

BUDGET MODALITIES & HISTORY

Editorial



Everywhere BUDGET, there is home budget, country budget, office budget, time budget, this budget is shrinking our life. We are only becoming constrained. Everyone is looking in the means to live on a budget. There is a budgeted time, budgeted cost, budgeted revenue, and

even our life has a budget [how long we will live].

It is all good that we adhere to budgets, but, Can we inculcate something where we do not have to think on a budget? Is budget restricting our lives?

This issue deals with the budgets in India in general and the various phases that the budget goes through before its pronouncement as law.



Trivia

The 1991-92 final and interim Budgets were presented by finance ministers of two different political parties. Where Yashwant Sinha presented the interim budget and the final budget was presented by Manmohan Singh

Introduction

The word budget is derived from French word *bougette* which means *purse*. It is a list of all planned expenses and revenues. It is a plan for saving and spending. A budget is an important concept in microeconomics, which uses a budget line to illustrate the trade-offs between two or more goods.

In other terms, a budget is an organizational plan stated in monetary terms

In summary, the purpose of budgeting is to:

1. Provide a forecast of revenues and expenditures, that is, construct a model of how our business might perform financially if certain strategies, events and

plans are carried out.

2. Enable the actual financial operation of the business to be measured against the forecast.

Does this task involve a series of tested processes? Read on...

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How is Budget Prepared?

The budget is prepared by the budget division in the Ministry of Finance after consulting with other Ministries and the Planning Commission. The Finance Minister and ministry officials meet representatives of the private sector, non-governmental organisations and other stakeholders to understand their expectations from the budget. The process can be divided into the following steps. These steps are not neces-

sarily sequential but may occur concurrently.

1. Estimating Non-plan expenditure
2. Estimating Plan expenditure
3. Estimating non-tax revenues
4. Estimating tax revenues
5. Meetings with industry
6. Finalization of budget proposals

In case of the government, revenues are derived primarily from taxes. Government expenses include spending on current goods and services, which

economists call government consumption; government investment expenditures such as infrastructure investment or research expenditure; and transfer payments like unemployment or retirement benefits. The Budget cycle normally starts by the end of September and lasts till May in the next financial year. On the presumption that the Budget shall be presented at 11 am on the last working day of February.



Trivia

R. Venkataraman was the only Finance Minister who later became the President of India.

The printing gets over by February 25, with the finance minister's speech, which is protected because of the high level of secrecy surrounding the Budget. Even the finance minister cannot take the speech home or lock it up in his own drawer. After going through the speech, he has to return it to the additional secretary for safekeeping. At least a month before the presentation of the Budget, entry to North Block is

restricted and all Communications of the officials working on the Budgets are monitored. After the presentation of the Budget, it is debated in Parliament, but not on the same day.



Budget Time Line

- February 22:** Finalisation and printing of Budget at a Glance
- February 25:** Finance minister's Budget speech and key features of Budget
- February 26:** Summary for the Cabinet
- February 27/28:** Obtaining approval of the PM to the 'Summary for the President'
- February 28:** Obtaining approval of the Cabinet to the Budget proposals
- February 28:** Presentation of the Budget in the Lok Sabha
- Second week of March:** Passing of vote on account by the Lok Sabha
- Second/third week of March:** Passing of vote on account by the Rajya Sabha

Budget Timeline...

As per business:

General discussion, FM's reply and laying of reports by standing committees; Voting for demands for grants

April: Passing of appropriation Bill, finance Bill in the Lok Sabha and Rajya Sabha

First week of May: President's Assent to the appropriation Bill and finance Bill

As the whole process of voting the

budget goes beyond a current financial year, there is a provision for the government to carry on by passing a vote on account.

Introduction of the Direct Taxes Code and Goods & Services Tax is likely to make the annual Finance Bill less relevant. This would lift the veil of secrecy that currently surrounds proposals in the Budget.

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



Trivia

The 1st Union budget of independent [India](#) was presented by [R. K. Shanmukham Chetty](#) on November 26, 1947

Collection of Taxes Act. Parliament has to pass the Finance Bill within 75 days of its introduction. This specially consists of the proposed amendments to taxes (example, change in income tax slabs etc) and their impact on the Government's revenue resources.

Q: Why is the General Budget presented on the last working day of February?

A: All discussions related to the government's income and expenses have to be completed by 1st April, because that's the day the new financial year begins. The Budget is presented on February 28 so that both the Houses get a chance to discuss the document over a period of one month after the budget presentation. It is only after the parliamentary discussion on the budget that the Finance Minister's Budget proposal takes the form of an official law.

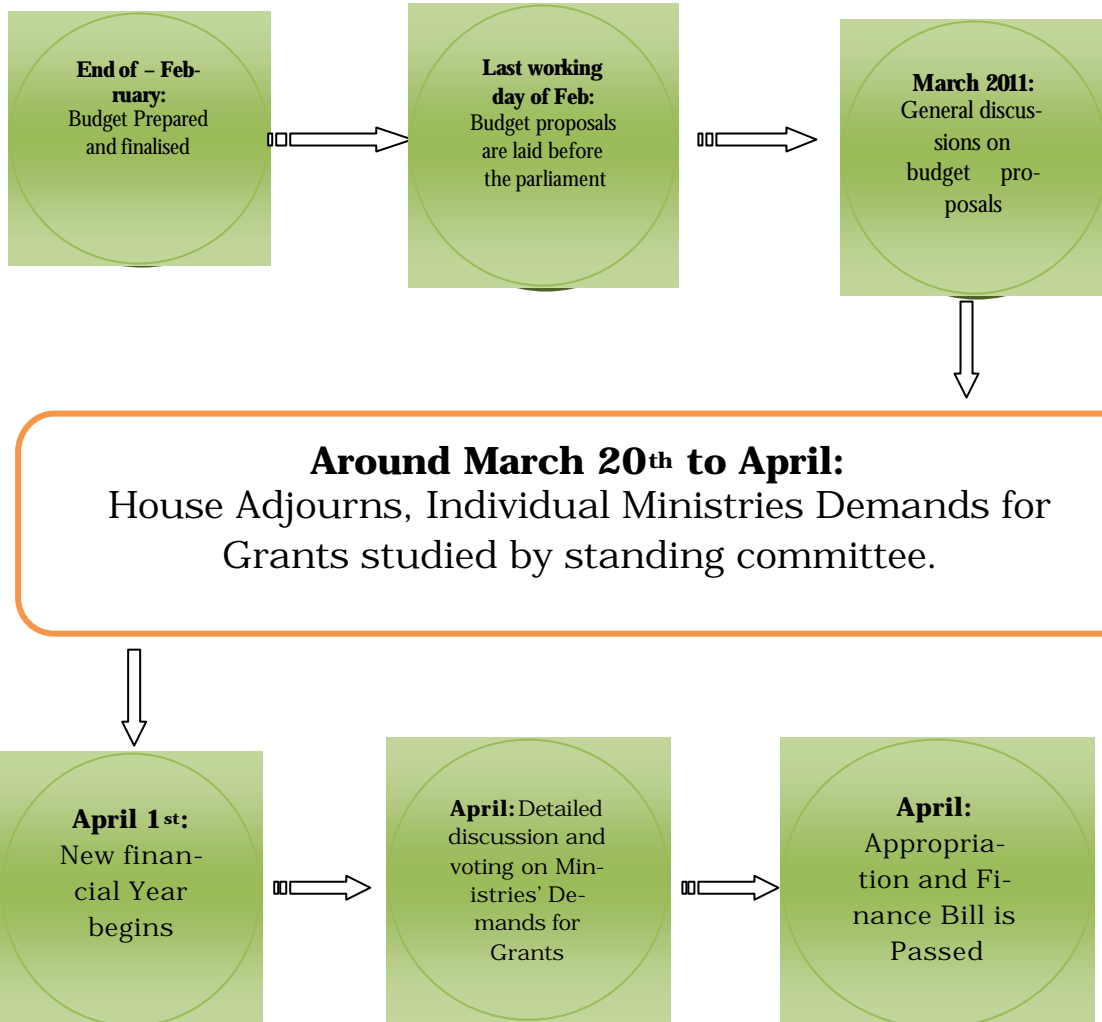
Budget Time Line is the most significant aspect of the Process. Do have a look at the process chart



Trivia

P Chidambaram re-wrote India's Exim Policy in one non-stop eight-hour sitting in July 1991, when he became the commerce minister.

Budget Timeline



Trivia

The 1965-66 budget contained the first disclosure scheme for black money—Finance Minister T T Krishnamachari



Trivia—Morarji Desai holds the unique distinction of presenting the budget – not once but twice - on his birthday. In 1964 and 1968 - both leap years – Desai presented the budget on February 29, his birthday.



How is Budget Approved

The Finance Minister introduces the budget in the Lower House of the Parliament or the Lok Sabha & makes a short speech, giving an overall view of the budget



After the finance minister's reply, Lok Sabha takes up for discussion each ministry's expenditure proposals, and is known as "**Demand for grants**". The demands for grants presented by each ministry are taken up by the House.



After the presentation of the Budget, Parliament allots some time for a general discussion on the Budget. The finance minister replies at the end of the general discussion. The reply is also of a general nature and no specifics of the Budget are discussed. However, no motion is moved nor voting required at this stage.



After passing of Appropriation Bill, the Finance Bill is introduced and it incorporates all taxation proposals. At this stage, amendments for tax proposal can be moved. After the passing of this Bill, it enters the statute as the Finance Act. Thus the final Budget gets approved is passed, it becomes the Appropriation Act and is certified as a Money Bill.



After, the prescribed period for the discussion on demands for grants is over, the Speaker applies the 'guillotine', i.e all the outstanding demands for grants, whether discussed or not, are put to vote at once. Only the Lower House is entitled to vote



Appropriation Bill is introduced in the Lok Sabha after it has passed all demands for grants relating to all ministries. This is to authorize the government to draw funds from the Consolidated Fund of India. At this stage, amendments for tax proposal can be moved. After the passing of this Bill, it enters the statute as the Finance Act. Thus the final Budget gets approved is passed, it becomes the Appropriation Act and is certified as a Money Bill.

THE LIGHT HOUSE



Trivia

Jawahar Lal Nehru was the first prime minister to present the budget when he held the finance portfolio in 1958-59



MY HOUSE WILL BE A PALACE

Our family looks forward to the summer vacation. As told in an old proverb “All roads lead to Rome”, we reached Italy.

We saw the magnanimous Vatican City. The lens of my camera and three of us gazed at the central dome in wonder. Our son pointed out, “How come everything is so huge”. We visited the palaces, museums, parks, the coliseum and every place was magnificent and large.

Rome was quite chilly for a family from tropics, we settled down in a cosy restaurant to some steaming pasta. The slide show in the camera took us to retrospection again “Who required such a large stadium or the huge church”.

As we chatted away, we recollect an essay written by my son at school.

The essay - “I love my home. We waited for the guests to arrive. The living room was as huge as a football ground, and our dining table

was the length of a cricket pitch. To reach my room, we had to cross over the pool, the rock garden, the cacti garden, & the gym. My aquarium had 3 sharks, 2 tortoise and some exotic fishes. Our terrace was the tallest point in the city”

“The special lighting mechanism would change the colour of our walls, do we choose the green or the blue wall, and burgundy might be cool too. This is my future home, I will build it with my money and we all will live there happily ever after”

He waited patiently as the school teacher read through the essay. The teacher gazed into the boy’s eyes as he waited with baited breath for her comments. The boy could see the teacher’s mouth coil into a round and could almost lip read the word “out” and waited for the word must be “outstanding”.

He was shocked at what he heard “Outlandish”. His dream house fell crashing down from outstanding to outlandish.

THE LIGHT HOUSE



The teacher ridiculed him, “Stop dreaming, can’t you be realistic? The world outside is not a fairy tale, learn to be contented with what you have in life”. “Look at Sheetal’s essay. She wants a little pink house, with a dog, and a backyard garden. It looks so colourful, am sure Sheetal would get a lovely cute house”. “Your dreams would never be a reality, stop dreaming”. “Consider your family background, and your marks before you dream”

The essay ended, and so did our pasta. As we resumed our visit to the roman coliseum, my son commented, “I wish my teacher could see the huge stadiums and palaces here. After seeing these structures, buildings, architecture, and vast expanses of man’s creation, my dream is indeed real.”

We sat down waiting for a tram to take us to the next destination. Our son continued, “Dad, I really don’t understand, when such huge structures are already existing, and available for us to see, then what is wrong in dreaming for a house.

I also want to become the best cricket player, tabala player and a pilot when I grow up. I also want to drive my plane to every cricket stadium in the world”

“Why mom, wont I be able to get there, I feel it can be real, is it not possible”. She smiled calmly and told him “Yes you can do it. You need to play hard and work harder to achieve all your dreams”

When most of us started our career our aim was an apartment, a family & car. As and when we are exposed to new things our dreams and aims expand. Our expansion is restricted in size; we have never been exposed to large, huge, big, mega in our childhood. It has gone deep into our sub conscious mind.

As a kid the largest house I would have seen was a house with 4 rooms. The stadium in our city was small; the town hall could accommodate 400 people. These were huge and our mind was programmed as such.

THE LIGHT HOUSE



The definition of large, huge meant, only a 400 people town hall.

Looking back at my son I said, "Go ahead son, you need to become the best cricketer in the world, you need to have the best plane, the best house."

My son smiled and replied, "Dad, first I will at least aspire to become so big, then I will work towards it. If I do not aspire, where is the question of working towards the goal?"

Check if we have the courage to dream, and then let us build the conviction to achieve it. Every body who has become a huge industrialist today had a strong desire to, dream and to achieve his dreams, and then they chased their dreams.

May be the Western thinkers in the early days, understood this well. They constructed huge structures, churches; this would open up the minds of people. The people would start thinking big, then the next step starts.

We definitely need to teach our children how to handle failures; they should not get disheartened when they fail in dreams. We need to teach them, to search one more dream and go after that. Let us not curtail their imagination, their dreams. Each mind can dream differently, dreams change, shape up, and one fine day it gets reconciled to reality.

Let the boy in school think and dream. If we cannot think 1 billion, then how can we go and get that billion.

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