defence works. As such, prior approval of Parliament will be necessary if the cost of individual works exceeds Rs.2.5 crore and in cases where the individual works cost Rs.50 lakhs or more but not exceeding Rs.2.5 crore, a report to Parliament will be required. A list of such works should, however, be supplied to Director of Audit, Defence Services.*

Ministry of Finance
Department of Economic Affairs
( *Budget Division* )

...

New Delhi,
21.5.2012.

**OFFICE MEMORANDUM**

**Subject:** **Clarification on the Financial Limits to be observed in determining cases relating to 'New Service'/'New Instrument of Service'.**

The undersigned is directed to invite attention to this Ministry's O.M. issued vide letter No.1(23)-B(AC)/2005 dated 25.5.2006, wherein the revised guidelines on financial limits to be observed in determining cases relating to 'New Service' (NS) / 'New Instrument of Service' (NIS) were prescribed, and to state that there has been lack of clarity at Ministry/Department level while determining the cases of NS/NIS on augmentation of funds under the object heads 'Grants-in-aid', 'Subsidies' and 'Major Works'. It is observed that Ministries/Departments, in some cases, have failed to obtain the prior approval of Parliament through Supplementary Demands for Grants whenever funds are augmented through re-appropriation of funds leading to avoidable objection from Audit. With the addition of new object heads like 'Grants for creation of capital assets', 'Grants-in-aid-Salaries', it has become necessary to issue a circular clarifying/amplifying the following:

'Grants in aid': Any augmentation under the object head 'Grants-in-aid' through re-appropriation of savings within the same section of grant requires prior approval of Parliament through Supplementary Demands for Grants *except in cases of Grants to States and Union Territory Governments on existing schemes.* Cases requiring augmentation of funds, arising out of reclassification of expenditure, from 'Grants-in-aid General', 'Grants for creation of capital assets' and 'Grants-in-aid-Salaries' under the same scheme also require the prior approval of Parliament.

'Subsidies': All cases for augmentation of funds (through either re-appropriation of funds or additionality) under the object head 'subsides' require prior approval of the Parliament through supplementary demands for grants, without any exemption.

'Major Works': A view is being held in some instances that the financial limits prescribed in column 3 against item 'D- Expenditure on New Works (Land, Buildings and/or Machinery)' in Annex to this Ministry's O.M. issued under letter No.F.1(23)-B(AC)/2005 dated 25.5.2006 are applicable to cases of 'New Works' only. This view is incorrect in view of the fact that column 3 also mentions about the augmentation of funds by above ₹ 2.5 crore or 10% of the appropriation already voted with the prior approval of the Parliament. Thus, the words 'appropriation already voted' refer to the existing on-going works and hence the financial limits prescribed under column 3 against item D- Expenditure on New Works (Land, Buildings and/or Machinery) are equally applicable to cases relating to existing works and attract provisions of 'New Instrument of Services'. It is therefore clarified that all cases relating to augmentation of funds under object head 'Major Works' would require prior approval of the Parliament in case the augmentation is above ₹ 2.5 crore or above 10% of the appropriation already voted irrespective of the fact that the augmentation is for 'New' Works or for the existing works.

( N.M.Jha )
Director (Budget)

All FAs/CCAs of Ministries/Departments.
JS(PF.I)/JS(PF.II)/JS(Pers) of Department of Expenditure for information.

ANNEXURE 16

## CASH MANAGEMENT SYSTEM IN CENTRAL GOVERNMENT

F. No. 12(13)-B(W&M)/2020
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)

...

Dated: May 25, 2022.

**OFFICE MEMORANDUM**

**Subject: Cash Management System in Central Government- Modified Exchequer Control-based Expenditure Management.**

Attention of all Ministries/ Departments is invited to the cash management guidelines issued by this Ministry vide its OM F. No. 15 (39)-B (R)/2016 dated August 21, 2017.

2. The aforementioned guidelines have been reviewed and hereby reiterated with select modifications to align them with the changed circumstances:

i. All FAs should ensure that Monthly/Quarterly Expenditure Plan (MEP/QEP) of respective Ministry/ Departments are prepared and included as an annex to their Detailed Demand for Grants (DDG). A copy of this should be furnished to the Budget Division in M/o Finance.

**MEP/QEP would enable the FA to track sanctions and concurrent expenditure against Budget provision available.** For the Budget Division in M/o Finance, the MEP/ QEP statement enables proper cash forecasting and management so that Administrative Ministry/ Departments are not hindered in drawing their budget allocations while implementing Schemes.

ii. **Ministry/ Departments are now permitted to utilize the unspent balances from QEP-1 in QEP-2 within a Financial Year under intimation to the Budget Division for cash management purposes.**

iii. **Unspent balances from QEP-2 and QEP-3 may be utilized in QEP-3 and QEP-4, respectively only after formal and prior approval of the Secretary (Expenditure) has been obtained. Ministry/ Departments should not under any circumstance presume prior approval of Secretary (Expenditure). This has to be formally obtained prior to utilizing the unspent balances. Seeking *post facto* approval is not an option.**

iv. **FAs should note that no more than 33% and 15% of expenditure of the Budget Estimates during a Financial Year shall be permissible in the last quarter and last month of the financial year, respectively.**

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v. **FAs are advised to take note the following:**

a) Within the MEP/QEP, calendar of **releases of amounts between ₹ 500 crore to ₹2,000 crore** has to be prepared to enable tracking of expenditure and cash flows. The range of dates for such releases may be kept between 21st (or next working day if 21st is a holiday) and 25th (or next working day if 25th is a holiday) of a month to take advantage of the GST inflows.

b) To the extent possible, the **bulk expenditure items of value more than ₹2,000 crore** may be timed in the last month of each quarter to utilize the direct tax receipt inflows in June, September, December and March. The releases may be kept within 17th (or next working day of 17th is a holiday) and 25th (or next working day if 25th is a holiday) in these months.

**Dates for these big releases of ≥ ₹ 500 crore shall be annexed to the MEP/QEP.**

c) In case a **major expenditure of ≥ ₹ 500 crore needs to be released outside the above prescribed dates, prior approval with two working days' notice, shall be taken from Budget Division. Prior permission from Budget Division shall be a pre-requisite for any single payment release under a scheme in excess of ₹ 5,000 crore. The FAs may guard against attempts to deliberately split expenditure to stay within limits.**

d) FAs will monitor the release of funds to autonomous bodies and other organisations to ensure that there is no undue build-up of funds with such bodies/ organisations and money is released to them just in time. **Stipulations regarding big releases of ≥ ₹ 500 crore shall also be applicable for releases by Autonomous Bodies under Treasury Single Account (TSA).**

vi. The exchequer control would apply cumulatively at the Demand for Grant (DG) level only i.e. inter-se variations between months within a quarter would be permissible, subject to statutory restrictions and guidelines in this regard.

vii. The provisions stipulated under Rule 230 (7) of GFR, 2017 shall be strictly complied by all Ministries/Departments and accordingly, the releases to the various Implementing Agencies (IAs) have to be restricted/rationalized keeping in view the unspent balances lying with the IAs. For this purpose, the Programme Division of Ministries/Departments shall take help of PFMS Portal to know the bank balance of the recipients (IAs) before making every fresh release.

25/08/22

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viii. **Instructions of Department of Expenditure regarding the procedure for release of funds under Centrally Sponsored Schemes and monitoring utilization of funds released, issued vide OM F.No. 1(13)/PFMS/FCD/2020 dated 23rd March, 2022 and the OM of even no. dated 28th March, 2022 and also guidelines for flow of funds under Central Sector schemes including implementation of Treasury Single Account (TSA), issued vide OM F. No. 1(18)/PFMS/FCD/2021dated 9th March, 2022 shall be complied with.**

ix. Financial Advisers shall review and **freeze the timing of the receipts of Dividend and various other Non-Tax receipts (NTRs)** of their respective Ministry/Departments. The dividend payments and buy back considerations would be targeted in the H1 part of financial year. The FAs shall also monitor the timely realization of other NTR through the online portal **'Bharat Kosh'** developed by the CGA.

x. **Each Ministry/Departments would indicate month wise estimate of the possible non-tax revenue inflows** concerning that Ministry/ Department to Budget Division, DEA while communicating their MEP/QEP, so that these inflows are factored in while according permission for expenditure. In case month-wise estimate is not feasible, such information shall be provided on quarterly basis.

3. Any communication by Ministry/Departments on this matter should be addressed to the Secretary, Department of Expenditure.

4. These issues with the approval of FS & Secretary, Department of Expenditure.

25/05/22

(Sunil Bhagwat Chaudhari)
*Deputy Secretary* (Budget)

Cabinet Secretary, Government of India;
Comptroller & Auditor General of India;
Secretaries of all Ministries/Departments;
Secretary (Defence Services), Ministry of Defence;
Member (Finance), Ministry of Railways;
Member (Finance), Department of Telecommunications;
Controller General of Accounts, Ministry of Finance, Department of Expenditure;
Financial Advisers/Pr. CCAs/CCAs of all Ministries/Departments.

## PREFACE

(Budget Manual September, 2010)

Budget Manual is a compendium of general provisions and procedures relating to Budget making to be followed by all offices in the Union Government which are involved in the budgeting exercise and dealing with matters relating to Budget. This Manual is an attempt to cover the existing void faced hitherto due to the lack of a comprehensive guidebook on the subject matter of Budget process in the Central Government. An attempt has been made to incorporate all the issues related to Budget so as to make it a comprehensive one stop guidance material.

2. The purpose of this Budget Manual is to provide a guidance material and a training tool for the managerial and supervisory staff and above all to the employees dealing with the Budget and Budget related issues. It provides a comprehensive outline of the processes of budgeting, and other related issues along with various legislative and administrative policies, principles and practices which outline the budgeting system in India. The effort has been to draft this Manual in the form of a simple and usable document and as far as possible, to comprehensively outline the procedures and practices in vogue including the detailed check-lists and the mechanisms involved in its operation. The Manual attempts to outline in a linear fashion the entire chain of events leading to the presentation of Union Budget and passing of the related Appropriation Bills.

3. Chapter I is introductory in nature and brings out the meaning and importance of Budget, the important Constitutional provisions related to Budget, the various Budget documents and their composition and the recommendations of the Estimates Committee on the Form and Contents of Demands for Grants. Chapter II of the Manual deals with the Organizational aspects bringing out the roles and responsibilities of the Parliament and the Parliamentary Committees and the responsibilities of various wings of the Executive in the Budget making process. Chapter III of the Manual deals in a comprehensive manner with the Structure of Government Accounts and the classification system. This is very crucial for any budgetary process since the budgetary and accounting classifications follow a common pattern and their clear understanding is crucial for any analysis on Budget and the related provisions. A detailed analysis of the three Funds viz. the Consolidated Fund of India, the Contingency Fund of India and the Public Accounts of India has also been dealt with in this Chapter.

4. Chapters IV and V are the core of this Manual. Chapter IV brings out the entire chain of Budget preparation process right from the issue of the Annual Budget Circular. It deals in great detail with the process of estimations relating to receipts and expenditure and the consequent compilation of the Statement of Budget Estimates. All the related formats of estimation have been dealt with briefly in this Chapter in a sequential manner. Chapter IV also deals with the process of Pre-Budget meetings and the various instructions relating to furnishing of information by the Ministries/Departments for the preparation of Budget Statements. Chapter V of the Manual brings out the calendar of Budget activities and timelines including those in the Parliament. This Chapter also brings out in minutest detail the duties and responsibilities relating to various Budget documents/statements explaining alongside the process of their compilation. The checklists used

internally for the preparation of various Statements in the Budget documents have been made a part of this Chapter for easy reference and understanding by all users. This Chapter also brings out the process of Budget related security arrangements including the system of Lock-in and the processes and check-lists for the preparation of State Budgets while under President Rule.

5. Chapters VI and VII of the Manual deal with the issues relating to Budget Implementation and their Reporting and Evaluation respectively. Chapter VI apart from others outlines the role of Departments in spending and control, cash management and the much in use processes of Re-appropriations, Supplementary Demands for Grants and the related provisions in the General Financial Rules and the Delegated Financial Powers Rules. This Chapter also deals with some common Budget related irregularities which can be avoided by taking precautionary measures. The last Chapter of the Manual brings out the main Budget related Reporting and Evaluation processes including the Act provisions, guidelines and instructions relating to FRBM Statements, Outcome Budget, Mid-term Evaluation of Plan Schemes, Audit Reports of C&AG and the reviews by the Public Accounts Committee. The Manual also includes a number of Annexes wherever required for providing a more holistic perspective on the subject matters dealt with in the related Chapters.

**(Shaktikanta Das)**
Joint Secretary- Budget

# FOREWORD

(Budget Manual September, 2010)

The Budget Manual is a comprehensive document which captures the content of the Union Budget as well as the procedures and activities connected with the preparation of the Annual Budget. The processes and guidelines have been simplified and put in a logical sequence for easy comprehension. The Annexes have been added wherever required for providing a more holistic perspective on related matters.

2. The Budget related instructions and guidelines were till now available in the form of executive instructions and guidelines etc. including the annual Budget Circulars. These, however, did not cover many facets of the Budget making process. There was, therefore, a felt need for a comprehensive Manual to bring together the entire Budget related features and activities. This Manual unravels the detailed processes involved in the entire gamut of Budget preparation. It is also expected to bring about greater transparency on the subject.

3. This Manual would provide deeper understanding to the officials of Ministries/Departments of their roles and responsibilities with respect to preparation of documents and statements included in the Budget. It is expected to serve as a guidebook for uniform administration of the Budgeting procedures and practices in the Government of India including the line Ministries and Departments.

4. I would like to place on record the excellent work done by the Budget Division of Department of Economic Affairs in preparing this Manual. It has evolved as a result of wide consultations through the two sub-committees appointed for the purpose comprising of past and present Budget Division officers as well as valuable suggestions and inputs provided by the Under Secretaries and Deputy Directors of Budget Division. The role of Additional Secretary (Mrs. L.M. Vas) in conceptualizing and preparing the detailed outline of the Manual and Joint Secretary Budget (Shri Shaktikanta Das) in heading the sub-committees and providing necessary guidance and support have been crucial.

5. Finally, this being the first Budget Manual of the Government of India, I would be grateful for suggestions to bring about further improvements, if any, and also for bringing to our notice any error, inaccuracy or omission for correction in the next edition.

**(Ashok Chawla)**
Finance Secretary

New Delhi,
September 1st, 2010