

(3) रिपोर्टगत वर्ष उस वर्ष से जिसके लिए वार्षिक वित्तीय विवरण और अनुदान मांग रखी गई हैं, दो वर्ष पीछे का वर्ष होगा।

[फा. सं. 7(3)-बी(डी)/2003]

एम. प्रसाद, संयुक्त सचिव

#### NOTIFICATION

New Delhi, the 2nd July, 2004

**G.S.R. 396(E).**— In exercise of the powers conferred by section 8 of the Fiscal Responsibility and Budget Management Act, 2003 (39 of 2003), the Central Government hereby makes the following rules, namely:—

1. Short title and commencement .-
  - (1) These rules may be called the Fiscal Responsibility and Budget Management Rules, 2004.
  - (2) They shall come into force on the 5<sup>th</sup> day of July, 2004.
2. Definitions .- In these rules, unless the context otherwise requires, -
  - (a) "Act" means the Fiscal Responsibility and Budget Management Act, 2003 (39 of 2003);
  - (b) "Form" means a form appended to these rules;
  - (c) "GDP" means gross domestic product at current prices;
  - (d) "section" means a section of the Act;
  - (e) words and expressions used herein but not defined and defined in the Act shall have the meanings respectively assigned to them in the Act.
3. Annual targets .-
  - (1) In order to achieve the target of revenue deficit as set out in sub-section (1) of section 4, by the 31<sup>st</sup> day of March, 2008, the Central Government shall reduce such deficit by an amount equivalent to 0.5 per cent or more of the GDP at the end of each financial year, beginning with the financial year 2004-2005.
  - (2) The Central Government shall reduce the fiscal deficit by an amount equivalent to 0.3 per cent or more of the GDP at the end of each financial

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year beginning with the financial year 2004-2005, so that fiscal deficit is brought down to not more than 3 per cent of GDP at the end of 31<sup>st</sup> day of March, 2008.

(3) The Central Government shall not give guarantees aggregating to an amount exceeding 0.5 per cent of the GDP in any financial year beginning with the financial year 2004-2005.

(4) The Central Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP for the financial year 2004-2005 and in each subsequent financial year, the limit of 9 per cent of GDP shall be progressively reduced by at least one percentage point of GDP.

4. Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro Economic Framework Statement .-

The Medium Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macro-Economic Framework Statement required to be laid before both Houses of Parliament by the Central Government along with the annual financial statement and demands for grants shall be in Forms F-1, F-2 and F-3 respectively.

5. Fiscal Indicators .- (1) In the Medium Term Fiscal Policy Statement, three year rolling targets in respect of the following fiscal indicators shall be as given in Form F-1, namely:-

- (i) revenue deficit as a percentage of GDP;
- (ii) fiscal deficit as a percentage of GDP;
- (iii) tax revenue as a percentage of GDP; and
- (iv) total outstanding liabilities of the Central Government as a percentage of GDP.

(2) The Fiscal Policy Strategy Statement in Form F-2 shall also contain the intra-year benchmarks for assessing the trends in receipts and expenditure relating to annual targets and Budget Estimates.

6. Disclosures .- (1) In order to ensure greater transparency in its fiscal operation in the public interest, the Central Government shall, at the time of

presenting the annual financial statement and demands for grants, make disclosures of the following:-

- (a) any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators.
- (b) statements of receivables and guarantees in Forms D-1 to D-3.
- (c) a statement of assets in Form D-4.

(2) The provisions of sub-rule (1) shall be complied with not later than with the presentation of the annual financial statement and demands for grants for the financial year 2006-2007.

7. Measures to enforce compliance .-

In case the outcome of the quarterly review of trends in receipts and expenditure, made under sub-section (1) of section 7, at the end of second quarter of any financial year beginning with the financial year 2004-2005 shows that -

- (i) the total non-debt receipts are less than 40 per cent of Budget Estimates for that year; **or**
- (ii) the fiscal deficit is higher than 45 per cent of the Budget Estimates for that year; **or**
- (iii) the revenue deficit is higher than 45 per cent of the Budget Estimates for that year,

then, -

- (a) as required under sub-section (2) of that section, the Central Government shall take appropriate corrective measures; and
- (b) as required under sub-section (3) of that section, the Minister-in-charge of the Ministry of Finance shall make a statement in both Houses of Parliament during the session immediately following the end of the second quarter detailing the corrective measures taken, the manner in which any supplementary demands for grants are proposed to be financed and the prospects for the fiscal deficit of that financial year.

**Form F-1**  
[ See rule 4 ]

**MEDIUM TERM FISCAL POLICY STATEMENT**

**A. Fiscal Indicators – Rolling Targets**

	Current Year Revised Estimates	Ensuing year Target: Budget Estimates Y	Targets for next Two years	
			Y + 1	Y + 2
1. Revenue Deficit as percentage of GDP				
2. Fiscal Deficit as percentage of GDP				
3. Tax Revenue as percentage of GDP				
4. Total Outstanding Liabilities as percentage of GDP				

**B. Assumptions underlying the Fiscal Indicators -**

1. Revenue receipts
  - (a) Tax-revenue – Sectoral and GDP growth rates
  - (b) Non-tax-revenue – Policy stance
  - (c) Devolution to States – Finance Commission
2. Capital receipts – Debt stock, repayment, fresh loans and policy stance
  - (a) Recovery of loans
  - (b) Other receipts
  - (c) Borrowings – Public Debt and Other Liabilities
3. Total expenditure – Policy Stance
  - (a) Revenue account
    - (i) Interest payments
    - (ii) Major subsidies
    - (iii) Others
  - (b) Capital account
    - (i) Loans and advances
    - (ii) Capital outlay
4. GDP Growth

**C. Assessment of sustainability relating to -**

- (i) The balance between revenue receipts and revenue expenditure. The Medium Term Fiscal Policy Statement may specify the tax-GDP ratio for the

current year and subsequent two years with an assessment of the changes required for achieving it. It may discuss the non-tax revenues and the policies concerning the same. An assessment of the capital receipts may be made, including the borrowings and other liabilities, as per policies spelt out. The statement may also give projections for GDP and discuss it on the basis of assumptions underlying the indicators. Expenditure on revenue account, both plan and non-plan, may also be made with particular emphasis on the measures proposed to meet the overall objectives.

(ii) The use of capital receipts including market borrowings for generating productive assets. The Medium Term Policy Statement may specify the proposed use of capital receipts for generating productive assets in different categories. It may also spell out proposed changes among these categories and discuss it in terms of the overall policy of the Government in achieving the national objective.

**Form F – 2**  
**[ See rule 4 ]**

**FISCAL POLICY STRATEGY STATEMENT**

**A : Fiscal Policy Overview:** [This paragraph will present an overview of the fiscal policy currently in vogue.]

**B : Fiscal policy for the ensuing financial year:** [This paragraph shall have five sub-paragraphs dealing with –

(1) 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.

(2) 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.

(3) Government Borrowings, Lending and Investments.

In this sub-paragraph on Government borrowings, the policy relating to internal debt, external debt, Government lending, investments and other

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activities; including principles regarding average maturity structure, bunching of repayments, etc., shall be indicated.

(4) Contingent and other Liabilities.

Any change in the policy on contingent and other liabilities and in particular guarantees which have potential budgetary implications shall be indicated.

(5) 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:**

[(1) Resource mobilization for the ensuing financial year through tax, non-tax and other receipts shall be spelt out.

(2) The broad principles underlying the expenditure management during the ensuing year shall be spelt out.

(3) Priorities relating to management of public debt proposed during the ensuing year shall be indicated.]

**D : Rationale for Policy changes :**

[(1) The rationale for policy changes consistent with the Medium Term Fiscal Policy Statement, in respect of direct and indirect taxes proposed in the ensuing Budget shall be spelt out.

(2) The rationale for major policy changes in respect of budgeted expenditure including expenditure on subsidies shall be indicated.

(3) Rationale for changes, if any, proposed in the management of the public debt shall be indicated.

(4) The need for changes, if any, proposed in respect of pricing of administered goods shall be spelt out.]

**E : Targets for the ensuing year**

[At the end of the second quarter, a mid-year assessment shall be made of the trends in receipts and expenditures and achievement of targets of deficit reduction in relation to Budget Estimates. In case the total non-debt receipts are less than 40 per cent of Budget Estimates for that year; **or** the fiscal deficit is higher than 45 per cent of the Budget Estimates for that

year; **or** the revenue deficit is higher than 45 per cent of the Budget Estimates for that year, the Central Government shall take action as required under sub-sections (2) and (3) of section 7.]

**F: Policy Evaluation:**

[This paragraph shall contain an evaluation of the changes proposed in the fiscal policy for the ensuing year with reference to fiscal deficit reduction and objectives set out in the medium term fiscal policy statement.]

**Form F – 3**  
[ See rule 4 ]

**MACRO ECONOMIC FRAMEWORK STATEMENT**

1. **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.]
2. **GDP Growth:** [This paragraph shall contain an analysis of trends in overall GDP growth and its sectoral composition.]
3. **External Sector:** [Under this paragraph, trends in exports, imports, foreign exchange reserves, current account balance and balance of payments shall be presented.]
4. **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.]
5. **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 also be presented. Trends in Central Government finances shall be presented in the format appended.]
6. **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.]

**F-3(Contd)**  
**Macro Economic Framework Statement**  
Economic Performance at a Glance

		Absolute Value		Percentage Changes	
		April-Reporting period*		April-Reporting period*	
		Previous Year	Current Year	Previous Year	Current Year
	<b>Real Sector</b>				
1	GDP at factor cost				
(a)	at current price				
(b)	at 1993-94 price				
2	Index of Industrial Production				
3	Wholesale Price Index (point to point)				
4	Consumer Price Index				
5	Money Supply (M3)				
6	Imports at current prices				
(a)	In Rs. Crore				
(b)	In US \$ million				
7	Exports at current prices				
(a)	In Rs. Crore				
(b)	In US \$ million				
8	Trade Balance				
9	Foreign Exchange Assets				
(a)	In Rs. Crore				
(b)	In US \$ million				
10	Current Account Balance				
	<b>Government Finances</b>				
1	Revenue Receipts				
2	Tax Revenue(Net)				
3	Non-Tax Revenue				
4	Capital Receipts(5+6+7)				
5	Recovery of loans				
6	Other Receipts				
7	Borrowings and other liabilities				
8	Total Receipts(1+4)				
9	Non-Plan Expenditure				
10	Revenue Account				
	<i>Of which:</i>				
11	Interest payments				
12	Capital Account				
13	Plan Expenditure				
14	Revenue Account				
15	Capital Account				
16	Total Expenditure(9+13)				
17	Revenue Expenditure (10+14)				
18	Capital Expenditure (12+15)				
19	Revenue Deficit (17-1)				
20	Fiscal Deficit {16-(1+5+6)}				
21	Primary Deficit (20-11)				

\*Data will relate to the period up to which information for the current year is available. To facilitate comparison, data of previous year corresponds to the same period of current year. Accordingly, reporting period may vary for different items.

**Form D - 1**  
**[ See rule 6 ]**

**TAX REVENUES RAISED BUT NOT REALISED**  
**(principal taxes)**

(As at the end of the reporting year)

Major Head	Description	Amounts under dispute (Rs. crore)					Amounts not under dispute (Rs. crore)					Grand Total
		Over 1 year but less than two years	Over 2 years but less than 5 years	Over 5 years but less than 10 years	Over 10 years	Total	Over 1 year but less than two years	Over 2 years but less than 5 years	Over 5 years but less than 10 years	Over 10 years	Total	
	<b>Taxes on Income &amp; Expenditure</b>											
0020	Corporation Tax											
0021	Taxes on Income other than Corporation tax											
	<b>Taxes on Commodities &amp; Services</b>											
0037	Customs											
0038	Union Excise											
0044	Service Tax											
	<b>TOTAL</b>											

**Note :** Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented.

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**Form D - 2**  
**[ See rule 6 ]**

**ARREARS OF NON-TAX REVENUE**

(As at the end of the reporting year)

Description	<b>Amounts pending</b> (Rs. crore)				Total
	0-1 years	1-2 years	2-3 years	above 5 years	
<b>Fiscal Services</b>					
<b>Interest receipts</b>					
<i>Of which</i>					
From State Governments and Union Territory Governments					
From Railways					
From Departmental Commercial Undertakings					
From Public Sector & other Undertakings					
<b>Dividends and Profits</b>					
<b>General Services</b>					
Police receipts					
<b>Economic Services</b>					
Petroleum Cess/Royalty					
Communications (License Fee) Receipts					
<b>Other Receipts</b>					
<b>Total</b>					

**Note :** Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented.

**Form D-3**  
[ See rule 6 ]

**Guarantees given by the Government**

Class (No. of Guarantees Within bracket)	Maximum Amount Guaranteed during the year (Rs. crore)	Outstanding at the beginning of the year (Rs. crore)	Additions during the year (Rs. crore)	Deletions (other than invoked) during the year (Rs. crore)
1	2	3	4	5

Invoked during the year (Rs. crore)		Outstanding at the end of the year (Rs. crore)	Guarantee Commission or Fee (Rs. crore)		Other Material Details
Discharged	Not discharged		Receivable	Received	
6	7	8	9	10	11

**Note:** The year in the above table refers to the second year preceding the year for which the annual financial statement and demands for grants are presented.

**Form D-4**  
**[ See rule 6 ]**

**ASSET REGISTER**

	Assets at the beginning of the reporting year	Assets acquired during the reporting year	Cumulative total of assets at the end of the reporting year
	Cost (Rs.cr)	Cost (Rs.cr)	Cost (Rs.cr )
<b>Physical assets:</b>			
Land			
Building			
Office			
Residential			
Roads			
Bridges			
Irrigation Projects			
Power projects			
Other capital projects			
Machinery & Equipment			
Office Equipment			
Vehicles			
Total			
<b>Financial assets:</b>			
Equity Investment			
Shares			
Bonus shares			
Loans and advances			
Loans to State & UT Govts.			
Loans to Foreign Govts.			
Loans to companies			
Loans to others			
Other financial investments			
Total			

**Notes:**

1. Assets above the threshold value of Rupees two lakh only to be recorded.
2. This disclosure statement does not include assets of Cabinet Secretariat, Central Police Organizations, Ministry of Defence, Departments of Space and Atomic Energy.
3. Reporting year refers to the second year preceding the year for which the annual financial statement and demands for grants are presented.

[F. No. 7(3)-B(D)/2003]  
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