10 Budget

Introduction

In India's mixed economic system, activities of the state assume unique importance. The state accepted responsibility of creating essential basic industries and infrastructure facilities necessary for India's economic development after independence and began the process of planned economic development of the country by constituting the Planning Commission (which is now reformed into NITI Ayog - National Institute for Transforming India). In an economics driven world, there are no activities which have no expenses. If one individual escapes the cost of an activity, another individual has to bear it. The state also incurs expenses for the activities it undertakes and in order to pay for these expenses, it must raise and generate incomes.

In a democracy no government can undertake activities, incur expenses or raise incomes without the approval of elected representatives in the constituted body (in India: Loksabha, State legislative assembly, Municipal bodies, Panchayat). Before the commencement of a new financial year, a government in India, presents before the elected body for its approval an estimated statement of expenditure and incomes and such a statement is called budget.

The Constitution of India has assigned power to a three - tier government; the tiers being: (1) the central government (2) the state governments and (3) the local governments (e.g. municipality).

All these tiers of government incur expenditure on various activities and raise incomes from various sources and hence it is important to have an idea of the budgets of all forms of government in India.

The Constitution of India thus provides a list of responsibilities and sources of revenue for these governments and this arrangement is called system of federal finance.

The subjects in list of responsibilities of Central government are those which are of utmost importance for the country and uniform in impact for all states. To mention a few of them : defence, railways, census, etc.

Subjects which have regional importance according to the physical and social environments of respective states as well as vary for different states are in the list of responsibilities of the states. Some of these are, law and order, public health, sanitation, forests etc. The concurrent list mentions areas of joint responsibility of the centre and states. These subjects are important for the country and are uniform in purpose for all states but may require variation in different states. Some of these are economic planning, electricity, education, social security and so on. The local bodies look after primary activities like sanitation, street lights etc.

All governments present their expenditure and income in the form of a budget.

10.1 Meaning of a Budget

A government budget is an annual accounting statement of the item –wise estimates of expected revenue and anticipated expenditure of the government for a new fiscal year.

Main elements of the budget are:

(1) It is a statement of estimates of government receipts and expenditures.

(2) Budget estimates pertain to a fixed period, generally a year.

(3) The objective of budget of any government is economic development of the region and public welfare.

(4) It is required to be approved (passed) by Loksabha or Assembly or some such public body before its implementation.

(5) Usually a budget is declared by the Finance Minister of a country, state or the head of a governing body.

10.2 Purpose of a Budget

A government must plan its expenditures and raise its income in such a way that the following objectives are fulfilled:

10.2.1 To Obtain Approval of the Body of Elected Representatives : The ruling government requires an approval of the elected representatives of any democratic government for the expenditures and incomes estimated to be incurred in the ensuing financial year.

10.2.2 To get an Idea Regarding Available Resources and Areas Requiring Expenses : To get an idea regarding activities which the government can and should undertake, expenses to be incurred in various sectors and sources from where the necessary income may be raised.

10.2.3 Provide Direction for Allocation of Resources : To give a direction to allocation of resources (collected income) in different sectors according to priority and need. Without preparing proper estimates, some sectors will receive more funds and some others may be neglected.

10.2.4 For Knowledge of the Public : When a budget is presented, people come to know of commodities which will become cheaper owing to government's increased allocations in those sectors and commodities which will become dearer owing to increased tax burden in those sectors.

Thus, in a way budget is an important component of planning by the government and various economic policies are guided by the budget allocations in concerned sectors.

10.3 Types of Budget

A budget is of two types :

(1) Balanced budget

(2) Unbalanced budget :

(a) Deficit budget (b) Surplus budget

By double entry book keeping system, all budgets are balanced as the credit (income side) and debit (expenditure side) always balance.

However, in the present reality, government budgets may be balanced or unbalanced.

10.4 Balanced Budget

This means, government plans its expenditures in such a way that those can just be met from the likely sources of revenue. This depicts an ideal situation and such a budget is impractical in real sense. In the developing countries, Governments have many developmental responsibilities and therefore they cannot plan expenditures within given revenue constraints. Even developed countries have to keep on increasing their expenditures after defence and to maintain their growth rate or develop in newer directions.

10.4.1 Merits of a Balanced Budget :

(1) A balanced budget ensures financial stability.

(2) In this type of budget, governments avoid wasteful expenditures to keep the expenditures equal to incomes.

(3) Since the government keeps expenditures in control to match the income, it does not have to impose additional taxes on the people to raise extra incomes to meet undue expenditures.

10.4.2 Demerits of a Balanced Budget :

(1) Economic growth and welfare may be curtailed if governments have to restrict expenditures and economic activities to match the income.

(2) If government does not restrict expenditures and if it raises taxes in order to increase incomes to match the excess expenditures then people have to bear excessive tax burdens.

Adam Smith was in favour of balanced budget. But J. M. Keynes asserted that in case of balanced budget, governments do not spend enough to maintain full employment. In other words in order to maintain full employment, governments must incur more expenditure in the economy if required.

10.5 Unbalanced Budget

The total expenditure and total income in such a budget are not equal. Accordingly this budget can be : (1) A deficit budget (2) A surplus budget

10.5.1 Deficit Budget : In this type of budget, the government's anticipated total expenditure is more than the anticipated total income. Deficit budget = anticipated total expenditure > anticipated total income

In present times, government budgets are mostly deficit budgets. Any economy which is developing usually spends more than the incomes as expenditures on development activities like education, social welfare, creation of public utilities etc. are higher; While owing to lower economic development income from taxes and other sources are lower.

10.5.2 Surplus Budget : A surplus budget is one in which the government spends lesser than its total anticipated income.

This means the government is collecting more revenues from citizens by way of taxes than what it is spending for the citizens. The overall development and welfare activities will be lower in the economy. In reality most governments do not do this. This type of budget is usually seen in developed countries.

10.6 Merits of a Deficit Budget

(1) This budget is known to promote development and welfare activities.

(2) In times of low economic activity, the government spends more in the economy for investment and creating employment. Thus, the economy gets a boost during depression and economic growth can pick up.

(3) The tax burden upon people is lower in proportion of economic activity as expenditures are high and incomes are lower and taxes are a source of income for the government.

10.7 Demerits of a Deficit Budget

(1) In order to meet the deficit governments borrow, thus increasing debt burdens in the economy.

(2) Deficit in the budget also shows that governments do not have control on expenditures.

(3) In case of high deficits, it can also be concluded that the tax revenues collected from public is going in wasteful expenditures.

10.8 Merits of a Surplus Budget

(1) This budget is useful in times of severe inflation. When the government spends lesser; employment, income and demand reduce and inflation can be restricted.

(2) There is no burden of borrowing in this type of a budget.

(3) Savings of the government increase which can be used for development in future periods.

10.9 Demerits of a Surplus Budget

(1) People are made to pay more taxes to enhance government incomes but the welfare they receive from government spending reduces.

(2) If there is no inflation (or there is deflation) then lower spending will result in lower investment, employment, income and production which may lead to depression in the economy.

(3) If the surplus in the budget persistently rises for several years then there may be problems arising out of excess savings.

10.10 Accounts of a Budget

In order to thoroughly understand the concept of a budget, it is necessary to get an idea of the accounts of a budget. By the rules of accounts, every budget has two sides. (I) the credit side where the revenues (incomes) of the government are recorded and (II) the debit side where the expenditures of the government are recorded. Further classification on both sides is as under :

10.10.1 On the Credit Side : There are two accounts on the credit side. (1) Current incomes (revenue incomes), (2) Capital incomes.

10.10.1.1 Revenue Income : The direct and indirect taxes, profits of public enterprises, fees and fines from public utilities etc. constitute the revenue income. It is also called current income as the receipts and expenditures are made on transactions of the current period.

10.10.1.2 Capital Income : These receipts are from transactions which have long term or continuous impacts on government funds. Income generated by the government in the form of borrowings from the market in own country and abroad, borrowing from central bank, income from disinvestment etc. are recorded in this account.

10.10.2 On the Debit Side : There are two accounts on the debit side also (1) current expenditures, (2) Capital expenditures.

10.10.2.1 Current Expenditures : These are expenditures made in the current year on salaries of government employees, interest payment on loan taken by the government, pension, subsidies, grants, current expenses on defence, etc.

10.10.2.2 Capital Expenditures : These are expenditures on transactions which have long term or continuous impacts on government funds. This account includes loans given by the government to other governments, repayment of previously taken loans, capital expenses on social and economic services, as well as capital expenses on defence etc.

Thus a budget has two accounts. (A) Current account which records current incomes and expenditures and (B) Capital account which records capital incomes and expenditures.

10.11 Goods and Services Tax (GST)

Under democracy, a country has to incur expenditures after wide spread activities. Besides, a developing economy has to make increasing investments in public utilities. To meet increasing expenditures, a state (government) must raise incomes.

Taxes are an important source of revenue/income for a state (government). Taxex are classified in two broad categories as : Direct taxes and indirect taxes.

In India, all forms of government viz., central, state and local governments have been collecting various types of indiect taxes. However, the government of India made constitutional amendments and introduced a common tax called Goods and Services tax in lieu of many indirect taxes. GST became applicable from July 1, 2017.

A Common tax introduced in lieu of several indirect taxes imposed by the central and state governments in India came to be known as the Goods and Services Tax (GST)

10.11.1 Meaning :

- The Goods and Services tax (in short known as GST) is an indirect tax levied on the supply of goods and services.
- The common tax introduced by replacing various indirect taxes levied by central and state government on Goods and services is known as Goods and Services Tax (GST)
- It is an indirect tax
- It has encompassed several indirect taxes which were earlier imposed by central and state governments.
- The administrative authority for GST is the GST Council. The finance minister of India is stated to be the chairperson of the council and the finance ministers of state are stateds to be the members.

The indirect taxes replaced by GST are noted as :

(A) Indirect taxes of the centre replaced by GST like,

1. Central Sales Tax (CST)
2. Central Excise Duty (and additional excise duties)
3. Additional Custom Duties
4. Service Tax

(B) Indirect taxes of the states and union territories replaced by GST like,

1. Value Added Tax (VAT)
2. Purchase Tax
3. Octroi
4. Sales Tax
5. Entertainment Tax and Entry Tax

Thus, several indirect taxes are replaced by only one tax on goods and services. However, the basic custom duty is not substituted by GST.

10.11.2 Reasons for introduction of GST : In the federal system of governance in India, most of the direct taxes are collected by the centre. Whereas, indirect taxes of different types are collected by the centre as well as by the states.

States collect indirect taxes to meet their expenditures however, prior to GST, the rates of the same type of tax were different in different states. Besides, the same good/service was taxed by the centre as well as the state. Moreover, when a good/service was transported from one state to another, Both the states levied a separate indirect tax on it. Hence, the burden of tax and the administrative effort of variety of taxes on the same good/service also increased. Hence, GST was introduced to:

(1) Impose a single tax on a single good/service by elimination of multiple taxation on a single good/service.

(2) Eliminate the difference in tax rates between states for similar goods/services.

(3) Reduce the cost of tax collection and ease the administration of indirect tax collection.

(4) Make digital procedures of tax collection less complicated.

(5) Reduce tax evasion and avoidance and make the indirect tax structure more productive (in terms of raising revenues).

(6) Reduce the burden of indirect taxes on people.

10.11.3 Types of Goods and Services Tax: In India, GST is classified in two broad categories. (1) The first category includes CGST and SGST/UTGST (2) IGST

The production and sale of goods and services is categorised as those produced and sold within a single state and those produced and sold between states. The categories of GST are based on this difference.

(1) CGST and SGST/UTGST

If a good/service is produced within the same state or union territory then two types of GST are livied viz., (A) CGST: Central GST which is a rate charged as centre's tax.

(B) SGST/UTGST: State GST which is charged as the State's tax. In case the production and sale is within a union territory, it is called UTGST.

E.g. if a good is produced in Ahmedabad and sold in Bhavnagar and the rate on such a good is 18% and the cost of the good is ₹ 100 then GST is imposed as,

CGST 9% = ₹ 9

SGST 9% = ₹ 9

Total 18% = ₹ 18 (₹100 + ₹18 = ₹118 is the price which the final consumer pays)

(2) IGST (Integrated Goods and Services Tax)

If a good produced in one state is sold in another state then the applicable GST rate is IGST. E.g. if a good produced in Ahmedabad is sold in Mumbai then IGST is applicable. If value of the good is ₹ 100 and the IGST rate for this product is 18% then

Cost = ₹ 100

IGST = ₹ 18 @ 18%

Final Price = ₹ 118

10.11.4 Enforcement of GST : GST was introduced from July 1, 2017 after making constitutional amendment. It replaced about 17 different indirect taxes which were imposed by the central and state governments in India.

The following are some important enforcement areas of GST in India.

(1) **Respective rates of central and state indirect taxes** were determined by the centre and state with different considerations. With one GST for the whole country, emerged the need to have one nodal agency to determine rates and regulate the GST procedures. For this purpose the GST council was set up.

The chair person of this council is the Finance Minister of India and the finance ministers of states are its members. The council meets every three months.

2. Rates of GST : • In the beginning, 5 different rates of GST are datermined for different types of goods and services.

i. Zero GST: Certain goods and services are exempted from GST and so these goods have a 0% rate of GST. Some of these goods and services are certain agricultural goods like vegetables, fruits, cereals, education and health services.

ii. Levels of Rates: Other goods and services are taxed at 5%, 12%, 18% and 28% depending on the type of needs which they satisfy. 28% rate is imposed mostly on entertainment and luxury goods and services.

iii. Compensation to states: There is a bill to provide compensation for 5 years from introduction of GST to sates that suffer loss of revenue owing to introduction of GST.

As an immediate effect of GST, some states would gain while some would incur revenue loss owing to GST.

iv. **Goods and Sevices kept outside the realm of GST**

In the intitial phase, certain goods and services are kept outside the purview of GST. These are taxed according to the earlier rates of various indirect taxes. Gradually these goods may be brought under the purview of GST. These are:

a. Alcohol

b. Petroleum products (Petrol, diesel, crude, Aviation Turbine Fuel (ATF) and natural gas)

10.11.5 Tax Credit Scheme

Earlier, there was no provision under indirect Tax System for input Tax credit on indirect Tax paid, but now GST allows for input Tax credit. GST paid by the trader at the time of purchase of goods is deductible from GST payable at the time of sale of the same goods. e.g., when a trader pays GST of ₹ 35,000 at the time of purchase of goods and if ₹ 40,000 is payable as GST on sale of the same goods, GST paid ₹ 35,000 at the time of purchase is deductible from GST payable ₹ 40,000 on sale of the goods and the requires to pay net amount of ₹ 5000 as GST.

10.12 Idea of Budgets of Different Tiers of Governments in India

Let us now get an idea of the budget of the three tiers of government in the Indian federal system viz., Central government, State governments and local governments (Municipal corporations, Municipalities and Panchayats).

10.12.1 Concept of Union Budget (Central Government's Budget) : In India the Central Government's budget is presented by the Finance Minister in the Loksabha usually in the last week of February every year and the loksabha approves the budget after discussions and if necessary, amendments are made later. The budget is effective from April 1 to March 31 of the next calendar year.

An Idea of the Budget of Central Government in India :

Current (Revenue) Account of Central Government's Budget	
Income (Credit)	**Expendiure (Debit)**
(1) Tax revenue	**(1) Non – plan expenditures (are incured on programmes for various sectors which are not detailed in the plans) such as :**
(A) Revenues from direct taxes (B) Revenues from indirect taxes (C) Indirect taxes from goods and services which are not covered under GST (D) Tax revenues from union territories	(A) Interest payments (on loans borrowed in earlier periods) (B) Social services like education, health, public utilities and administration and general services (C) Economic services like agricultural services, industries, electricity, transport, technology etc. (D) Non-plan Grants and assistance given by centre to states and union territories (E) Current expenses on defence (F) Subsidies (G) Salaries, Pensions etc.
(2) Incomes other than tax incomes	**(2) Planned expenditures (are incurred on programmes for various sectors which are detailed in the plans) such as :**
(A) Interest incomes earned from loans given by the centre in earlier periods (B) Profits and dividends from public sector enterprises (C) Fees and fines from public utilities (D) Assistance received from abroad	(A) Agriculture, industries, irrigation, information and communication, energy, minerals, transport and such sectors (B) Planned grants and assistance given to states and union territories

Capital Account of Central Government's Budget	
Income (Credit)	**Expenditure (Debit)**
(1) Recovery of Loans (2) Borrowings (3) Other capital incomes like those from disinvestment, small savings schemes etc.	(1) Repayment of loans borrowed earlier (2) Loans given to other governments (3) Capital expenditure on social and economic services (4) Capital expenditure in defence

Note : The expenditure of central government is classified into plan and non – plan expenditures (changed in budget of 2016). While the expenditure of state governments is classified into developmental and non – developmental expenditures.

Developmental expenditure means expenditure which provides a direct boost to economic development. For example, expenditure on irrigation. Non-developmental expenditure means the expenditure which does not have a direct impact on development. For example, expenditure on pensions.

10.11.2 An Idea of the Budget of the State Governments in India : The states in India have less productive income sources than the centre while they have greater responsibilities to fulfil in several sectors. The following table gives an idea of the accounts of a state budget.

Current (Revenue) Account of State Budget

Income (Credit)	**Expenditure (Debit)**
(1) Share which a state receives from tax revenue of centre upon recommendations of Finance Commission	(1) **Developmental** (A) Social services like education, health, nutri -tion, family welfare, water supply, sanitat -tion, welfare of SC, ST, OBC and so on (B) Economic services like, agriculture, rural development, irrigation, industry and minerals, transport and communica tion, science, technology and environ-ment and so on.
(2) **Taxes of the state** (A) Tax on agricultural incomes which does not exist at present (B) Land revenue (C) Stamp duty (D) State excise duties (E) Sales tax/Value added tax (F) Vehicle tax (G) Electricity duties (H) Entertainment tax [(D)–(H)] Replaced to GST (I) Others (J) Vehicle Tax (K) Tax on electricity	(2) **Non-developmental** (A) General services like administration, interest payments, pensions, fiscal services and so on (B) Other expenses : including grants to states
(3) Indirect taxes from items not covered under GST	
(4) **Other Incomes like grants from other governments, gifts etc.**	

Capital Account of State Budget

Income (Credit)	**Expenditure (Debit)**
(1) **Public debt** (A) Internal debt of the state (B) Loans and advances from centre (C) Ways and means advances, advances for projects	(1) **Developmental :** (A) Capital expenditure on social services (B) Capital expenditure on economic services
(2) **Recovery of loans given to other governments in previous periods**	(2) **Non-developmental :** (A) Capital expenditure on general services and administration (B) Repayment of loans taken in previous periods (C) Other expenses : Loans and advances to local governments
(3) **Other capital incomes :** e.g. those obtained from disinvestment	

10.12.3 Budget of Local Governments : In India local governments are called Municipal corporations in big cities, Municipalities in smaller cities, District (Jilla) Panchayats in districts, Taluka panchayats in talukas and Gram panchayat in villages. Constitution has suggested the role of these governments and these governments can also collect some income of their own.

The main functions of local governments pertain to water supply, water pumps, sewage, roads, cleanliness, public health, electrification of their concerned region and so on.

Idea of the Budget of a Municipal Corporation

Current (Revenue) Account

Income (Credit)	**Expenditure (Debit)**
(1) Income obtained from state government (A) Grants, subsidy and contribution (B) Project grants from state government	(1) Expenses to get Grants, subsidy and contribution
(2) Octroi (Abolished in Gujarat)	(2) Loan charges
(3) Property tax (A) General tax (B) Water tax (C) Vacant Land tax	(3) Establishment expenditure on salaries, pensions and so on
(4) Other taxes (A) Vehicle tax (B) Entertainment tax (C) Education cess	(4) Administrative expenditure on telephone bills, stationery and so on
(5) Incomes other than tax incomes : Usually collected as per rules (A) Fees on use of Municipal property (B) Fees collected from public places (C) Fees collected against public services etc.	(5) Expenses on electricity and fuel
	(6) Maintenance expenses
	(7) Expenses on organizing functions

Capital Account	
Income (Credit)	**Expenditure (Debit)**
(1) Grants received from state government (2) Capital gains from property owned by the corporation (3) Borrowed (debt) capital (4) Other capital incomes For example, funds for housing schemes from state government	(1) Expenses on infrastructure (2) Purchase of transport vehicles (3) Purchase of machinery, tools, equipments and so on.

10.13 Functions of a Panchayat and its Sources of Revenue

Panchayati Raj Institution is the oldest method of local governance in Asia. Panchayat means 'an assembly of five'. In India for rural administration, district Panchayats, taluka panchayats, gram Panchayats are a part of the three – tier government. According to the Constitution of India, panchayats in their respective areas can prepare a plan for economic development and social justice and also execute it. Different states have various forms of Panchayati Raj Insititutions. To facilitate this, states must devolve functions to them. Several functions are mentioned in their list of responsibility by the Constitution of India. States also provide them finances as per recommendations of State Finance Commissions. Responsibilities are executed by various committees called 'gram sabhas/samatis' (or may be called by other such names).

The Panchayati Raj Act has provided greater strength to these institutions and now they do not have to depend too much on recommendations of state finance commissions and upon the state governments but they get some funds in their accounts directly from the centre. Thus, they are financially better off than before and also enjoy greater decision making power.

10.13.1 Sources of Income of a Panchayat

(1) Share in state taxes as suggested in the constitution and by the state finance commissions.

(2) Grants received directly from central government.

(3) Funds from the state government to execute development projects announced by the state government.

10.13.2 Functions of a Panchayat (Items of Expenditure) : Panchayats are mainly responsible for water supply, water pumps, sewage, roads, cleanliness, public health, electrification of their concerned region and so on.

10.14 Types of Deficits in a Budget

Budgets can be balanced or unbalanced between total income and total expenditure. An unbalanced budget can have a surplus or a deficit. The types of deficits in a budget with specific reference to India are :

10.14.1 Revenue Deficit : Revenue deficit arises when total expenditure of the government on revenue (current) account is more than total receipts of the government on the revenue account.

Revenue account contains current transactions of the government and a deficit in this account in a simple sense means that the government is not able to meet its routine expenditures from its current income. This shows inefficient working of government machinery. Such a deficit can be met by greater borrowings on the capital account.

10.14.2 Budgetary Deficit : When the total expenditure (current as well as capital) is greater than the total income (current as well as capital) in a budget then budgetary deficit is said to have arisen.

The central government incurs deficit financing (borrows from RBI) to meet this deficit and the state governments borrow more from the central government which is called overdraft.

10.14.3 Fiscal Deficit : The borrowings of a government from the market are considered as income on the capital account. However this is a debt created by the government and must not be included as a source of income. Hence if market borrowings are added in the budgetary deficit then we get fiscal deficit. Fiscal deficit is therefore higher than budgetary deficit. In other words,

Fiscal deficit = total expenditure – total income (excluding market borrowings)

10.14.4 Primary Deficit : This is a relatively new concept in Indian budget. Primary Deficit is obtained after deducting interest payments from fiscal deficit. Interest payments constitute an important part of government expenditures. But, these are not expenditures actually incurred on current activities but are an inevitable burden to be paid for amounts borrowed in the past. Hence, this concept of deficit takes out interest payments from fiscal deficit. This concept doesn't have policy significance.

10.15 Effects of Preparing a Budget

The entire exercise of preparing a budget has the following effects :

(1) It brings fiscal discipline in governments as there is an attempt to incur expenditures in accordance with incomes to keep deficits in control.

(2) It justifies allocation of resources among various sectors according to need and priority.

(3) It gives direction to investment by allocating budgetary funds in various sectors and regulates demand by regulating the disposable incomes of people by imposing right amount of taxes.

(4) By using the instrument of taxation and directing expenditures in the necessary sectors, a budget also helps in providing stabilization against inflation and deflation.

(5) A budget helps to fulfil a nation's/state's objectives pertaining economic growth and development.

Exercise

1. Choose correct option for the following from the options provided :

(1) How many tiers of government are mentioned in the Indian Constitution ?

(A) One tier (B) Two tier (C) Three tier (D) Zero tier

(2) What is meant by a 'Panchayat' ?

(A) An assembly of 5 persons (B) An assembly of 50 people

(C) An assembly of 500 people (D) An assembly of 5 villages

(3) Who of the following favoured the concept of balanced budget ?

(A) Adam Smith (B) Marshall (C) Keynes (D) Hicks

(4) Education is the responsibility of which government ?

(A) Central Government (B) State Government

(C) Local Government (D) Joint responsibility of centre and state

(5) What does the government do with its expenditure during inflation ?

(A) Keeps it stable (B) Reduces it (C) Increases it (D) Makes it zero

(6) Upon whose recommendations do the States get a share from revenues of the Centre ?

(A) Planning Commission (B) Finance Commission

(C) NITI Ayog (D) Central government

(7) Which of the following concepts of deficit does not have policy importance in India ?

(A) Revenue deficit (B) Budgetary Deficit (C) Fiscal Deficit (D) Primary Deficit

(8) Which of the following taxes is subsumed by GST ?

(A) Income Tax (B) Gift Tax (C) Wealth Tax (D) Service Tax

2. Answer the following questions in one sentence :

(1) What is meant by a budget ?

(2) How many sides are there in the accounting statement of a budget? Which are those ?

(3) Mention some areas in the list of joint responsibility of the centre and the states.

(4) Who presents the budget generally in the lok sabha ?

(5) What is meant by a deficit budget ?

(6) Which is the general time period for which a budget is made ?

(7) What is meant by revenue (current) income ?

(8) What is meant by development expenditures ?

(9) Which expenditures are included in the non developmental expenditures ?

(10) State the sources of income of Panchayat.

(11) From which year was Goods and Services Tax (GST) introduced in India?

(12) Who becomes the chairperson of the GST council?

3. Answer the following questions in short :

(1) Explain how resources are re-allocated through a budget?

(2) Explain the types of budget.

(3) Give the merits of a surplus budget.

(4) Give the meaning of Goods and Services Tax (GST)

(5) In how many categories is Goods and Services Tax (GST) classified ? Which are those?

(6) Give the full form of GST, CGST, SGST, UTGST, IGST.

4. Answer the following questions in brief points :

(1) Give the meanings of Revenue deficit, Budgetary deficit, Fiscal deficit and Primary deficit.

(2) Discuss effects of a budget.

(3) Explain the concepts of –

(A) Revenue expenditure (B) Revenue income (C) Capital income (D) Capital expenditure.

(4) Give details of the income and expenditure sides of the capital account of a state budget.

(5) Give the functions and sources of income of 'Panchayats'.

(6) Give the reasons responsible for introduction of GST in India.

5. Answer the following questions in detail :

(1) Give the meaning and objectives of a budget.

(2) Give details of the budgetary accounts of the central government of India.

(3) Write a note on budget of a state government in India.

(4) Explain the various types of deficits in a budget.

(5) Write a detailed note on important aspects pertaining to enforcement of Goods and Services Tax (GST) in India.

Glossary

Budget : A government budget is an annual accounting statement of the item –wise estimates of expected revenue and anticipated expenditure of the government for a new financial year

Balanced budget : A type of budget in which the government's estimated total expenditure is just equal to the estimated total income.

Unbalanced budget : A type of budget in which the government's estimated total expenditure is not equal to the estimated total income.

Surplus budget : A type of unbalanced budget in which the government's estimated total expenditure is less than the estimated total income.

Deficit budget : A type of unbalanced budget in which the government's estimated total expenditure is more than the estimated total income.

Current (Revenue) account : The account showing current incomes and current expenditures in a budget is called the current account of a budget.

Capital account of a budget : The account showing capital incomes and capital expenditures in a budget is called the capital account of a budget.

Current (Revenue) Receipt : In the current period, the direct and indirect taxes, profits of public enterprises, fees and fines from public utilities etc. constitute the revenue income.

Current (Revenue) expenditure of a budget : These are expenditures made in the current year on salaries of government employees, interest payment on loan taken by the government, pension, subsidies, grants, current spending on defence etc.

Capital Receipt : These receipts are from transactions which have long term or continuous impacts on government funds. Incomes generated by the government is the form of borrowings from the market in own country and abroad, borrowing from central bank, income from disinvestment etc. are recorded in this account.

Capital expenditure : These are expenditures on transactions which have long term or continuous impacts on government funds. This account includes loans given by the government to other governments,

		repayment of previously taken loans, capital expenses on social and economic services, as well as capital expenses on defence etc.
Revenue deficit in a budget	:	Revenue deficit arises when total expenditure of the government on revenue (current) account is more than total receipts of the government on the revenue account.
Budgetary deficit	:	When the total expenditure (current as well as capital) is greater than the total income (current as well as capital) in a budget then budgetary deficit is said to have arisen.
Fiscal deficit in a budget	:	If market borrowings are added in the budgetary deficit then we get fiscal deficit. Fiscal deficit is therefore higher than budgetary deficit. In other words, fiscal deficit = Total expenditure – total income (excluding market borrowings)
Primary deficit in a budget	:	Primary Deficit is obtained after deducting interest payments from fiscal deficit.
Goods and Services tax	:	• The Goods and Services tax (also known as GST) is an indirect tax levied on the supply of goods and services. • The common tax introduced by replacing various indirect taxes levied by central and state government on Goods and services is known as Goods and Services Tax (GST)
SGST	:	State Goods and Services Tax
CGST	:	Central Goods and Services Tax
UTGST	:	Union Tarritory Goods and Services Tax
IGST	:	Integreted Goods and Services Tax

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