

# INDIA – KNOW YOUR BUDGET..!!

**Prabhakar K S**

Proprietor – Shree Tax Chambers

"Kalangathu Kanda Vinaikkan Thulangathu Thookkang Kadinthu Seyal"  
(What clearly eye discerns as right, with steadfast will and mind unslumbering, that should man fulfil– Thirukural) by Sri P. Chidambaram, then Finance Minister, in his Budget Speech on 28<sup>th</sup> February, 2013.

## Introduction

**B**udget..!! Is an annual official Financial Statement by the Government of India's income from taxes and how it will be going to spending a particular financial year, currently, April to March of the following year. Generally, two months before the start of new financial year, the incumbent Government presents before the Parliament its financial statement consist the Receipts & Expenditure in the form of 'Union Budget'. Article 112 of the Constitution of India dealt with Annual Financial Statement of the Central Government. The said Article mandates the Hon'ble President caused to be laid before the both the Houses of the Parliament before giving His Assent to the Finance Bill. India's first pre-Independence Budget goes back to 7<sup>th</sup> April, 1860 presented by then British Finance Minister Sri. James Wilson. Post-Independence first Union Budget (strictly speaking which was also the first 'Interim Budget..!!). Sri James was the founder of 'The Economist' and 'Standard Chartered Bank', who also have the credit of introducing the Income-tax Act in Indian soil. The first Budget after post-independence was presented on 26<sup>th</sup> November, 1947 by then Finance Minister Sri. R.K. Shanmukham Chetty. However, the first full-fledged Budget was presented on 28<sup>th</sup> February 1950 by then Finance Minister Sri. John Mathai. Similarly, the first deficit of Rs. 550 Crore was presented on 28<sup>th</sup> February, 1973 by then Finance Minister Sri. Y B Chauhan. The first Budget by Woman Finance Minister was presented on 28<sup>th</sup> February, 1970 by Smt. Indira Gandhi. Major overhaul brought to erstwhile Indirect Tax regime by introducing MODVAT by then Finance Sri. VP Singh in his Budget on 28<sup>th</sup> February, 1986. In the 1987 Budget the then Hon'ble Finance Minister Sri. Rajiv Gandhi had

introduced MAT concept in his budget presented on 28<sup>th</sup> February, 1987. After 1991's post-liberalization, then Finance Minister Sri. P Chidambaram had introduced 'Voluntary Income Disclosure Scheme (VDIS) in his budget presented on 28<sup>th</sup> February, 1997. In 2001, the then Finance Minister Sri. Yashwant Sinha has changed the timing of presentation of Budget to 11.00 a.m. from 5.00 p.m. and also for the first time introduced the 'Transfer Pricing Provisions' Income Tax Act, 1961. India's Rail Budget (an Annual Financial Statement of Indian Railways) was presented every year just few days before the Union Budget. However, that 92-year-old practice has been stopped by merging the same with the Union Budget from 2017-18 onwards. Like change in timing of the presentation of Budget, the then Finance Minister Sri. Arun Jaitley presented his Budget for 2018-19 on 1<sup>st</sup> February, 2018 instead on 28<sup>th</sup> February of the year and scrapped the colonial-era's tradition. 72, the total number of Budgets presented till Interim Budget for 2019-20 which includes 14 Interim Budgets and 4 special Budgets..!!.

## Objectives of Budget

The Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act, 2003) which gives the mandate to carry forward the fiscal practice annually. The FRBM Act promoting the much needed prudent fiscal policy, accountability, inter-generational-equity in fiscal management and ensures long-term stability in the economy. Key objectives of the Budget are economic growth, reduction of poverty and employment and most importantly redistribution of income. Thus, Budget may be called as 'Devise' with multiple roles, to say, planning tool, fiscal tool, accountability tool and coordination between macroeconomic and

challenges of Indian economy adequately. A Budget can be divided as 'Balanced Budget where Government's estimated receipts are equal to the estimated expenditure. Unbalanced Budget where estimation is either more or less than the government's estimated receipts which further divided as Surplus Budget and Deficit Budget accordingly.

### **The Process of Budget & Halwa Ceremony**

Prior to set the tone, the Finance Ministry seeks the inputs in quadruplicate from various Ministries well in advance, say 60 days prior to Budget Day. The Finance Ministry in its budgetary exercise holds several top-level meetings with steel, power, housing and urban development and other key ministries to finalize the 'expenditure figures. The Interestingly, printing of 'Budget Documents' starts with 'Halwa Ceremony (this year the ceremony is expected on either 24<sup>th</sup> June or 25<sup>th</sup> June, 2019). In the ceremony, the Hon'ble Finance Minister himself will attend and serve the 'Halwa or Sweet Dish' to the finance ministry officials who are involving in the preparation and printing of Budget Documents. The special 'Printing Press' with all the modern security features to maintain the highest level of 'secrecy' is located in the basement of North Block, the Seat of Finance Ministry. Records reveal that it is a customary practice since 1980. After 'ceremony', the officials (more than 100) are kept in total isolation to maintain the secrecy. Even the Hon'ble Finance Minister also not allowed carrying his own smartphones...!! Only after 11.00 am on the Budget day, Officials will be allowed to communicate outside world. Even though very 'Secretive Document of the Season' it is appropriate to mention in this article. A secret sheet called 'Blue Sheet' will be maintained throughout the Budget process which normally starts in the first week of December of the previous year (This year started on 3<sup>rd</sup> December, 2018 then onwards entire North Block is in 'Quarantine' or no access to Press' till 1<sup>st</sup> February, 2019 11.00 a.m.) The Blue Sheet contains all the significant numbers, figures and statistics of the Indian economy. The sole guardian of the 'Blue Sheet' is entrusted with Joint Secretary of the Finance Minister. On the Budget day, the Finance Minister with his team first visits the Rashtrapati Bhawan to brief the significant points to the Hon'ble President. Then in the Parliament, the Finance Minister repeats the same process with the Hon'ble Prime Minister

and his Cabinet. From Cabinet, the Finance Minister accompanied by the Prime Minister will visit the Lok Sabha to present the Budget. Budget Documents & Its list - Besides the Finance Minister's Budget Speech, there will be a set of Documents which also presented in the Parliament. They are -

1. Annual Financial Statement
2. Demands for Grants
3. Finance Bill of the coming Financial year
4. Statements mandated under FRBM Act:
  - *Macro-Economic Framework Statement*
  - *Fiscal Policy Strategy Statement*
  - *Medium Term Fiscal Policy Statement*
5. Expenditure Budget
6. Receipts Budget
7. Expenditure Profile
8. Memorandum Explaining the Provisions in the Finance Bill
9. Budget at a Glance
10. Outcome Budget
11. Annual Report of each Ministry or Departments
12. Economic Survey

### **Departments and Officials**

No doubt, preparing of 6<sup>th</sup> largest Economy of the World 'Budget Documents' is tedious and lengthy task which involves hundreds of finance ministry officials, Central Ministries including Finance, Industry, Law, Comptroller of Auditor General of India, NITI Aayog and other Administrative Ministries of the Government. Team of Union Budget for 2019-20 beside Smt. Nirmala Sitharaman, Hon'ble Finance Minister, consist other top ten officials, they are - *Sri. Subhash Chandra Garg, Finance Secretary, Sri. Girish Chandra Murmu, Expenditure Secretary, Sri. Ajay Bhushan Pandey, Revenue Secretary, Sri. Sanjeev Sanyal, Principal Economic Adviser, Sri. Krishnamurthy Subramanian, Chief Economic Adviser, Sri. Pranab Kumar Das, CBIC Chairman, Sri. Pramod Chandra Mody, CBDT Chairman, Sri. Atanu Chakraborty, DIPAM Secretary, Sri. Rajiv Kumar, Financial Services Secretary and Sri. Anurag Thakur, Minister of State for Finance.*

### **Interim Budget**

Similar to full Budget, an Interim Budget (in other words, approval obtained on vote-on-accounts basis) will be presented by an incumbent Government in its last year of the five-year term or before General Elections.

Usually, in India, General elections will fall after starting of the new fiscal year, say, in April or June. Hence, to meet the day-to-day expenses and requisite funds to run the economy, the Government shall be allowed to draw the funds from the Consolidated Funds of India. Thus, an Interim budget is a temporary measure to the run-up to the General Elections passed by an outgoing Government under the conditions of lack of time and full-fledged Budget by the incoming Government.

### **Conclusion**

It is widely expected that the new Finance Minister will announce number of tax proposals under both Direct Taxes and Indirect Taxes. With respect to Indirect Tax proposals, the only Customs regime is required budgetary attention or announcements. Since GST is under the aegis of the all-powerful GST Council, is taking the due calls as and when it is required. Expectations as far as Direct Taxes or Income Tax concerned are a very big wish list is there. All four Industry Bodies i.e. CII, ASSOCHAM, PHD and FICCI and three

Professional Institutes i.e. ICAI – CMA, ICAI - CA

Kindly wait till 5<sup>th</sup> July, 2019 at 11.00 a.m..!!

and ICSI have submitted or under process of submitting their Pre-Budget Memorandum to the Finance Ministry's perusal.